

REPORT
OF THE
Public Accounts Committee
ON THE
Accounts of 1928-29

Volume I—Report

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**Composition of the Committee on Public Accounts which met in 1930
(vide rule 51 of the Indian Legislative Rules).**

Chairman.

1. The Hon'ble Sir GEORGE SCHUSTER, Finance Member.

<i>Elected Members.</i>	<i>Date of election.</i>
2. Mr. B. DAS	26th March 1928.
3. Haji Chowdhury MUHAMMAD ISMAIL KHAN	26th March 1928.
4. Rao Bahadur M. C. RAJAH	26th March 1928.
5. Maulvi ABDUL MATIN CHAUDHURY	6th February 1929.
6. Mr. K. C. NEOGY	6th February 1929.
7. Mr. S. C. MITRA	17th March 1930.
8. Mr. G. SARVOTHAM RAO	17th March 1930.
9. Mr. MOHAMMAD ANWAR-UL-AZIM	17th March 1930.

<i>Nominated Members.</i>	<i>Date of nomination.</i>
10. Maulvi MUHAMMAD YAKUB	30th April 1930.
11. Mr. K. C. ROY	30th April 1930.
12. Mr. J. RAMSAY SCOTT	30th April 1930.

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
ON THE ACCOUNTS OF 1928-29.**

1—EXCESS VOTES.

The following table compares the total grants voted by the Legislative Assembly with the total expenditure against those grants :—

**General
summary.**

(In lakhs of rupees.)

	Original grant.	Supplementary grant.	Final Grant.	Actual expenditure.
Expenditure charged to Revenue ..	1,05,14	3,24	1,08,38	1,06,24
Expenditure charged to Capital ..	30,70	2,08	32, 8	31,54
Total Expenditure ..	1,35,84	5,32	1,41,16	1,37,78
Disbursements of Loans and Advances ..	9,95	4,31	14,26	14,30
Grand Total ..	1,45,79	9,63	1,55,42	1,52,08

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

(In lakhs of rupees.)

	Original appropriation.	Supplementary appropriation.	Final appropriation.	Actual expenditure.
Expenditure charged to Revenue ..	1,13,88	1,93	1,15,81	1,15,45
Expenditure charged to Capital ..	2,32	—2,12	20	10
Total expenditure ..	1,16,20	—19	1,16,01	1,15,64

3. If the total voted and non-voted expenditure is taken, the position is as follows :—

(In lakhs of rupees.)

	Original grant.	Final grant.	Actual expenditure.
Expenditure charged to Revenue ..	2,19,02	2,24,19	2,21,69
Expenditure charged to Capital ..	33,02	32,98	31,73
Total expenditure ..	2,52,04	2,57,17	2,53,42
Disbursements of Loans and Advances ..	9,95	14,26	14,30
Grand Total ..	2,61,99	2,71,43	2,67,72

4. It will be seen that, against final grants aggregating 2,71.43 crores, the actual expenditure was 2,67.72 crores—a saving of 3.71 crores or 1.4 per cent. which is made up as follows :—

		(In crores of rupees.)	
Railway expenditure charged to Revenue	.. ..	1.27	
Railway expenditure charged to Capital	.. ..	.65	
Posts and Telegraphs expenditure charged to Capital	.. ..	.15	
Capital outlay on Vizagapatam Harbour	.. ..	.18	
Delhi capital outlay	.. ..	.23	
Opium expenditure	.. ..	.27	
Civil Works expenditure	.. ..	.11	
Refunds	.. ..	.22	
All other items	.. ..	.63	
		3.71	

5. The percentages of savings in the final grants for 1928-29 and in the four preceding years are given below for purposes of comparison :—

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
Expenditure charged to Revenue ..	4.1	3.0	2.9	.6	1.1
Expenditure charged to Capital ..	51.7	15.5	5.8	3.4	3.8
Total Expenditure ..	10.5	4.6	3.3	1.0	1.5
Grand total including Loans and Advances ..	10.8	6.7	3.8	1.0	1.4

The low percentages of savings in 1927-28 were mainly due to the very large excesses in Railway expenditure, both revenue and capital, which occurred in that year. Taking this factor into account, it may be stated that there has been a steady and continuous improvement in the estimating as a whole for the last few years.

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

Year.	Voted.	Non-voted.
1924-25	16.9	3.6
1925-26	7.8	1.4
1926-27	5.2	1.0
1927-28	—4	2.8
1928-29	2.4	.3

The remarks in the preceding paragraph apply here also. It is noteworthy that, as compared with the *original* grants and appropriations, the actual expenditure in 1928-29 shows the following small variations :—

Voted expenditure	.. ..	Excess of 1·4 per cent.
Non-voted expenditure	.. ..	Saving of ·5 per cent.
Total expenditure	.. ..	Excess of ·5 per cent.

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

Item No.	Number of grant.	Grant.	Amount	Actual	Excess.
			voted by the Assembly.	expenditure.	
			Rs.	Rs.	Rs.
<i>Civil.</i>					
1	22	Irrigation (including Working Expenses), Navigation, Embankment and Drainage Works	16,61,000	17,36,509	75,509
2	32	Public Service Commission	1,17,000	1,20,898	3,898
3	41	Payments to Provincial Governments on account of administration of Agency subjects	1,28,000	1,28,107	107
4	48	Geological Survey	2,12,000	2,13,708	1,708
5	72-A	Miscellaneous Adjustments between the Central and Provincial Governments	1,08,000	1,08,059	59
6	91	Commuted Value of Pensions	26,10,000	29,13,702	3,03,702
7	94	Loans and Advances bearing Interest	13,31,57,000	13,54,93,470	23,36,470
<i>Posts and Telegraphs.</i>					
8	23	Indian Posts and Telegraphs Department (including Working Expenses)	10,96,93,000	11,01,81,047	4,68,047
<i>Railways.</i>					
9	4	Commercial Lines—Working Expenses : Administration	13,33,00,000	13,45,04,000	12,04,000
10	5	Commercial Lines—Working Expenses : Repairs and maintenance and operation	39,45,00,000	39,50,87,000	5,87,000
11	10	Appropriation from Depreciation Fund	9,50,00,000	9,59,83,000	9,83,000

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

Item 1.—The original demand was framed under a misapprehension that the net expenditure, after allowing for certain recoveries, would be exhibited in the Appropriation Accounts, and not the gross expenditure. It has since been decided that, with effect from 1931-32, these recoveries should be treated in the demands for grants in the same way as in the accounts.

Item 2.—The excess was due to increased disbursements towards the close of the year on account of honoraria to examiners and other expenses connected with examinations, which it was not possible to estimate accurately until too late.

Items 3 and 5.—The excesses are petty and due to the fact that the demands had been rounded to the nearest thousand in accordance with the usual practice.

Item 4.—The excess is well under 1 per cent. and was the net result of excesses and savings under various sub-heads.

Item 6.—There were unexpected large adjustments towards and after the close of the year. The payments are of a widely fluctuating character and the Auditor General has recognised that accurate estimating cannot be looked for under this head for the present at any rate.

Item 7.—The excess in this case is more than accounted for by the fact that an advance of Rs. 53 lakhs had to be sanctioned after the close of the year to cover an over-draft by the Government of the United Provinces.

Item 8.—The estimating in regard to the effect of revisions of establishments, was admittedly not as close as it might have been. The question of giving the Financial Adviser suitable assistance in order to ensure better control of expenditure is stated to be under consideration. The excess, though large, represents only .4 per cent. of the final grant.

Item 9.—The excess occurred mainly on the Eastern Bengal Railway where the budgeting was very defective and control of expenditure insufficient. It is necessary that more attention should be paid by the authorities concerned to these matters in future.

Item 10.—The excess, though only .1 per cent. of the final grant, does not reflect specially accurate budgeting or effective control over expenditure. It was due to the system of over-allotment which is referred to elsewhere in this Report.

Item 11.—The excess of 1 per cent. was almost entirely the result of the write-back of Rs. 9,58,000 from Capital to Depreciation Fund on account of the dismantling of the Decauville Railway. This of course meant a corresponding saving in the Capital grant.

9. The total number of voted grants in which there has been an excess during the year, is 11 which compares favourably with the corresponding numbers for the two previous years, viz., 15 in 1926-27 and 13 in 1927-28. We shall have certain general observations to make in Section III of this Report in regard to the accuracy of estimation and control exercised over the progress of expenditure. We now recommend that the Assembly assent to the excess grants detailed in paragraph 7 above, which the Governor General in Council will place before them in due course.

10. Rule 52(2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every re-appropriation from one grant to another grant; every re-appropriation within a grant, which is not made in accordance with such rules as may be prescribed by the Finance Department; and all expenditure which the Finance Department have requested should be brought to the notice of the Assembly. We are glad to be able to report that there have been no re-appropriations falling under these categories during the year; nor have the Finance Department requested us to bring to the notice of the Assembly any particular item of expenditure.

II.—Comments on matters outstanding from previous Reports.

11. It is satisfactory that, in accordance with the recommendations of our predecessors, an opportunity was given to the Legislative Assembly to discuss the Report on the accounts of 1927-28. The motion that the Report be taken into consideration evoked a general discussion and was not actually put to the vote. As a matter of fact, no views were expressed on the question of procedure which was dealt with at length in paragraph 30 of the Report. We are content, however, that a similar procedure should be adopted in future years unless the Assembly desire that one of the other alternatives suggested in the Report should be adopted in any particular year. We are satisfied that the procedure for the disposal of the annual Report by the Executive Government, outlined in paragraph 4 of the Finance Department Resolution (Appendix I), will prove adequate and that, in particular, the preparation of the quarterly statements of outstandings and their communication to members of this Committee will tend to expedite the disposal of outstandings generally. We refer to some of the outstanding questions in the following paragraphs.

12. The Director of Commercial Audit has prepared, for the year 1928-29, an Appendix containing the accounts and reviews of Government commercial concerns in the *Civil* Department. We agree with the Auditor General that, in this initial attempt, evident pains have been taken to conform, in a practical way, to the wishes expressed by our predecessors last year in regard to this matter and to make the reports on the various concerns interesting and informative. The orders issued by Government, however, stated that, as a matter of practice, it would not be possible for audited figures for any complete year subsequent to the one which was normally to be under the Committee's scrutiny, to be made available in time for the annual session of the Committee and that no useful purpose would be served by calling for reviews more up-to-date than those which the Committee had to scrutinise in the ordinary course. We have since been informed that this is not the last word on the subject and that the Finance Department will pursue the question in consultation with the Auditor General and the Director of Commercial Audit with the idea of speeding up the audited figures as much as possible. We desire to make it clear that what we want is a comparison of the results of a series of years including those of the latest year for which audited figures can be made available.

13. On the *Railway* side, there are two connected problems, viz., the introduction of a system of proper commercial accounts on all collieries worked by Railways and the presentation of the results of the working of each Railway in the form of regular trading and profit and loss accounts and balance sheets. As regards the former, it has been explained to us that the difficulty is one of determining the prices which the Railways ought to pay to their own collieries for coal. We consider that accurate costing accounts should be kept, including all charges, so that, in a broad way, one could see from year to year whether it paid the Railways to work their own collieries or whether they were losing in doing so instead of buying their coal from outside. We suggest that the settlement of the question should be expedited.

14. As regards the other and more important question referred to in the preceding paragraph, we understand that a decision has been held up owing to

Discussion on disposal of Reports.

Reviews of commercial undertakings.

certain technical difficulties, for example, the difficulty of allocating the correct interest chargeable to each Railway in view of the fact that the capital expenditure has been incurred at different times and money for the purpose has been borrowed at different rates of interest. We are of opinion, however, that the Railway Department should not be deterred by these technical difficulties; that what is necessary is to make a start from which one could begin making comparisons between the results of one year and another, and that, for this purpose, an adequate approximation of the correct results can be arrived at by charging to each Railway interest on the basis of the average rate paid on the entire capital. In the course of our examination of the Railway Appropriation Accounts, we took occasion to note that the available statistics were not in a sufficiently convenient and handy form to enable the public to review the construction policy started in 1923-24 and to see whether the traffic estimates had been borne out by subsequent experience. We accordingly take this opportunity of suggesting that the Railway Department should prepare a simple form of report on the working of the Railways, summarising the reports of Agents, taking out the salient points therein, and bringing out the sort of features which the Chairman of a public Railway Company would call attention to in his speech at the annual meeting of the shareholders. We think that such a report might well be supplemented by simplified statistics on the one side and on the other by a note giving simple instructions as to how to interpret, and what points to look for in, Railway statistics, somewhat on the lines of the note prepared for us by the Director of Commercial Audit (Appendix XIV). On a point of detail, we would observe that it is desirable that strategic lines should be shown separately from commercial lines in any such document.

15. We note the improvement which has already been made in the trading accounts on the *military* side. In view of the facts that most of the produce of the manufacturing establishments is used in the Army itself and that such establishments are distributed over a large area, we doubt whether any useful purpose is served by the consolidation of accounts relating to a particular class of establishments. The important point is to determine the cost of production in each case. We propose to await the result of the joint examination of the question by the Directors of Army and Commercial Audit, which the Auditor General has promised to arrange.

16. We have been informed that the Government of India have issued orders entrusting the purchase of certain additional classes of stores on behalf of the Railways to the Indian Stores Department and enjoining on all minor local Governments and all Heads of Departments subordinate to the Department of Industries and Labour to purchase all classes of stores (with certain exceptions) through the agency of that Department. We recommend that the issue of similar instructions to the Heads of Departments subordinate to other Departments of the Government of India should be expedited.

17. In this connection we have seen the Memorandum prepared by the Army Department on the relationship of the Army to the Indian Stores Department in regard to the purchase of stores (Appendix XIII), and also had opportunities of hearing witnesses from the Army and Railway Departments. We noted with pleasure the cordial relations existing between them and the Indian Stores Department and have been assured that serious efforts are now

being made to purchase stores through the latter as far as possible. We are glad to receive this assurance, but we observe that no definite promise of a maximum figure of purchases could be given. We consider that, with a view to making the Indian Stores Department self-supporting, this question should be constantly kept under review and we propose to enquire into the matter again next year. Meanwhile, we do not repeat the recommendation made in paragraph 43 of the last Report, but we wish to record that we may desire to revive it.

18. We have dealt with other outstanding questions where necessary in our Proceedings. We desire to make a special note of the following points in this Report :— **Other outstanding points.**

- (1) A number of cases have been held up pending the proposed constitutional revision. We desire that Government should make sure that all these are brought under review at the first opportunity.
- (2) It was represented to us that the sale, to Provincial Governments at a special price, of quinine stocked by the Central Government, would amount to a subvention from the latter in aid of Provincial revenues, which was not strictly permissible under the Devolution Rules. We are, however, of the opinion, primarily from the public health point of view and even from the purely financial point of view, that it is desirable that the Government of India should try to dispose of 20 per cent. of their stocks at a special cheap price in order to encourage a greater consumption of quinine for anti-malarial purposes and thus, perhaps, to create a better demand for the balance. We suggest that the Government of India should consider the matter again on these lines and, possibly, again circularise the Provincial Governments about it.
- (3) We think that the proposed combined audit and accounts office for the Andamans should be established as early as possible. As the Andamans are spending considerable sums on the development of various undertakings, special attention has to be paid to accounts, and, for this purpose, it is desirable that the head of the proposed office, when one is instituted, should be a man with general intelligence, who, while fulfilling his normal functions as an accounts officer, would keep an eye as to how the administration was going on generally from the point of view of financial results.
- (4) We notice that not much progress has been made in the disposal of questions relating to adjustments between the Posts and Telegraphs and other Departments. We desire to press the recommendation made by our predecessors last year that the settlement of the items should be expedited, as, meanwhile, the true commercial results of the working of the Department cannot be ascertained. In particular, we desire that the question of the free grant of postage stamps to Indian States should be examined in order to see whether the Department should not get

a credit for the amount in view of the commercialisation of the accounts.

- (5) We have discussed at length the Memorandum (Appendix XII) furnished by the Railway Department regarding the state of work in the Stores Accounts Section of the East Indian Railway. We cannot help commenting adversely on the repeated failure to carry out assurances which have been given to us in the past that the reorganisation would be completed within the specified time. We accept the assurance of the present Controller of Railway Accounts that he will, with the help of additional staff, complete the work in about eight months, but in order to avoid the possibility of being confronted with the same position once again, we desire that a detailed *interim* report dealing, among other things, with the questions and answers which came before the Committee last year, should be submitted early in February 1931, when the Committee will have a special meeting, if necessary, to consider it. In any case, we are definitely of opinion that there should be no attempt to introduce experiments with the machine accounting until all the arrear work has been put in order in the particular office.

III.—Important comments on matters arising out of the Accounts for 1928-29.

19. We accept the conclusions of the Auditor General that, in view of the enormous volume and range of the transactions dealt with on the *civil* side, it cannot be said that financial control was deficient on the whole, but that the improvement of financial control is necessarily a matter which requires constant attention. We agree further that the Report of the Accountant General, Central Revenues contains evidence to show that in this matter the separate Pay and Accounts Offices have been very helpful to the Departments which they serve. In the light of the facts which were brought to our notice in a particular case, however, we desire to recommend that where there is a Pay and Accounts Office in operation, no surrenders of sanctioned grants or appropriations should be made by the controlling authority without obtaining the definite advice of Pay and Accounts Officer; and, further, that when such an officer brings to notice the necessity for a supplementary grant or appropriation in the closing months of the year, no delay should be allowed to occur in the office of the controlling authority in dealing with the case. Had these precautions been taken in the year under report, probably two of the excesses referred to in paragraph 7 could have been avoided.

20. On the *Posts and Telegraphs* side, it has been admitted that the budgeting for the year was defective and that the financial control was not sufficiently close. We have been assured, however, that there has been progressive improvement in these matters. We understand that the question of giving suitable assistance to the Financial Adviser, Posts and Telegraphs, is under consideration, and hope that there will be further considerable improvement when such assistance has been given. We have to observe, however, that the financial effect of recent revisions of establishments, necessary though these revisions may have been, was not accurately gauged at

the time when the revisions were embarked upon. We feel that, even making all allowances for difficulties, there ought to be much closer estimating in this respect, and that the Finance Department ought to insist in future on much better estimates before they approve such schemes.

21. The *Railway Appropriation Accounts* contain glaring instances of faulty estimating and insufficient control of expenditure, particularly on the Eastern Bengal Railway. We hope that the action recently taken by the Railway Department in connection with the Special Officer's report on the system of preparing estimates on State Railways, will lead to speedy improvement in both these directions in the near future. We realise that the considerations which apply to normal estimates of revenue expenditure do not necessarily apply to estimates of capital expenditure which is capable of great variations owing to change in policy. We are also aware that, as a matter of fact, the number of projects in operation at present is much smaller than it was in the recent past. Nevertheless, we consider that the policy of capital construction should be so carefully considered, in consultation with the Finance Department, before the estimates are framed, that the likelihood of any appreciable variations owing to financial reasons may be very much diminished; in other words, that the policy of railway construction should always be co-ordinated with the financial position of Government, so that the need for curtailing expenditure in the middle of the year for financial reasons might not arise.

22. Two important questions have been raised in the course of our examination of the *Railway Appropriation Accounts*, viz., the propriety of making re-appropriations from State-managed to Company-managed Railways, and the propriety of making allotments to any particular Railway in the course of the year without effecting corresponding reductions elsewhere. The first question has reference mainly to the two grants for working expenses. We have considerable sympathy with this suggestion. The present position is, no doubt, technically correct as the Railway Department are entitled to re-appropriate funds from one Railway to another within the same grant. We desire to suggest, however, that the advisability of having separate grants for the working expenses of Company-managed Railways and State-managed Railways might be carefully considered.

23. On the second issue referred to in the preceding paragraph, we find that our predecessors made the following recommendation in connection with the accounts of 1926-27 :—

“Whenever such re-appropriations are made, a specific reduction should be made under the head in respect of which savings are anticipated, though a certain amount of discretion may be allowed for the present, in this connection, to the Financial Commissioner, Railways, in view of the peculiar circumstances in which he has to work.”

Since that recommendation was made, however, the policy of over-allotment has been given up in the case of capital expenditure, and it does not appear to us that the discretion should be allowed in all cases of expenditure chargeable to Railway revenues. We are prepared to agree that it may be allowed in the case of grants relating to administration, operating

expenses and surplus profits to Railway companies, but not in other cases. We are informed by the Auditor General that, for his purposes, it would be sufficient to have a record of the sanctions accorded by the Financial Commissioner in the exercise of this discretion in order that audit might be in a position to see whether such discretion was being properly exercised.

24. While on this subject, we would refer to the Report of Mr. P. R. Ray on the control of expenditure and prevention of irregularities on Indian Railways. We have also been supplied with the instructions already issued by the Director of Railway Audit and proposed to be issued by the Railway Department in this connection (Appendix XIX). We hope that, as a result of the action taken, there will be greater co-operation between the Railway accounts staff and the Government examiners and that discrepancies in the evidence tendered to the Committee will be things of the past.

25. We have also perused the Memorandum prepared by the Financial Commissioner (Appendix VIII) on the procedure to be adopted for securing the approval of the legislature to power being taken by the executive to select one of alternative railway projects. We are satisfied that the proposed arrangements will give the Railways sufficient latitude without impairing the powers of control possessed by the Legislative Assembly.

26. Before leaving the subject of estimation on the Railway side, we would refer to a few minor points which relate to the preparation of the Railway Demands for Grants and the Railway Appropriation Accounts. In the first place, we agree in the view expressed by the Auditor General that, as the exact amount of the excess over each grant has to be voted by the Assembly under Rule 49 of the Indian Legislative Rules, it is desirable that the actual expenditure under each grant should be stated in rupees and not only in thousands of rupees in the grand summary of Appropriation Accounts in future. Secondly, we consider that, as the grants for appropriations to and from the depreciation fund, in practice, cover transactions relating to both commercial and strategic lines, the description in the Schedule of Demands which indicates that they relate entirely to commercial lines, should be altered. Thirdly, inasmuch as appropriations from the depreciation fund are not credited to revenue, the expenditure against such appropriations should not be described as expenditure from revenue in these documents.

27. Turning now to the *Military* Appropriation Accounts, we are, like the Military Accounts Committee, gratified to note that, during the year under review, the percentage of financial irregularity, detected by audit and requiring special mention, was, on the whole, satisfactorily small and that there has been some improvement in the standard of financial discipline applied to cases of financial irregularity, etc. We consider, however, that there is room for improvement in the direction of closer and more correct estimating, particularly in regard to the Home estimates, where it should be possible for the Indian and the Home estimating officers, to keep in closer touch with one another and thus avoid large differences between estimates and actuals pertaining to ordinary charges recurring from year to year. We suggest that these views, which we share with the Auditor General, should be brought to the notice of the Secretary of State.

28. Before concluding this portion of our observations, we would refer to certain suggestions made by the Auditor General in connection with the stabilised military budget. We are told that these suggestions exactly fit in with the requirements of the Finance Member who is the officer responsible for general financial control. Like the Military Accounts Committee again, we agree with the Auditor General that it is necessary to make sure, as far as possible, that the purposes underlying the stabilisation of the military grant are being accomplished and that the conditions attaching thereto are being fulfilled. It has been explained to us that the expenditure on the special programme cannot ordinarily be separated from the normal expenditure and that any supplementary statement which may be prepared in order to meet the views of the Auditor General, will necessarily contain a certain amount of estimation and will therefore not be susceptible of audit check. We consider that as much of the special expenditure as possible should be exhibited separately in the accounts and that the Finance Department should see what action can be taken as regards the remainder with a view to its being determined with the greatest measure of accuracy which is possible. We concur in the suggestion of the Auditor General that it might be desirable to detail an audit officer in order that suitable accounting arrangements might be devised in consultation with the Military Accountant General. We also agree that, in order that the Appropriation Accounts may completely fulfil their function, it is necessary that they should include an examination of the receipt side of the account—though not in great detail.

29. In accordance with the suggestion made by our predecessors last year, the Auditor General has prepared a Memorandum of doubtful cases of "new service" appearing in the accounts for 1928-29 (Appendix IX). We have considered these cases carefully and our views are detailed in the following paragraphs.

30. *Drainage channel on the Kadu lake.*—The expenditure in this connection was not strictly for the safeguarding of a source of revenue in the sense in which this expression was used in paragraph 23 of our predecessors' Report for 1926-27. Although the expenditure may not have increased the earning capacity of the Railway, it represents expenditure calculated to reduce working expenses on an average, and this is the only justification for treating it as capital expenditure. And inasmuch as it was so treated, it was recognised as not forming part of the ordinary maintenance charges. In these circumstances, we cannot accept the argument that it formed part of the normal obligation to protect the value of the property. We therefore consider that it must be held to be expenditure on a new service. We take this opportunity of suggesting that individual items in the demands for grants presented to the Assembly should not contain a margin for emergent expenditure of this character, and that, as a corollary to this, a specific but reasonable reserve provision might be made therein to meet such expenditure.

31. *Remodelling of the Tatanagar Workshops.*—We were informed that the provision for the expenditure on the remodelling of these workshops was included in a supplementary demand presented to the Assembly in March 1928 and that the position had been explained to the Standing Finance Committee for Railways, although the expenditure had not been specifically stated in the

supplementary demand. We are of the opinion that the remodelling was not a new service, not because it was not a sufficiently important and distinct transaction, but because it was part of the transaction originally contemplated at the time of the purchase of the workshops, and it must be assumed that the Standing Finance Committee for Railways knew about it, and, through them, the Assembly also.

32. *Purchase of a loud speaker apparatus.*—In this case the Legislative Assembly had approved the expenditure on the opening ceremony and we consider that it would not be unreasonable to assume that such expenditure might have been taken to include the purchase of an apparatus for making a speech properly heard by the gathering. The real test for determining whether a specific vote of the Assembly is required, is to see whether Government would, in refraining from obtaining a vote, be withholding any information which should have been before the Assembly when applying for the original grant. In the circumstances of the case, we consider that the purchase cannot be held to be a new service.

33. *Purchase of buildings for the use of the Income-tax Department.*—The purchase is obviously a “new instrument of service” rather than a “new service”. In these circumstances, having regard to the relatively small expenditure and the fact that it could be met by re-appropriation from within the grant provided for rent for such accommodation, we hold that it was not necessary to go to the Assembly for a special vote.

**Disciplinary
action.**

34. A case was brought to our notice in which an Assistant Engineer, who was guilty of deliberate disregard of the rules in the Public Works Account Code involving falsification of vouchers and other documents and temporary retention of a considerable sum of money, was permitted to proceed on leave and then to resign his appointment with effect from the date of expiry of the leave. We were informed that it had not been proved that Government had lost any money as a result of the irregularities. Nevertheless, and without wishing to criticise the decision of the local Government, we consider that it is only in very exceptional cases that irregularities of the kind referred to should be condoned in this manner.

**Printing
arrange-
ments.**

35. Another case was brought to our notice in which the Army Department entrusted certain of their printing work to private presses for the reason that the Government presses were not in a position to complete the work within the specified time. We were informed that different Departments of the Government of India often come with rush orders at the same time, in which case it is not possible for the Government presses to do the work within the specified time. On the other hand, it is not impossible that the presses may, at other times during the same year, be comparatively idle. We desire to emphasise the fact that it is very important that Departments should give the Central Printing Office as long notice as possible of their requirements, in order that the latter may be able to arrange the work in the most economical manner.

**Financial
position
of the**

36. We have perused the memorandum furnished by the Financial Adviser, Posts and Telegraphs (Appendix XVI) which contains his estimate of the

future commercial prospects of the Indian Posts and Telegraphs Department, as also the memorandum furnished subsequently by the Director-General (Appendix XXIII) detailing possible measures for the reduction of working expenses and the improvement of the revenue of the Department. There is no doubt that the financial position has been deteriorating for some time. This has been ascribed partly to bad trade and partly to increased establishment charges. At the same time, it is essential that the finances of the Department should be placed on a satisfactory footing as early as possible. We can only repeat, as suggested elsewhere, that the question of the various inter-departmental adjustments should be settled as expeditiously as possible, and request that the Government of India might place before the Committee next year a carefully considered Memorandum on the whole subject.

**Indian
Posts and
Tele-
graphs
Depart-
ment.**

37. The Auditor General has made certain important comments on the present position in regard to provincial balances, which we reproduce below.

**Provin-
cial
balances**

“On the present occasion the provincial Appropriation Reports have brought to light a matter which is of interest to the Central Public Accounts Committee and which does not appear in the Appropriation Accounts of the Central Government. It appears that the province of Burma was continuously overdrawn, for 9 months in 1928-29, to an amount rising from Rs. 51 lakhs in the first month to over Rs. 3 crores in the 6th, 7th and 8th months, and only falling to Rs. 2½ crores in the 9th month. Very much the same thing occurred in 1929-30. Further the Punjab, the United Provinces and Assam have reduced their balances to a figure which, in my opinion, hardly provides a safe margin of cash for the financing of the provincial transactions. The case of Burma is, for the present, far the most serious. I am aware that under the present constitution such overdrawals are not specifically prohibited, and that the Central Government has no immediate means of preventing them and no right to charge interest on the amounts overdrawn during the currency of a financial year. It may be urged in mitigation that the Central Government pays no interest on surplus provincial balances in its custody, except in cases where a specific deposit is made. But it appears to me that the balance of advantage lies with the provincial Governments, as they are at liberty, if they find it profitable to do so, to utilise their balances for the avoidance of borrowing and interest charges, and to rely upon the Government of India for their cash requirements, while the Government of India have no countervailing remedy of an immediately effective character. As in 1928-29 treasury bills were outstanding throughout the year, for the purpose *inter alia* of supplementing the Central balances, the overdrawals of Burma in 1928-29 must have had the effect of increasing the borrowings of the Central Government and of increasing the interest charges borne by Central Revenues. It is clear that in every way the present position in regard to this matter is irreconcilable with the ordinary accepted principles which govern either business or public finance.”

We have been informed that the whole question is bound up with the allied questions of the treatment of provincial deposits and advances, the incidence of the cost of management of treasuries, etc. The question is one which has actually been referred to in the Statutory Commission's Report and is to come up at the forthcoming constitutional review. We desire to recommend, however, that it should be carefully examined and that the services rendered by the Central Government to the Provincial Governments as their banker, should be treated on a strictly commercial basis, the Provincial Governments being required to keep balances according to the needs of the situation and to pay interest on over-drafts, just as they would do with a banker.

IV.—Miscellaneous observations.

38. We do not desire to add to the length of this Report by including in it comments of minor importance which appear in the Proceedings appended. We desire that the suggestions and recommendations made therein should be dealt with in exactly the same manner as those embodied in the Report proper.

39. We wish to record our appreciation of the fact that Departmental Secretaries and the Chief Commissioner of Railways were present during our deliberations in accordance with the suggestion made by our predecessors last year. We are specially indebted to Mr. Smith, the Imperial Dairy Expert, whose evidence was very interesting and helpful. We have also to thank the Auditor General for the great clarity which characterised his comments on the various Appropriation Accounts, as also for the assistance which he rendered to us throughout the proceedings. Both the Auditor General and ourselves had to work "against time" this year and we should not have been in a position to complete the work but for the special efforts which he made to assist us. We take this opportunity of suggesting that the Government of India should consider the possibility of allowing more time for the work of the Committee in future years.

40. Lastly, we wish to record our great appreciation of the very able and untiring services rendered to the Committee by the Secretary, Mr. Shankar Rau.

GEORGE SCHUSTER.

B. DAS.

M. C. RAJAH.

ABDUL MATIN CHAUDHURY.

S. C. MITRA.

M. A. AZIM.

J. RAMSAY SCOTT.

The 22nd July, 1930.

V.—PROCEEDINGS OF THE COMMITTEE.

Proceedings of the first meeting of the Public Accounts Committee held on Thursday, the 26th June 1930, at 11 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

Mr. G. KAULA, Controller of Civil Accounts.

Members.

Present during the consideration of the Finance Department Resolution, etc. :

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

The Hon'ble Sir ARTHUR McWATERS, Financial Secretary. *Witness.*

Present during the examination of Posts and Telegraphs Appropriation Accounts only :

The Hon'ble Sir ARTHUR McWATERS, Financial Secretary.

Mr. JAGAT PRASAD, Accountant General, Posts and Telegraphs.

Mr. H. A. SAMS, Director General, Posts and Telegraphs.

Mr. T. RYAN, Joint Secretary, Department of Industries and Labour.

Mr. M. R. COBURN, Financial Adviser, Posts and Telegraphs.

Rai Bahadur P. N. MUKERJEE, Deputy Director General, Posts.

Witnesses.

In welcoming the members to the deliberations, the Chairman explained that they had to meet this year much earlier than usual and had a comparatively shorter time in which to complete their work. He accordingly appealed to the members to help him by concentrating on the main questions and as far as possible avoiding discussions of details. He

expressed the opinion that the Auditor General's letters, which followed a very clear plan, definitely called their attention to the more important points, and grouped the other points under classes of cases, would be of great help to them in the course of their work.

2. At this stage, Mr. Mitra pointed out that Rule 51 of the Indian Legislative Rules did not provide for any re-election of members to the Committee when the life of the Assembly was extended beyond 3 years. He thought that there should be definite provision in the rules to provide for such a contingency. The Committee agreed that Government should see that the rule in question was suitably amended before such an occasion arose again.

3. Mr. Das then drew the attention of the Committee to the editorial in the *Pioneer* of the 25th June 1930, which, in reviewing the Finance Department Resolution on the Committee's Report for 1927-28, gave the reader the impression that there were clashes between the Committee and Government. The Chairman stated that he was not conscious of any clashes at any time and promised to see if anything could be done to correct the misunderstanding.

4. The Committee then proceeded to the consideration of the Finance Department Resolution (Appendix I) and of those items in Appendices II and III which related to the Finance Department.

5. *Paragraph 7 of Appendix I.*—It was decided to request the Financial Secretary to look into the matter of the large concessions obtained by the Military Department from the Railways.

6. *Paragraph 12 ibid.*—The Chairman explained that the decision contained herein in regard to reviews of the working of commercial undertakings, was not the last word on the subject and that the Finance Department proposed to discuss the question with the Auditor General and the Director of Commercial Audit with the idea of speeding up the audited figures as much as possible. What was wanted was a comparison of the results of a series of years, including those of the latest year for which audited figures could be made available.

7. *Item 4 of Appendix III.*—It was decided to make a note that the Committee took a serious interest in the matter of enforcing disciplinary action on officers after their retirement.

8. *Items 2, 5, 7, 8, 9, 12 and 14 of Appendix III.*—The Committee desired that all these cases which had been held up pending the constitutional revision, should be brought under review at the first opportunity.

9. The Committee then proceeded to consider the Appropriation Accounts of the Posts and Telegraphs Department and the Report of the Accountant General thereon, together with the relevant paragraphs of the Auditor General's forwarding letter.

10. *Paragraph 2 of the Auditor General's letter.*—Mr. Sams explained that the Government of India had accepted the principle that the Indian Posts and Telegraphs Department should be self-supporting; that, when the Committee which was going to be appointed to look into the accounting part of the Department had finished their labours, the balance-sheet of the Department would show a brighter picture; and that, as regards the relative position from year to year, the deterioration was accounted for by bad trade on the one hand and increased establishment charges on the

other. He showed the Committee a note prepared by the Financial Adviser, Posts and Telegraphs on the subject (Appendix XVI), according to which the Department would be able to turn the corner in 1935-36 on the assumption that trade was fairly normal and that there would be an annual increase of Rs. 20 lakhs in revenue. He assured the Committee that the Department was run on as economical lines as possible, that the staff was regulated according to the volume of traffic, and that there was no room for retrenchment. As regards measures which might be taken to improve the financial position of the Department, Mr. Sams indicated a few possibilities, for example, the stimulation of the demand for telephones ; the making of a charge for stationery in connection with embossed envelopes, which would yield about Rs. 5 lakhs ; an increase in the parcel rate from two annas to three annas per 20 tolas, which would bring in Rs. 18 lakhs ; an increase in the charges for press telegrams and in the postage rates for registered newspapers ; and an introduction of a new form of cheap telegrams for greetings. Mr. Ryan pointed out that Government had in the past considered the proposals for the increase in the price of the embossed envelope and in the charges for press telegrams but had given them up in view of the constant demands for reduction of postage rates and of the great importance of facilitating the dissemination of news. The Committee decided to discuss the whole question when they would come to their Report and asked for a note* bringing out the financial effect of the different proposals for the purpose.

11. *Item 1 of Appendix III to the Accountant General's Report.*—In connection with the adjustment between the Posts and Telegraphs Department and the Foreign and Political Department, it was explained that later investigations indicated that the amount which might be claimed by the former was likely to be considerably less than originally anticipated and that the item was therefore not regarded as having much significance in connection with the general financial position of the Department. The Committee decided not to pursue the matter. As regards the free grant of postage stamps to Indian States, however, which involved the Department in a loss of about Rs. 10 lakhs a year, it was considered that, in view of the commercialisation of the accounts of the Department, it should get a credit and that the question should be examined, although it might only mean the transfer of money from one pocket of Government to another.

12. *Item 5 ibid.*—The Chairman stated that the appointment of a Committee to consider the system of accounting in force in the Department had been held up owing to the retirement of Sir Bhupendra Mitra, and that he would take up the whole question with the new Member as soon as the latter had time to acquaint himself with the conditions. The Committee decided to discuss the question again before writing their report.

13. *Item 6 ibid.*—The Chairman explained that the Government of India, as a banker, made a very much smaller profit out of the undertaking than an ordinary banker would, that the question of the utilisation of the Posts and Telegraphs Depreciation Fund towards fresh capital outlay, in effect, involved a transfer of money from one pocket of Government to another ; but that the whole question would be taken up again and some decision arrived at one way or other.

*Since furnished—*vide* Appendix XXIII.

14. *Item 7 ibid.*—The Committee saw the preliminary report (Appendix XV) on the working of the new system of making the Department responsible for the maintenance of its buildings. They were told that, as the system was introduced only in April 1928, the Department had very little experience of its working and that a full report would be submitted to them next year.

15. *Item 8 ibid.*—The Committee were informed that the Accountant General was in correspondence with the Director-in-Chief of the Indo-European Telegraph Department and would submit a full report by the end of the current year on the question of the comparative cost of running the two sister Departments.

16. In regard to the outstanding items in the Appendix generally, the Committee decided to press the recommendation made last year, *viz.*, that the settlement of the items should be expedited as the commercial results of the working of the Department could not be ascertained accurately till they were settled.

17. *Paragraph 3 of the Auditor General's letter.*—The Financial Adviser admitted that the budgeting for the year 1928-29 had been defective and that the financial control had not been sufficiently close. He pointed out, however, that there was progressive improvement. The Chairman observed that Government had been considering the question of giving some assistance to the Financial Adviser, which hung together with the question of the reorganisation of the Department. He hoped to arrive at an early decision on the point in consultation with Sir Joseph Bhoré. As regards the large excess under the Head "Pay of permanent establishment", the Committee were told that it was impracticable to work out accurately what the ultimate cost of increases of pay would be. The Committee thought, however, that, even making all allowances for difficulties, there ought to be much closer estimating than in the present case and that the Finance Department ought to insist in future on much better estimates before they approved any schemes.

18. The Committee then adjourned till 11 A.M. on Saturday, the 28th June 1930.

Proceedings of the second meeting of the Public Accounts Committee held on Saturday, the 28th June 1930, at 11 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATTERS.

Mr. G. KAUFER, Controller of Civil Accounts.

} *Members.*

Present during the examination of Posts and Telegraphs Appropriation Accounts only :

Mr. JAGAT PRASAD, Accountant General, Posts and Telegraphs.

Mr. H. A. SAMS, Director General, Posts and Telegraphs.

Mr. T. RYAN, Joint Secretary, Department of Industries and Labour.

Mr. M. R. COBURN, Financial Adviser, Posts and Telegraphs.

Rai Bahadur P. N. MUKERJEE, Deputy Director General, Posts.

} *Witnesses.*

Present during the examination of Railway Appropriation Accounts only :

Mr. A. C. BADENOCH, Director of Railway Audit.

Mr. A. A. L. PARSONS, Financial Commissioner, Railways.

Mr. M. K. MITRA, Controller of Railway Accounts.

Mr. T. S. SANKARA AIYAR, Director of Finance, Railways.

} *Witnesses.*

19. The Committee resumed the consideration of the Appropriation Accounts of the Posts and Telegraphs Department.

20. *Para. 38 of the Accountant General's Report and para. 6 (b) of the Auditor General's letter.*—The Committee thought that, considering the very large amount of money handled by the Department and the scale of salaries of the employees, the amount lost by fraud, embezzlement, etc., was comparatively small. They desired, however, that a comparative statement should be given in future showing the losses for ten consecutive years.

21. *Para. 48 of the Accountant General's Report and para. 6 (f) of the Auditor General's letter.*—It was explained that the cost of construction of the bungalows in question, including the cost of site, would actually work out to less than 46 per cent. in excess of that of bungalows recently constructed by the Public Works Department at the same station ; that the excess was due to the fact that rather spacious accommodation was asked for owing to the great heat in the first few months of the hot weather ; and that, since these works had been sanctioned, a reasonable standard of accommodation had been adopted. The Committee desired to ascertain what steps had been taken to ensure that in future there would be no extravagance and that there would be comparison with other standards ; they wanted to know exactly the practice followed at present and the changes proposed for the future and asked that a report* on the subject should be submitted to them before the conclusion of their sittings.

*Since furnished—*vide* Appendix XXIV.

22. *Para. 60 of the Accountant General's Report and para. 6 (i) of the Auditor General's letter.*—It was explained that the large percentage of the cost of establishment to works expenditure was due, first, to the fact that, as the work was mostly done by the Department itself and not through contractors, expenditure which would in ordinary cases be charged to works, was in this Department charged to establishment ; and, secondly, to the fact that the staff was employed not only on construction but also on maintenance, repairs, etc., involving little capital expenditure. The Committee thought that the way in which the figures had been brought out was misleading. They desired that it should be considered whether it would not be possible to formulate different rules for allocating the cost of establishments, and also whether the apparently very high percentages indicated anything wrong in the economy of the Department. They wished to have a note explaining the figures and stating the exact facts.

23. This concluded the examination of the Appropriation Accounts of the Posts and Telegraphs Department and the Committee next proceeded to deal with those relating to the Railway Department in conjunction with the Report of the Director of Railway Audit and the Auditor General's forwarding letter.

24. *Item 12 of Appendix II, paras. 10 and 63 of the Director's Report, and para. 7 of the Auditor General's letter.*—The Committee were informed that the special officer's report on the system of preparing budget estimates of railways had been circulated to the Railways with instructions to adopt his proposals and that no important recommendations* in the report were outstanding. In this connection, the Committee proceeded to obtain explanations of the various defects in estimating and in the control of expenditure as brought out by the Auditor General. The Committee thought that the two questions which needed consideration were (1) the propriety of making reappropriations from State-managed to Company-managed Railways, and (2) the propriety of making allotments to any particular railway in the course of the year without effecting corresponding reductions elsewhere.

25. At this stage the Committee adjourned till 2-30 P.M.

Proceedings of the third meeting of the Public Accounts Committee held on Saturday, the 28th June 1930, at 2-30 P.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

} *Members.*

*Statement since furnished—*vide* Appendix XXII.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. A. C. BADENOCH, Director of Railway Audit.

Mr. A. A. L. PARSONS, Financial Commissioner,
Railways.

Mr. M. K. MITRA, Controller of Railway Ac-
counts.

Mr. T. S. SANKARA AIYAR, Director of Fin-
ance, Railways.

} *Witnesses.*

26. The Committee resumed their examination of the Railway Appropriation Accounts and connected documents.

27. *Item 12 of Appendix II, paras. 10 and 63 of the Director's Report and para. 7 of the Auditor General's letter.*—As regards the second of the two questions mentioned in para. 24 of these proceedings, viz., the propriety of making allotments to any particular Railway in the course of the year without effecting corresponding reductions elsewhere, the attention of the Committee was drawn to the recommendation made in para. 12 (5) of their predecessors' Report on the Accounts of 1926-27, which ran as follows :

“ Whenever such reappropriations are made, a specific reduction should be made under the head in respect of which savings are anticipated, though a certain amount of discretion may be allowed for the present, in this connection, to the Financial Commissioner, Railways, in view of the peculiar circumstances in which he has to work.”

The Committee considered that the principle enunciated should be re-drafted so as to make the meaning clearer and that it ought not to apply to Railways as a whole but might apply to certain grants, for example, those relating to administration, operating expenses and surplus profits paid to Railway Companies. The Auditor General expressed the opinion that it would be sufficient to have a record of sanctions of this kind in order that audit might see whether the Financial Commissioner was exercising his discretion properly.

28. *Item 14 of Appendix II.*—The Committee discussed at some length the action taken on Mr. P. R. Rau's Report on the control of expenditure and prevention of irregularities on Indian Railways and desired that they should be supplied with copies* of the instructions already issued by the Director of Railway Audit and proposed to be issued by the Railway Department in this connection.

29. *Para. 112 of the Director's Report and item 1 of Appendix IX.*—The Committee held that the expenditure on the drainage channel on the Kadu lake was not strictly in connection with the safeguarding of a source of revenue in the sense in which this expression was used in paragraph 23 of their predecessors' Report for 1926-27 ; that although the expenditure might not have increased the earning capacity, it would reduce working

* Since furnished—*vide* Appendix XIX.

expenses on an average, which was the only justification for treating it as capital expenditure ; and, finally, that inasmuch as it was charged to capital, it did not form part of the ordinary maintenance charges and should obviously be treated as expenditure on a new service. It was suggested that a reasonable reserve provision might be made in future in the budget estimates to meet emergent expenditure of this character. The Financial Commissioner desired to have an opportunity of discussing the details with the Auditor General before the present procedure was altered.

30. *Para. 113 of the Director's Report and item 2 of Appendix IX.*—The Committee were informed that the provision for the expenditure on the remodelling of the Tatanagar Workshops was included in a supplementary demand presented to the Assembly in March 1928, and that the position had been explained to the Standing Finance Committee for Railways, although the expenditure on the remodelling had not been specifically mentioned in the Supplementary Demand. The expenditure was, however, actually incurred in 1928-29 and was not treated as expenditure on a new service in the circumstances. The Committee held that the remodelling was not a new service, not because it was not a sufficiently important and distinct transaction, but because it was part of the original transaction and it must be assumed that the Standing Finance Committee for Railways knew about it, and, therefore, through them the Assembly also knew about it.

31. The Committee then adjourned till 10-30 A.M. on Monday, the 30th June 1930.

Proceedings of the fourth meeting of the Public Accounts Committee, held on Monday, the 30th June 1930, at 10-30 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Haji Chowdhury MUHAMMAD ISMAIL KHAN.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. A. C. BADENOCH, Director of Railway Audit.

Mr. A. A. L. PARSONS, Financial Commissioner,
Railways.

Mr. M. K. MITRA, Controller, Railway Accounts.

Mr. T. S. SANKARA AIYAR, Director of Finance,
Railways.

} *Members.*

} *Witnesses.*

32. The Committee resumed the consideration of the Railway Appropriation Accounts and of the connected documents.

33. *Item 16 of Appendix II.*—The Committee saw the Memorandum by the Financial Commissioner (Appendix VIII) on the procedure to be adopted for obtaining the approval of the Assembly to power being taken by the executive to select one of alternative railway projects. The Chairman explained that the proposed arrangement would give the Railways a certain amount of latitude but would, at the same time, preserve the complete control with the Assembly, and that he was satisfied with the arrangement himself. The Committee provisionally approved of it, subject to any observations which members might submit in writing before the end of the session.

34. *Item 34 of Appendix II.*—The Financial Commissioner explained that a careful comparison was being made between the Railway Land Rules and the Land Rules in force in the Army Department and that a further report would be submitted on the whole question.

35. *Item 38 of Appendix II.*—The Committee discussed at length the Memorandum (Appendix XII) furnished by the Railway Department regarding the state of work in the Stores Accounts Section of the East Indian Railway. They were assured that the totals of the balances of stores according to the ledgers had been reconciled with the totals according to the general accounts and that no money had gone astray. The trouble was only with the detailed classification. The Controller of Railway Accounts was hopeful of completing the work in about 8 months with extra staff for which he would apply later. According to him, the staff was insufficient and not inefficient and he assumed responsibility for the completion of the work within the time mentioned. The Committee desired to comment adversely on the repeated failure to carry out assurances which had been given to them that the reorganisation would be completed within the specified time. They accepted the present Controller's assurance, but considered that it would be most unsatisfactory that they should have to wait for another year and be confronted with the same position once again. They accordingly desired that a detailed *interim* report dealing, among other things, with the questions and answers of last year, should be submitted early in February 1931, when the Committee would have a special meeting, if necessary, to consider it. In any case, they were definitely of opinion that there should be no attempt made to introduce experiments with machine accounting until all the arrear work had been put in order in the particular office.

36. *Item 40 of Appendix II.*—It was explained to the Committee that the maxima and minima rates both for passengers and goods traffic which the Railway Board laid down, applied equally to Company-managed Railways and to State-managed Railways. The Chairman was under the impression that, in dealing with the matter, he was prepared to accept the view that the Committee's recommendation went further than was really practicable. He, however, asked the Financial Commissioner to look up the papers and bring the point up again.

37. *Item 41 of Appendix II.*—Regarding the introduction of a system of proper commercial accounts on all collieries worked by Railways, it was explained that the difficulty was one of settling the prices which the Railways ought to pay to their own collieries for coal, so that it was not possible

to get an exact profit and loss account. The Committee considered, however, that accurate costing accounts should be kept, including all charges, so that, in a broad way, one could see from year to year whether it paid the Railways to work their own collieries or whether they were really losing by doing so instead of buying their coal from outside. They thought that the question should have been settled before now and desired that the Financial Commissioner should prepare and give them a note* showing the exact position.

38. *Item 42 of Appendix II.*—The Committee saw the Memorandum furnished by the Railway Department (Appendix XI) showing the action taken on the irregularities noticed by audit on the Bengal-Nagpur Railway. Provisionally and subject to any comments which members might communicate later, the Committee agreed with Mr. Kaula's opinion that the action taken by the Railway Department on the Report was generally satisfactory.

39. *Item 33 of Appendix III.*—The Committee were not clear whether the action reported to have been taken in regard to the recommendations of the State Railway Workshops Committee fully disposed of the particular item, and asked for a fuller note† on the subject.

40. *Appendices II and III.*—The Auditor General suggested that the Appendices presented to the Committee, which showed the items outstanding, might be grouped by Departments for the sake of convenience. The Chairman further suggested that, by discussion between the Director of Railway Audit and the Finance Department, the list of outstandings contained in the Director's Report should be made to agree with the one prepared for the Committee, that is to say, that the former should, first of all, show the items which would appear in Appendices II and III and then add, at the end, items which would not so appear. At this stage, the Committee decided, with the concurrence of the Auditor General, that, for this year at any rate, they should continue the practice of taking the points as mentioned in his letter. The Chairman was of course prepared to do his best to meet the wishes of any members who might wish to raise other points. He suggested that, in future, when there was more time, it would be of very great help if members could read the documents carefully and let him know in advance any important points that they wanted to raise.

41. *Item 4 in paragraph 8 of the Director's Report.*—In regard to the purchase of stores by the Railways through the Indian Stores Department, the Financial Commissioner suggested that, when the Chief Controller of Stores came before the Committee to give evidence, representatives of the Railway Department should also appear with him to deal with the question.

42. *Item 18 in paragraph 8 of the Director's Report.*—The Committee desired that a definite decision should be arrived at by next year on the question, which had been under the investigation of the Railway Department for some time, of presenting the results of railway working in the form of regular trading and profit and loss accounts and balance sheets.

43. *Item 19 in paragraph 8 and also paragraph 25 of the Director's Report.*—The Chairman explained that the questions which the Committee appointed to report on the separation of railway from general finances, had to deal with, were so important that until the stage of the whole constitutional revision was arrived at the work could not be proceeded with and,

* Since furnished—*vide* Appendix XXVIII.

† Since furnished—*vide* Appendix XXIX.

as the majority of the original members of the Committee had resigned, it was difficult to carry on. The Finance Member himself had gone through the questions and, although he disagreed with the way in which some of the calculations were being made, he had come to the conclusion that the convention had been working fairly. The public interest was not being prejudiced and the public were not being misled by the continuance of the convention in its present form. At the same time, he did not accept the statement in paragraph 25 of the Director's Report that the accumulation of nominal balances in the Railway Depreciation and Reserve Funds would almost certainly make it very difficult for the Government of India to honour any large draft upon them. It was the business of the Government of India to see that they were in a position to honour any reasonable draft. Further, he thought that the provision for a Reserve Fund on the present lines was a safety provision and that there was no justification for taking comparatively favourable years as a basis for reducing rates.

44. *Paragraph 8 of the Auditor General's letter.*—The Committee concurred in the view expressed by the Auditor General that, as the exact amount of the excess over each voted grant had to be voted by the Assembly under Rule 49 of the Indian Legislative Rules, it was desirable that the actual expenditure under each grant should be stated in rupees in the Grand Summary of Appropriation Accounts in future.

45. *Paragraphs 9 (e) (i) and 26 of the Auditor General's letter.*—The Committee directed that, in view of their intrinsic importance, the tables in these paragraphs should be reproduced* as an Appendix to their Report.

46. *Paragraph 146 of the Director's Report.*—The Committee were of opinion that, so far as they were concerned, the necessity for debiting the purchase price of the Decauville Railway to railway capital by credit to the Army Department had not been established.

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

Proceedings of the fifth meeting of the Public Accounts Committee held on Monday, the 30th June 1930, at 2-30 P.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General

} *Members.*

*Done—*vide* Appendix XXV.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. A. C. BADENOCH, Director of Railway Audit.

Mr. A. A. L. PARSONS, Financial Commissioner, Railways.

Mr. M. K. MITRA, Controller of Railway Accounts.

Mr. T. S. SANKARA AIYAR, Director of Finance, Railways.

} Witnesses.

48. The Committee resumed the consideration of the Railway Appropriation Accounts and the connected documents.

49. *Paragraph 9 (e) (i) of the Auditor General's letter.*—The Committee felt it difficult to understand the increase in operating expenses or under administration when there was a decrease in gross receipts as compared with the revised estimates. They desired that a note* dealing with the variations should be submitted to them and that the table in the Auditor General's letter might be made up for some other years as well.

50. *Paragraph 17 of the Director's Report and paragraph 11 of the Auditor General's letter.*—With reference to the apparently high percentage of total objections to total expenditure in 1928-29, it was explained that the figures for the different years had not been tabulated in the same manner and that the Financial Commissioner would go into the question with the Director of Railway Audit and see whether they could not arrive at results which would reflect serious irregularities such as those which might involve a loss of money.

51. *Paragraphs 101 and 102 of the Director's Report.*—The Committee were informed that there was no difference of opinion about the necessity for the preparation, before commencing construction, of detailed estimates which formed the working documents of the Engineer and that fresh orders had been issued on the subject. The Committee felt that it would be necessary to watch the effect of those instructions in cases of this character and that it would be necessary for the Railway Board to consider in due course whether the control over the Agents should not be further tightened up.

52. *Paragraphs 26 to 36 of the Director's Report.*—The Committee desired to examine the Chief Commissioner of Railways in connection with the profit and loss accounts and other tables given in these paragraphs.

53. *Paragraph 45 (c) of the Director's Report and paragraph 16 of the Auditor General's letter.*—The Committee desired to have a note† summarising the position under the various heads on which complete action had not been taken with reference to the recommendations in Sir Arthur Dickinson's Report.

54. *Paragraph 57 of the Director's Report and paragraph 18 (b) of the Auditor General's letter.*—The Committee agreed with the Auditor General that, in the case of overpayment of salaries referred to, it would

*Since furnished—*vide* Appendix XXX.

†Since furnished—*vide* Appendix XXXI.

have been better if the Chief Auditor had complied with the Government Examiner's request to warn the officers concerned that the pay drawn in excess had been held under objection.

55. *Paragraph 19 (a) of the Auditor General's letter.*—The Financial Commissioner promised to adopt in future the Auditor General's suggestion that a general explanation of the variations under each sub-head of the grant should be furnished under the summary by major heads and sub-heads, in addition to the detailed explanations under each Railway.

56. *Paragraph 80 of the Director's Report and paragraph 19 (c) of the Auditor General's letter.*—It was explained that the Railway Department had made enquiries in the matter of the responsibility of the different individuals for the irregular upkeep of initial records for the unloading of coal and would report the result to the Committee next year.

57. *Paragraph 103 of the Director's Report and paragraph 20 (f) of the Auditor General's letter.*—The Committee considered that the Railway Board, who had approved the contract in the case referred to really left a great deal of latitude for variation in the execution and were therefore to blame rather than the Chief Engineer, and that, at the same time, the representation of the Chief Engineer that there was competent sanction for the work, was not probably correct.

58. *Paragraph 20 (h) of the Auditor General's letter.*—In connection with the large variations from estimates noticed by the Auditor General, the Chairman explained that capital expenditure was capable of great variation owing to change in policy ; that different considerations applied to estimates of capital expenditure and to normal estimates of budgetary expenditure ; and that, as a matter of fact, the number of projects was much smaller and the hold on the course of expenditure much tighter now than before. Nevertheless, he suggested and the Committee agreed that the policy of capital construction should be so carefully considered, in consultation with the Finance Department before the estimates were framed, that likelihood of any variations owing to financial reasons could be very much diminished, and that the policy of railway construction should always be co-ordinated with the financial position of Government so that the need for stepping in for financial reasons might not arise.

59. At this stage the Committee adjourned till 10-30 A.M. on Tuesday, the 1st July 1930.

Proceedings of the sixth meeting of the Public Accounts Committee held on Tuesday, the 1st July 1930, at 10-30 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, <i>Chairman.</i>	}	<i>Members.</i>
Haji CHOWDHURY MUHAMMAD ISMAIL KHAN.		
Rao Bahadur M. C. RAJAH.		
Maulvi ABDUL MATIN CHAUDHURY.		
Maulvi MUHAMMAD YAKUB.		
Mr. J. RAMSAY SCOTT.		
Mr. E. BURDON, Auditor General.		

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. P. M. RAU, Audit Officer, Indian Stores Department.

Mr. C. V. S. RAO, Officer on Special Duty.

Mr. G. S. HARDY, Member, Central Board of Revenue.

Mr. A. L. HOYLE, Commissioner, Northern India Salt Revenue.

} Witnesses.

60. The Committee took up the consideration of the Appropriation Accounts relating to the Central Board of Revenue and the connected documents.

61. *Item 6 of Appendix II.*—The Chairman explained that, as Finance Member, he was responsible for the decision to go slow in the matter of the institution of concurrent audit in the Customs Department. At the same time, he endorsed the Auditor General's warning that one could not get magical results out of audit systems and Government had very carefully to balance the possible advantages against the cost involved. The Auditor General promised to submit to Government a very definite and full opinion on the subject with certain constructive suggestions as soon as he had leisure to do so. The Committee felt that they would be very interested to know the Auditor General's final views and desired to be fully informed of them next year.

62. *Item 4 of Appendix IX.*—The Committee held that the purchase of the building and land referred to for the use of the Income-tax Department, was not a new service but a new instrument of service, and that, having regard to the relatively small expenditure and the fact that it could be met by reappropriation from within the grant provided for rent for such accommodation, it was not necessary to go to the Assembly for a special vote.

Grant 16—Customs.

63. *Pages 55 to 63 of the Appropriation Accounts and paragraph 17 (b) of the Auditor General's letter.*—The Committee discussed at length the cases of fraud and embezzlement referred to. The Auditor General stated that the contentions of the Central Board of Revenue on the subject of Customs audit had to be accepted and that he was satisfied with the action taken. It was suggested to the Committee that the only real way of stopping collusion of the kind which occurred in these cases, was for a senior officer to go round occasionally, make surprise visits, and actually see the goods to be exported. In other words, there was need for strengthening the staff of Assistant Collectors.

Grant 17—Taxes on Income.

64. *Page 68 of the Appropriation Accounts and paragraph 18 of the Auditor General's letter.*—It was explained that accurate budgeting was difficult in a scattered Department like the Income-tax Department. The Committee felt, however, that steps should be taken to improve the estimating even with the present staff.

Grant 18—Salt.

65. *Page 76 of the Appropriation Accounts.*—The Committee went into the question of the experiment of the sanding of pans at Nawa, which was ultimately abandoned. The Committee considered that it was an error of judgment which was found out and corrected without involving any appreciable loss. They desired, however, to have a note on the whole question before the end of the week.

66. *Paragraph 16 of the Auditor General's letter.*—At this stage, the Chairman referred to the Appendix to the Appropriation Accounts which had been prepared by the Director of Commercial Audit and which contained the accounts and reviews of Government commercial concerns; he hoped that the Committee would recognise the steady advance that was being made in the matter of watching the commercial results of such concerns.

67. *Pages 46 and 47 of the Appendix and paragraph 20 of the Auditor General's letter.*—The Director of Commercial Audit explained that he was satisfied with the profit and loss account of the Northern India Salt Revenue Department and had signed it; that he had no reason to doubt the accuracy of the items in the balance-sheet which he had not signed as they had not been taken from any certified books; and that it would be more desirable if a general ledger and, if necessary, a journal could be maintained in order to enable him to certify the correctness of the balance-sheet as well. There was difference of opinion, however, as regards the amount of work and expenditure involved. The Auditor General was satisfied with the present position, but the Committee considered that, before they could make any recommendation, there should be further discussion between the Central Board of Revenue, the Auditor General and the Director of Commercial Audit in order that they might arrive at an agreed calculation as to what the extra cost involved would be. The Chairman expressed the opinion that, if the change involved only the appointment of an additional clerk at headquarters and if the Committee desired the change, he should have no objection to giving effect to it.

68. *Page 75 of the Appropriation Accounts, pages 54 and 55 of the Appendix and paragraph 22 of the Auditor General's letter.*—The Committee felt that the description of the expenditure relating to royalties and compensations should be similar in the Appropriation Accounts as well as in the Appendix. They desired to recommend that the allocation of this expenditure to the various salt sources in the commercial accounts should be reviewed in order that an unduly large proportion of it might not be charged to Sambhar, for example, thus increasing the cost of production at that source. The Committee also desired that the payments to Indian States should be reviewed in connection with the recommendations made in the Butler Committee's Report.

69. *Paragraph 94 of the Appendix.*—The Committee desired that, in future, the reports which would be prepared by the Superintendents of the commercial concerns, should contain fuller explanations of variations in the cost of production, etc. They desired to have a note* from Mr. Hoyle by the 5th of July on the increased cost of production at Sambhar in 1928-29.

*Since furnished—*vide* Appendix XXI.

70. *Appendices V and VI.*—The Committee considered these Appendices and the question was raised as to whether the Dharasna Salt Works were or were not owned by Government. The Chairman stated that the position was as explained in Appendix V and that it could be elucidated, if necessary, by means of a question in the Assembly.

Grant 19—Opium.

71. *Pages 63 to 67 of the Appendix and paragraph 26 of the Auditor General's letter.*—It was explained that the accounts of the Opium Department would appear in the Appropriation Accounts in future. The Auditor General suggested that the accounts for the year ending the 30th September 1929, which the Director of Commercial Audit showed to the Committee, might be circulated with the first quarterly statement which would go to the members in accordance with the procedure laid down in paragraph 4 of the Finance Department Resolution dated the 13th June 1930 (Appendix I).

72. *Page 66 of the Appendix.*—The Committee desired to have a note* from the Central Board of Revenue on the present position of opium stocks and the reasons why they are maintained at their present level.

73. *Paragraph 133 of the Appendix.*—The Committee desired that figures relating to losses of opium should be given in future reports for a series of years in order that they might be in a position to see whether the loss was going up or coming down.

74. At this stage the Committee adjourned till 10-30 A.M. on Wednesday, the 2nd July 1930.

Proceedings of the seventh meeting of the Public Accounts Committee held on Wednesday, the 2nd July 1930, at 10-30 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Mrulvi ABDUL MATIN CHAUDHURY.

Mrulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

} *Members.*

Present during the examination of the Appropriation Accounts relating to the Foreign and Political Department only :

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. C. V. S. RAO, Officer on Special Duty.

*Since furnished—*vide* Appendix XX.

The Hon'ble Sir CHARLES WATSON, Political Secretary.

Mr. V. NARAHARI RAO, Under Secretary, Foreign and Political Department.

Rai Sahib CHUNI LAL, Foreign and Political Department.

Rai Sahib RAMA NAND, Foreign and Political Department.

} *Witnesses.*

Present during the examination of the Railway Appropriation Accounts only :

Mr. A. C. BADENOCH, Director of Railway Audit.

Mr. T. G. RUSSELL, Chief Commissioner, Railways.

Mr. A. A. L. PARSONS, Financial Commissioner, Railways.

Mr. M. K. MITRA, Controller of Railway Accounts.

Mr. T. S. SANKARA Aiyar, Director of Finance, Railways.

} *Witnesses.*

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

Grant 74—N. W. F. Province.

76. *Page 399 of the Appropriation Accounts.*—In connection with the larger expenditure on account of the training of N. W. F. Province students at the King Edward Medical College and Medical School, Amritsar, the Committee suggested that arrangements might be made with the Government of the Punjab with a view to framing more reliable estimates in future.

Grant 75—Baluchistan.

77. *Page 437 of the Appropriation Accounts.*—The Committee desired to have a note on the Police Clothing Fund as well as on any other funds of the kind which might be in existence.

78. *Page 463 of the Appropriation Accounts and para. 57 of the Auditor General's letter.*—The Committee ascertained at length the present position in regard to the Experimental Fruit Farm at Quetta. They were told that the year 1928-29 was an exceptional one as certain initial expenditure had to be incurred and the fruit crop had also failed. It was stated that the year 1929-30 had shown a loss of only Rs. 3,892 and that the question of the continuance of the farm would be taken up as soon as possible after the arrival of the new Agricultural Officer under whom it was proposed to place it along with the other farms in the province. The Committee considered that the time had come for the Government of India to consider whether they were going to abandon the principle that the farm should be self-supporting. In order to enable the Committee to decide whether any recommendation should be made, they desired that a special report on the farm should be submitted next year and further that the Auditor General might see whether the *pro forma* accounts were on a proper commercial basis.

Grant 79—Rajputana.

79. *Page 555 of the Appropriation Accounts.*—The Committee suggested that the Foreign and Political Department might examine the reasons for the non-utilisation of the provision made for the grant of scholarships to a female student and let Maulvi Muhammad Yakub know about them.

80. *Para. 43 of the Accountant General's Report and para. 14 of the Auditor General's letter.*—It was explained that the outstandings against the Persian Government represented the pay, allowances, pension contribution and leave salary of certain Assistant Surgeons whom the Government of India had been deputing in the past for quarantine work in the Persian Gulf ; that the Persian Government had accepted the liability for the pay and allowances, but were contesting that in regard to pension contribution and leave salary. The Committee suggested that it might be satisfactory to arrive at a settlement on the basis of recovering the portion for which liability had been admitted and waiving the balance of the claim.

Frontier Watch and Ward.

81. *Page 614 of the Appropriation Accounts.*—The question was raised whether the expenditure in connection with the Triangle and the Naga Hill Expeditions was political or military expenditure. The Chairman explained that it was very difficult to draw the line and that all these questions would be settled at the next revision of the constitution.

82. *Pages 618 to 620 of the Appropriation Accounts.*—The Committee were informed that the allegations against the Assistant Engineer in question had not been proved ; that it had not also been proved that Government had lost money as a result of the irregularities ; that even if this was the case, the money could not be recovered from the person concerned ; and that he had been allowed to proceed on leave and been permitted to resign his appointment with effect from the date of expiry of the leave. Without wishing to criticise the decision of the local Government, the Committee considered that it was only in very exceptional cases that irregularities of the kind referred to should be condoned in this manner.

Western India States Agency.

83. *Page 637 of the Appropriation Accounts and para. 61 of the Auditor General's letter.*—It was explained that the Agent to the Governor General had been asked to check the tendency to overbudgeting and that the Department had made a note of it for the next budget to see if a lump cut was feasible.

84. *Para. 7 of the Home Auditor's Report on the accounts of the Secretary of State and para. 62 of the Auditor General's letter.*—The Committee strongly endorsed the remarks of the Home Auditor and desired to press the need for further action to be taken in the matter in order to effect the recovery from the British Government in respect of their share of the Persian expenditure for February and March 1919.

85. This concluded the examination of the Appropriation Accounts relating to the Foreign and Political Department and the Committee proceeded to examine the Chief Commissioner of Railways.

86. *Para. 27 of the Report of the Director of Railway Audit.*—The Committee were informed that the question of preparation of a profit and loss account for each Railway had been held up owing to certain technical difficulties, for example, the difficulty of allocating the correct interest charge to each Railway, which arose on account of the facts that the capital expenditure had been incurred at different times and money for the purpose had been borrowed at different rates of interest. The Committee thought that the Department should not be deterred by these technical difficulties; that what was necessary was to make a start from which one could begin making comparisons between the results of one year and another; and that, for this purpose, a fairly rough approximation of the correct result could be arrived at by charging interest to each Railway on the basis of the average rate paid on the entire capital.

87. *Para. 36 of the Director's Report.*—The Committee went into the question of the losses incurred by the Bengal-Nagpur and the North Western Railways. The Chief Commissioner refuted the charge that the Railway Board had been incurring unnecessary expenditure merely to reduce the contribution to general revenues. With reference to the contention that the construction of new lines had added to the expenditure in recent years without a corresponding increase in revenue which was expected to come in later, the Committee desired to be in a position to review the construction policy started in 1923-24 and to see whether the traffic estimates had been borne out. They suggested that a popular report on the Railways might be prepared, summarising the reports of the Agents, taking out the salient points therein, and bringing out, in the case of each Railway, the sort of things which the Chairman of a public Railway Company would call attention to in his speech at the annual meeting of the shareholders. They thought that the report might be supplemented by some simplified statistics on the one side and, on the other, by a note of points to be looked into by members of the Public Accounts Committee, upon the lines of the note prepared by the Director of Commercial Audit (Appendix XIV). They also considered that it would be better to show the strategic line separately from the commercial lines in the various documents presented to them.

88. The Chairman suggested that, if members desired to question the Chief Commissioner on any other points, they might communicate the points in writing.

89. The Committee then adjourned till 10-30 A.M. on Thursday, the 3rd July 1930.

Proceedings of the eighth meeting of the Public Accounts Committee held on Thursday, the 3rd July 1930, at 10-30 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

} *Members.*

Mr. E. BURDON, Auditor General.
 The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.
 Mr. G. KAULA, Controller of Civil Accounts.
 Mr. L. J. PECK, Accountant-General, Central Revenues.
 Mr. D. C. CAMPBELL, Director of Commercial Audit.
 Mr. C. V. S. RAO, Officer on Special Duty.

Present during the examination of the Appropriation Accounts relating to the Commerce Department.

<p>The Hon'ble Mr. J. A. WOODHEAD, Secretary, Commerce Department.</p> <p>Mr. J. C. B. DRAKE, Joint Secretary, Commerce Department.</p>	}	Witnesses.
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Present during the examination of the Appropriation Accounts relating to the Department of Industries and Labour.

<p>The Hon'ble Mr. J. A. SHILLIDY, Secretary, Department of Industries and Labour.</p> <p>Mr. TIN TUT, Deputy Secretary, Department of Industries and Labour.</p> <p>Mr. H. HUSSAIN, Under Secretary, Department of Industries and Labour.</p> <p>Lt.-Col. F. C. SHELMERDINE, Director of Civil Aviation.</p> <p>Mr. E. E. COOMBS, Controller, Printing and Stationery.</p> <p>Mr. A. BREBNER, Consulting Engineer to the Government of India.</p> <p>Sir ALEXANDER ROUSE, Chief Engineer, Delhi.</p> <p>Mr. E. W. GRINDAL, Central Accounts Officer, Delhi.</p>	}	Witnesses.
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90. The Committee took up the consideration of the Appropriation Accounts relating to the Commerce Department and the connected documents.

91. *Item 16 of Appendix III.*—It was explained that, unless there was an Army Chaplains' Service with separate garrison churches, it would be practically impossible to apportion the expenditure accurately between the Army and the Civil Departments. The Committee considered, however, that an approximate allocation would be possible and asked for a further report to be submitted to them next year on the subject.

Grant 45—Ports and Pilotage.

92. *Paras. 260 to 268 of the Appendix to the Appropriation Accounts and para. 56 of the Auditor General's letter.*—The Committee saw the accounts of the Persian Gulf Lighting Service Fund and were of the

opinion that if the arrangement was intended to be one which put upon the shipping companies the obligation to pay dues to meet the expenses of the services, then interest on the capital ought to be included in the expenses.

93. The Committee next turned to the examination of the Appropriation Accounts relating to the Department of Industries and Labour along with the connected documents.

Grant 71—Stationery and Printing.

94. *Page 344 of the Appropriation Accounts and para. 54 (a) of the Auditor General's letter.*—In considering the reasons which led the Military Department to entrust certain of their printing work to private presses, the Committee observed that different Departments of the Government of India might come with rush orders at the same time, in which case the Government Presses could not do all the work. On the other hand, these Presses might be idle for months in the year. The Committee desired to express the view that it was very important that Departments should give the Central Printing Office long notice of their requirements so as to make it possible to arrange the work in the most economical way.

95. *Pages 364 to 366 of the Appropriation Accounts and para. 54 (c) of the Auditor General's letter.*—The Committee were informed that, while negotiations for a private sale of old machines for a nominal price might have been irregular in 1925, the procedure had now been changed to prevent that sort of thing occurring again. They desired to comment, however, on the danger of revaluation of assets of the type of printing machines by writing up their original cost.

Grant 69—Civil Works.

96. *Page 320 of the Appropriation Accounts and para. 52 (a) of the Auditor General's letter.*—With reference to the Accountant General's suggestion that details about comparatively smaller works need not be furnished in the Appropriation Accounts and that the monetary limits for major works for which details are required should be raised from Rs. 50,000 to Rs. 1,00,000, the Committee decided that no change should be made in the existing practice for the present.

97. *Item 13 of Appendix III.*—Regarding the transfer of the control of the roads and buildings in the N. W. F. Province from the Military Engineering Services to the Public Works Department, the Committee thought it rather unsatisfactory to get every year the answer that the question was still under consideration. They considered it desirable that the matter should be decided one way or the other by the Government of India in the course of the next year.

98. *Page 321 of the Appropriation Accounts and para. 52 (a) of the Auditor General's letter.*—The Committee were given figures showing the financial results of the arrangements for the supply of furniture to the tenants of Government residential buildings in Delhi and New Delhi. The Committee desired that, in calculating the loss, the rent of the furniture which was, in practice, supplied free to His Excellency the Commander-in-Chief, should be excluded.

99. *Item 23 of Appendix III.*—The Committee desired that the various points relating to accommodation at Delhi which appear under this item should be cleared up as early as possible.

100. The Committee then adjourned till 10-30 A.M. on Friday, the 4th July 1930.

**Proceedings of the ninth meeting of the Public Accounts Committee
held on Friday, the 4th July 1930, at 10-30 A.M.**

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. C. V. S. RAO, Officer on Special Duty.

Sir FRANK NOYCE, Secretary, Department of Education, Health and Lands.

Mr. G. S. BAJPAI, Joint Secretary, Department of Education, Health and Lands.

Mr. A. B. REID, Deputy Secretary, Department of Education, Health and Lands.

Mr. RAM CHANDRA, Additional Deputy Secretary, Department of Education, Health and Lands.

Mr. W. SMITH, Imperial Dairy Expert.

} *Members.*

} *Witnesses.*

101. The Committee took up the examination of the Appropriation Accounts relating to the Department of Education, Health and Lands, along with the connected documents.

Grant 56—Public Health.

102. *Para. 9 of the Auditor General's letter.*—The Committee considered that more attention should have been paid to the progress of expenditure before a supplementary grant was asked for and that the expenditure should be watched carefully in future.

103. *Page 222 of the Appropriation Accounts.*—The Committee thought that, whenever the statement showing the financial result of the sale of vaccines, etc., showed marked variations from the previous year, it

would be useful to have a suitable foot-note explaining the reasons for the variations.

Grant 57—Agriculture.

104. *Page 229 of the Appropriation Accounts and para. 43 (b) of the Auditor General's letter.*—It was explained that as, in the case of the Indian Central Cotton Committee, the expenditure was practically balanced by recoveries made from the Committee which were taken as a deduction from such expenditure, no formal surrender was necessary when a reduction in the gross expenditure was anticipated, because this would normally lead to a reduction in the amount of recoveries as well, leaving the net grant unaffected. The Committee desired that steps should be taken to prevent a recurrence of the mistake which occurred in 1928-29 in this connection.

Grant 58—Civil Veterinary Services.

105. *Paras. 244 and 245 of the Appendix to the Appropriation Accounts and para. 48 of the Auditor General's letter.*—The Committee were informed that the Department hoped to introduce commercial accounts with effect from the 1st August 1930 at Izatnagar where the bulk of the manufacturing activities of the Imperial Institute of Veterinary Research were being carried on ; that, until then, they would not be in a position to decide the exact relationship between the present prices and the cost of production ; and that, if the products from Muktesar and Izatnagar were sold at cost price to local Governments, Central Revenues would be affected to the extent of Rs. 7 lakhs. The Committee considered that this would be another form of spending money for improving agriculture and animal husbandry and that the policy should be reconsidered when the introduction of commercial accounts had brought out the true results.

Grant 46—Survey of India.

106. *Para. 139 of the Appendix and para. 45 of the Auditor General's letter.*—In regard to the suggestion of the Director of Commercial Audit that a proper costing system might be introduced in the Mathematical Instrument Office, Calcutta, the Committee were of opinion that it was a question of balancing advantages and disadvantages : they did not like to press the point unless there was evidence that some serious disadvantage was entailed by the continuance of the present system. They were, however, content to leave the question to be settled between the Department and the Director of Commercial Audit.

107. *Para. 145 of the Appendix.*—The Committee agreed with the Director of Commercial Audit that the difference between the book values and market values of the stores at the Mathematical Instrument Office should be adjusted as soon as possible under proper sanction, as otherwise the valuation assigned to stocks in the balance sheet would not represent the correct position.

Grant 49—Botanical Survey.

108. *Item 24 of Appendix II.*—The Committee were told that the sale to Provincial Governments, at a special price, of quinine stocked by the

Central Government, would amount to a subvention from the latter in aid of provincial revenues which was not strictly permissible under the Devolution Rules. The Committee were, however, of the opinion, primarily from the public health point of view and even from the purely financial point of view, that it was desirable that the Government of India should try to dispose of 20 per cent. of their stocks at a cheaper price in order to, create a demand for the balance, when they would be able to recover the commercial price. They desired that Government should consider the matter again on these lines and possibly again circularise Provincial Governments about it.

109. *Items 21 and 22 of Appendix III.*—The two questions involved were the introduction of a proper commercial system of accounts in respect of cinchona transactions and the verification of stocks. The Committee desired that the settlement of the questions should be expedited in consultation with the Government of Bengal. At this stage, one of the members raised the question whether an expert on stocks could not go round and inspect all the stocks maintained by Government. The Committee realised that it would be difficult to get a single individual with the necessary wide technical experience, but they considered that it would be interesting to have, from the Director of Commercial Audit next year, a general note on the stock-taking system and the methods of inspection.

Grant 51—Archaeology.

110. The Committee desired that, for the convenience of the public, a historical description of protected monuments should be made available on the premises where this had not been done already.

Grant 53—Other Scientific Departments.

111. The Committee were of opinion that, in view of the interest taken in the grant relating to the Central Museum, it was desirable that an account of the receipts and expenditure of the museum should be appended to the Appropriation Accounts, notwithstanding the general recommendation to the contrary which was made by their predecessors in 1924-25. They also desired to recommend that, after the forthcoming constitutional revision, a reorganisation of the present statutory arrangement for the maintenance of the institution should be one of the points to be considered by the Government of India.

Grant 65—Miscellaneous Departments.

112. *Page 252 of the Appropriation Accounts.*—The Committee suggested that the Department might ascertain and let Maulvi Muhammad Yakub know whether the Persian Manuscript *Tarikh-i-Herat*, for which a provision was made in the estimates for 1928-29, had been actually published.

113. At this stage the Committee adjourned till 10-30 A.M. on Saturday, the 5th July 1930.

**Proceedings of the tenth meeting of the Public Accounts Committee held
on Saturday, the 5th July 1930, at 10-30 A.M.**

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Haji Chowdhury MUHAMMAD ISMAIL KHAN

Rao Bahadur M. C. RAJAH.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

Mr. G. KAULA, Controller of Civil Accounts.

} *Members.*

*Present during the examination of the Appropriation Accounts relating to
the Home Department only :*

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. C. V. S. RAO, Officer on Special Duty.

Mr. C. W. GWYNNE, Joint Secretary, Home
Department.

Mr. W. H. LEWIS, Secretary, Reforms Office.

} *Witnesses.*

*Present during the consideration of the Proceedings of the Military
Accounts Committee.*

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. A. C. GUPTA, Director of Army Audit.

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

Lieut.-Colonel S. G. V. ELLIS, Military Accountant
General.

Mr. H. L. LIVINGSTONE, Deputy Financial Adviser,
Military Finance.

} *Witnesses*

*Present during the examination of the Appropriation Accounts relating
to the Finance Department only :*

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. C. V. S. RAO, Officer on Special Duty.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary, *Witness.*

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

115. *Item 8 of Appendix II.*—The Committee saw Appendix VII regarding the exhibition of the additional expenditure on the 12 villages occupied by Moplah settlers in the Andamans and agreed in the conclusion that separate exhibition would not be possible in the circumstances stated.

116. *Item 3 of Appendix IX.*—Inasmuch as the legislature had approved the expenditure on the opening ceremony, the Committee held that it would not be unreasonable to say that such expenditure might have been taken to include the purchase of an apparatus for making a speech properly heard by the gathering. They thought that the real test for determining whether a specific vote of the Assembly was required, was to see whether Government would otherwise be withholding any information which should have been before the Assembly when applying for the grant. In the circumstances of the case, the Committee thought that the purchase of the loud speaker apparatus could not be held to be a new service.

117. *Item 55 of Appendix II and item 26 of Appendix III.*—The Committee desired to recommend that the proposed combined audit and accounts office for the Andamans should be established as soon as possible.

Grant 32—Public Service Commission.

118. *Page 126 of the Appropriation Accounts and paragraph 64 of the Auditor General's letter.*—The Committee desired to record (1) that, where there was a Pay and Accounts Office in operation, surrenders should not be made by the authorities controlling the grants without getting the definite advice of the Pay and Accounts Officer and (2) that, when such an officer brings to notice the necessity for a supplementary grant or appropriation in the closing months of the year, no delay should be allowed to occur in dealing with the case.

119. *Page 127 of the Appropriation Accounts.*—The Committee thought that the attention of the Public Service Commission should be drawn to the omission to obtain an additional allotment in respect of the cost of electric energy consumed at Metcalfe House, which, in their opinion, it should have been possible to estimate more accurately before the close of the year.

Grant 76—Andamans and Nicobar Islands.

120. *Paragraph 66 of the Auditor General's letter.*—The Committee considered that, as the Andamans were spending a good deal on the development of various undertakings, the administration should pay special attention to accounts; and that, for the purpose, the head of the proposed Audit and Accounts Office, when one is instituted, should be a man with general intelligence—an accounts officer who would keep an eye as to how the administration was going from the point of view of accounts.

121. This concluded the examination of the Appropriation Accounts relating to the Home Department and the Committee then proceeded to consider the Proceedings of the Military Accounts Committee (Appendix XVIII) and the connected documents.

122. *Paragraph 23 of the Military Accounts Committee's Proceedings.*—The Chairman explained that, in paragraph 4 of his letter, the Auditor General had made suggestions which exactly fitted in with his

own requirements as the officer responsible for the general financial control, and he thought that the Auditor General had given great help to him in giving what he wanted to achieve.

123. *Paragraph 12 ibid.*—The Committee approved the proposals for the joint examination, by the Directors of Army and Commercial Audit, of the question of improving the trading accounts of manufacturing establishments.

124. *Paragraphs 30 and 59 ibid.*—The Auditor General suggested and the members of the Military Accounts Committee agreed that paragraph 59 of their Proceedings should include a reference to paragraph 8 of the Auditor General's letter which brought to notice the inaccuracies in the Home estimates. The Committee endorsed the recommendation of the Military Accounts Committee as thus amended.

125. The Committee desired that the Financial Adviser should ascertain and report the value* of orders placed by the Director of Contracts at Headquarters on the Indian Stores Department during the year 1929-30.

126. *Paragraph 21 ibid.*—The Committee saw the Memorandum (Appendix XIII) prepared by the Army Department on the relationship of the Army to the Indian Stores Department in regard to the purchase of stores. They considered that, as each Department had been saying that it could buy cheaper than the other, it would be an advantage to discuss the whole question of stores purchase policy along with the Army Secretary, the Financial Adviser, Military Finance, the Master General of Ordnance, the Director of Contracts and the Financial Commissioner, Railways, when the Chief Controller, Indian Stores Department, was to be examined.

127. The Committee next turned to the examination of the Appropriation Accounts relating to the Finance Department and the connected documents.

Grant 67—Currency.

128. *Page 280 of the Appropriation Accounts and paragraph 29 of the Auditor General's letter.*—It was explained that it was difficult to make an accurate estimate under this head, because, among other things, so much depended upon the course of trade and climatic conditions in the following year, the amount of extra staff that might have to be employed in Currency offices, the amount of coin coming back from circulation, etc. The Committee considered, however, that the general average of saving was high, but were informed that the point was being looked into.

129. *Page 275 of the Appropriation Accounts.*—The Committee were informed that commercial accounts had been introduced in the Currency Note Printing Press with effect from the 1st April 1930. They desired that, in such cases, a suitable note should be inserted in the Appropriation Accounts.

130. *Paragraph 27 of the Accountant General's Report and paragraph 11 of the Auditor General's letter.*—The Committee agreed that ex-

*Since reported to be Rs. 1,44,81,797 so far as known at present. The figure is subject to slight alteration when the final accounts are made up.

planations of individual excesses of less than Rs. 100 need not be given in the Appropriation Accounts in future.

131. *Paragraph 3 of the Home Auditor's Report on the accounts of the High Commissioner and paragraph 38 (i) of the Auditor General's letter.*—The Committee desired that the question of the actual net addition to the charge on Central revenues involved in the apparent increase in the cost of the High Commissioner's establishment, should be settled by the Finance Department in consultation with the Auditor General. They also suggested that when there was a change in the accounting procedure, there should be an explanatory note in the Appropriation Accounts.

132. *Paragraph 68 (a) of the Auditor General's letter.*—The Chairman explained the position in regard to provincial balances. He stated that the whole question was to come up at the forthcoming constitutional review ; it had actually been referred to in the Statutory Commission's Report. The Committee desired that the whole of the paragraph of the Auditor General's letter should be embodied in their Report with a recommendation that the question should be carefully examined and that the services rendered by the Central Government to the Provincial Governments as a banker should be treated strictly on a commercial basis, the provincial Governments being required to keep balances according to the needs of the situation just as they would have to do with a banker.

133. *Paragraph 68 (b) of the Auditor General's letter.*—The Committee accepted the conclusions of the Auditor General that, in view of the enormous volume and range of the transactions dealt with, it could not be said that financial control was deficient on the whole, but that the improvement of financial control was necessarily a matter which required constant attention, and, further, that the Accountant General's Report contained evidence to show that, in this matter, the separate Pay and Accounts Offices had been very useful to the Departments which they served.

134. At this stage the Committee adjourned till 10-30 A.M. on Saturday, the 19th July 1930.

Proceedings of the eleventh meeting of the Public Accounts Committee held on Saturday, the 19th July 1930, at 10-30 A.M.

PRESENT :

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Mr. M. A. AZIM.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary

Mr. G. KAULIA, Controller of Civil Accounts.

} Members.

Present during portions of the examination :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman*.
 Mr. D. C. CAMPBELL, Director of Commercial Audit.
 Mr. P. M. RAO, Audit Officer, Indian Stores Department.
 The Hon'ble Mr. J. A. SHILLIDY, Secretary,
 Department of Industries and Labour.
 Mr. H. HUSSAIN, Under Secretary, Depart-
 ment of Industries and Labour.
 Mr. J. S. PITKEATHLY, Chief Controller of
 Stores.
 Mr. R. W. TARGETT, Director of Purchase
 and Intelligence.
 Mr. G. M. YOUNG, Army Secretary.
 Mr. A. MACLEOD, Financial Adviser, Mili-
 tary Finance.
 Major-General B. R. KIRWAN, Master
 General of Ordnance.
 Lieut.-Colonel LENFESTEY, Director of
 Contracts.
 Mr. T. G. RUSSELL, Chief Commissioner,
 Railways.
 Mr. A. A. L. PARSONS, Financial Commis-
 sioner, Railways.
 Mr. T. S. SANKARA AIYAR, Director of
 Finance, Railways.

} *Witnesses.*

135. The Committee further considered the question of the relation-
 ship of the Army to the Indian Stores Department in regard to the
 purchase of stores (*vide* paragraph 126 of these proceedings).

136. *Appendix XIII.*—The Chief Controller of Stores explained the
 position at length. He was unable to endorse some of the statements made
 by Colonel Kirkhope last year and hoped that, as it had been arranged
 to discuss matters from time to time between the Master General of
 Ordnance and himself, the difficulties which had arisen would be cleared
 away. The Committee expressed satisfaction that the Departments had
 come into closer contact and wished to see the results after some time.

137. The Committee then took up the consideration of the Approp-
 riation Accounts relating to the Indian Stores Department and the
 connected documents.

138. *Item 18 of Appendix II.*—The Committee were informed of the
 progress made in the matter of other Departments making purchases
 of stores through the Indian Stores Department. The difficulties in con-
 nection with the stores required by the Controller of Printing and
 Stationery were explained and the Committee felt that they could not
 insist on the observance of a principle beyond reasonable limits in special
 cases of this kind.

139. *Item 11 of Appendix III.*—The Committee were not prepared to accept as final the decision of the Government of India that the separate exhibition of the accounts relating to the non-commercial portion of the work of the Indian Stores Department was impracticable. They desired that special attempts should be made to evolve a system in consultation with the Director of Commercial Audit.

Grant 66—Indian Stores Department.

140. *Paragraph 51 of the Auditor General's letter.*—The Chief Controller of Stores explained the financial position of the Department at some length. In particular, the Committee were struck by the increase in audit charges which was ascribed, among other things, to a large increase in the number of small bills. The Committee thought that it would be useful to have special comments of the Auditor General next year to show how matters were going in this respect.

141. The Chief Controller then explained certain general points put to him by Mr. Das. The Committee considered that it would be valuable if the Indian Stores Department could consider the question of publishing a pamphlet showing the extent of educative and other work which it was doing in the direction of assisting Indian industries.

142. This concluded the examination of the Appropriation Accounts relating to the Indian Stores Department, and the Committee then discussed with the Chief Commissioner of Railways certain general questions relating to the working of his Department which had been raised by Maulvi Abdul Matin Chaudhury and Mr. B. Das.

143. In connection with the expenditure on publicity, the Committee thought that it would be interesting if they could get figures showing the percentage of expenditure to gross revenue on Indian as well as on foreign railways and, in particular, the extent of the increase in American and other tourists' travels.

144. Finally, the Committee proceeded to consider such portions of the Railway Appropriation Accounts as had been left over from previous meetings. The Financial Commissioner, Railways, took the opportunity of presenting to the Committee the four notes mentioned below with reference to earlier proceedings :—

Paragraph of these Proceedings.	No. of Appendix in which note appears.
37	XXVIII
39	XXIX
49	XXX
53	XXXI

145. At this stage the Committee adjourned till 5-30 P.M. on Tuesday, the 22nd July 1930.

**Proceedings of the twelfth meeting of the Public Accounts Committee
held on Tuesday, the 22nd July 1930, at 5-30 P.M.**

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Mr. S. C. MITRA.

Mr. M. A. AZIM.

Mr. J. RAMSAY SCOTT.

} *Members.*

The Hon'ble Sir ARTHUR McWATTERS, *Financial Secretary.*

Mr. G. KAULA, *Controller of Civil Accounts.*

146. The Committee considered the Secretary's draft of the Report and adopted it with certain modifications.

147. The Committee considered that, if a special meeting was actually held during the ensuing Delhi session (*vide* paragraph 35 of these Proceedings), the opportunity might be taken to discuss certain points of procedure which members wished to raise. They also thought that the annual discussion of the Report of the Committee by the Legislative Assembly should preferably take place before the presentation of the Railway Budget.

VI—APPENDICES.

APPENDIX I.

Finance Department Resolution No. D.1200-B., dated the 13th June 1930 on the Report of the Public Accounts Committee on the accounts of 1927-28.

The Governor General in Council has perused with interest the Report of the Public Accounts Committee on the accounts of the financial year 1927-28. The Report is the seventh of its kind and throughout affords evidence of a careful and conscientious examination of the various features presented by the accounts.

2. In the present Resolution it is proposed to refer, at the outset, to the important question of the discussion of the Reports of the Committee in the Assembly and, at the same time, to deal with the connected question of issuing a Resolution of this character in future. The decisions arrived at on some of the points raised in the Report for the year 1927-28 will then be stated ; for the rest, separate memoranda dealing with individual points raised in the Report will be placed before the Public Accounts Committee during the ensuing session, while the action taken on the less important ones will, in accordance with the usual practice, be communicated to them in the form of a statement.

3. *Paragraph 30 of the Report.*—The Committee have dealt at length with the question of instituting a suitable procedure for the discussion of their Reports in the Legislative Assembly. They have suggested different alternatives, but, at the same time, expressed the opinion that it is desirable to avoid fixing any procedure without ascertaining the views of the Assembly. Accordingly, during the last Delhi session, the Hon'ble the Finance Member gave notice of his intention to move " that the Report of the Public Accounts Committee on the accounts of 1927-28 be taken into consideration ". The intention was that the Assembly should be enabled to express their views on the question of procedure on that occasion. Owing to pressure of other business, however, it was not possible for this motion to be moved until the last day of the session, and then, on the motion of a non-official member, it was decided to postpone its consideration until the next session. In the circumstances, the Governor General in Council refrains from expressing any particular views on the subject in advance of a full discussion in the Assembly.

4. This, however, does not prevent a decision being taken on the connected question of issuing a Resolution of the present type in future. In the memorandum which forms Appendix V to the Report, it has been pointed out that it is inconvenient that a single Resolution should be issued on a Report which deals not with a single subject but with a large number of transactions having no necessary connection with each other. It has also been urged that, if a discussion of the Report were to take place in the Legislature, to issue a Resolution in advance would be premature and inappropriate. At the same time, however, it was recognised that the matter was really one for the discretion of the executive Government. It may now be accepted as the intention of Government that a discussion of the Report shall take place in the Assembly from year to year, although the

exact procedure adopted by the Assembly may vary from time to time. The Governor General in Council, taking into account this fact, has given his careful consideration to the matter and come to the conclusion that the following procedure should be adopted by Government in future. The Report of the Committee will normally issue by the end of October each year. As soon as it appears, the Finance Department will, as recommended in paragraph 76 of the present Report, prepare lists enumerating the points and recommendations which concern each Department and circulate them to the Departments concerned for immediate action. The disposal of each case will be watched by the Finance Department, and the decision arrived at on each point will be communicated to the officers, etc., concerned as soon as it is taken. In these circumstances, an omnibus Resolution will no longer be necessary. The Finance Department will prepare a quarterly statement showing the action taken up to date on each case and will forward this to the members of the Public Accounts Committee for information. The Committee will, of course, have an opportunity of examining the adequacy of the action taken when they meet to scrutinise the accounts of the following year. The above procedure will apply in its entirety to those cases in which the recommendations of the Committee are either wholly accepted or accepted in all but unimportant particulars. If, however, any case should occur in regard to which there is a material difference of opinion between the executive Government and the Committee, a full memorandum on the subject will be drawn up and placed before the Committee at a subsequent session and the Assembly will have an opportunity of discussing the subject later under the procedure contemplated in paragraph 30 of the Report.

5. *Paragraphs 5 to 9 of the Report.*—The Governor General in Council notes with satisfaction that the improvement in the estimating under the various heads taken as a whole has been maintained during the year under Report and, further, that the tendency to over-estimate voted expenditure has become much less marked. He trusts that as experience of the system of lump cuts is gained, this improvement will continue. He concurs in the view of the Committee that it would be most advantageous if a specially experienced officer from the Finance Department could personally visit all the estimating offices, look into and co-ordinate their work and have occasional conferences with the estimating officers; and also in the Committee's suggestion that it is important to secure continuity in the staff of the Department which is to be employed on this special work. In the time which has elapsed since the appearance of the Report it has not been possible to spare any officer with the requisite experience for the work indicated. Efforts are however being made to arrange the staff so that a suitable officer may be released for this special work, and with this end in view, a young man was, some time ago, brought in for training to the office of the Controller of the Currency.

6. *Paragraph 17 ibid.*—It is noted that the Committee consider that it should be accepted as an obligation by Government that opportunity should be found during the session of the Assembly for the presentation of supplementary demands and that, inasmuch as the voting of grants is the primary function of the Assembly, the excuse that time is not available ought, in no circumstances, to be accepted. This suggestion is in accord with past practice which will be scrupulously continued.

7. *Paragraph 20 ibid.*—In connection with a case in which the representative of an important business concern having large business transactions with the Posts and Telegraphs Department had been allowed for some years a free use of the trunk telephone lines between two important places as an act of courtesy, the Committee recommended that the Government of India should consider the question whether they have any power to waive revenue which it is authorised to levy under a statute and obtain authoritative opinion on the legal position. Such opinion has been obtained and is to the following effect :—

- (1) If the provisions of the statute regarding the raising of revenue are purely permissive, Government have the requisite authority to refrain from raising such revenue where they think fit.
- (2) If, however, the provisions are mandatory, Government's power would depend upon whether the statute does or does not provide for exemptions. If it does not, Government have no power to waive the revenue ; but if it does, then Government's power would be regulated by the actual wording of the provisions relating to exemptions.

Future cases will be dealt with accordingly. In the particular case which gave rise to the discussion, the concession has been discontinued by orders issued in February 1930.

8. *Paragraph 28 ibid.*—The Committee consider that the decision on the question of strengthening of audit on Company lines should be expedited. A model scheme of audit was prepared by the late Accountant-General, Railways, for application to the transactions of Company-managed Railways. It followed the same lines as the statutory audit prescribed in respect of the internal check exercised by the Accounts Officers of Government on State-managed Railways who had been appointed in connection with the scheme of separation of audit and accounts. The scheme was supported by the Auditor General and has since been introduced, as an experimental measure, for three years with effect from the 1st April 1930.

9. *Paragraph 29 ibid.*—The procedure accepted by the Committee in regard to the supply of Administration Reports to the members of the Committee has been introduced with effect from the current year and will be followed in future.

10. *Paragraphs 31 to 39 ibid.*—The Governor General in Council accepts the interpretation of the term " new service " in the different instances dealt with by the Committee in paragraphs 32 to 36 of the Report. He concurs in the view expressed in paragraph 37 that the executive should not be allowed to substitute for a project approved by the legislature another project the full cost of which will be considerably more, and also that, in such cases, the control of the Finance Member should be rigidly exercised. In order to enable the Standing Finance Committee and the Standing Finance Committee for Railways to consider whether any scheme placed before them constitutes a new service, the Departments of the Government of India responsible for presenting the demand will in future be required to call attention to all the relevant facts and considerations. The Governor General in Council hopes that the Auditor General will find it possible to meet the wishes of the Committee and prepare, in future years, a memorandum giving a collection of all doubtful cases with full details in order to assist the evolution of a body of case law on the subject.

11. *Paragraphs 40 and 41 ibid.*—There is no doubt that if departmental officers are to be in a position to watch the progress of expenditure with the help of the accounts officers, it is necessary, first, that supplementary grants should be distributed between various sub-heads and demand units like the original grants and, secondly, that re-appropriations should be sanctioned as soon as possible after the necessity for additional expenditure is foreseen. The Governor General in Council desires that this procedure should be carefully observed in all cases in future.

12. *Paragraph 44 ibid.*—The recommendations made by the Committee in regard to reviews of the results of the working of commercial undertakings have been carefully considered in consultation with the Auditor General and the position is as follows. For the year 1928-29, an Appendix to the Appropriation Accounts has been compiled by the Director of Commercial Audit which deals with the accounts and reviews of the Civil commercial concerns of the Central Government. In future, such reviews will be prepared by the authorities actually responsible for the management of the concerns and the Director of Commercial Audit will check the reviews and add any necessary audit comment. As a matter of practice, it will not be possible for audited figures for any complete year subsequent to the one which is normally to be under the Committee's scrutiny, to be made available in time for the usual annual session of the Public Accounts Committee, while any attempt to base conclusions on unaudited figures is hardly likely to be satisfactory to the Committee. In the circumstances, the Governor General in Council considers that no useful purpose would be served by calling for reviews more up-to-date than those which the Committee have to scrutinise in the ordinary course. As regards the Railways, the Posts and Telegraphs Department and the commercial concerns of the Army Department other than those under the audit of the Director of Commercial Audit, the Administration Reports give full particulars and no further reviews will be necessary. The question of preparation of reviews of commercial concerns of the Army Department which are under the audit of the Director of Commercial Audit, is, however, being further considered.

13. *Paragraph 46 ibid.*—The Committee suggest that an authoritative interpretation of the definition of the term "Finance Member", as given in rule 2 of the Indian Legislative Rules, should be obtained, and, further, that when the Governor General exercises his power of appointing any member as the Finance Member for the purpose of any particular rule, the order of such appointment should be laid on the table of the House. The definition has been carefully reconsidered and it has been held that the interpretation hitherto applied is correct. In other words, it is open to the Governor General to appoint a member of the Assembly other than the Finance Member to perform the functions of the Finance Member under the rules or the standing orders. In practice, the order of the Governor General is transmitted to the President and it is open to the latter, if so advised, to read the order to the House.

14. *Paragraph 48 ibid.*—The Committee suggest that, in cases where one Department employs another to do work for it, it is desirable to prescribe a procedure for keeping the Department responsible for providing the funds informed of the progress of expenditure on the work. In the specific case commented upon in the paragraph under reference, the expenditure exceeded the appropriation because the employing Department

had made no arrangement to ensure that the Department undertaking the work should keep it informed of the progress of expenditure and apply for special authority before incurring expenditure in excess of the funds placed at its disposal. To avoid cases of this kind occurring in future, it has been decided that the Department responsible for providing the funds should intimate to the Department undertaking the work the sanctioned grant within which the expenditure is to be incurred ; and the Department incurring the expenditure should be made responsible for seeing not only that the allotment placed at its disposal is not exceeded but also that any anticipated savings are notified and surrendered in time. In cases where an excess is anticipated, the Department incurring the expenditure should be held responsible for obtaining the additional allotment in proper time through the employing Department.

15. *Paragraph 49 ibid.*—The Governor General in Council agrees in the view expressed by the Committee that, where an officer is to be temporarily employed on special duty, steps should be taken to frame as accurate an estimate as possible of the period required for the special work.

16. *Paragraphs 73 and 79 ibid.*—The Governor General in Council desires to associate himself with the Committee in their appreciation of the work of the Military Accounts Committee and of the services of the late Auditor General.

17. *Paragraphs 77 and 78 ibid.*—The Committee emphasise their view that the officer responsible for the control of any Department must always include the control of expenditure and accounts as an important part of his own direct responsibility and should be ready, if necessary, to appear before the Public Accounts Committee. The Governor General in Council considers that it will satisfy the purpose which the Committee have in view if the Secretaries to the Government of India in the different Departments appear before the Committee in future, bringing with them such expert advisers as may be necessary. Under this arrangement the principal witness representing the Railway Department will be the Chief Commissioner of Railways, while the Central Board of Revenue will be represented by one of the Members constituting the Board. The Financial Secretary will normally be present at all meetings of the Committee as he was in 1929.

APPENDIX II.

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 1927-28, but which have not been dealt with in Finance Department Resolution No. D./1200-B., dated the 13th June 1930.

(The references in the third column are to the paragraphs of the Report or of the Proceedings, as the case may be, for the year 1927-28.)

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
1	Question of altering the method of budgeting for railway debenture transactions.	7 R. ..	The budget now follows the accounts procedure and exhibits the net figure.
2	Question of obtaining more accurate estimates in connection with loans to Bahawalpur State.	11 (Item 6) R.	Necessary arrangements have been made.
3	Question whether the present system according to which the Railway Capital expenditure programme for any year is settled during the preceding autumn and the Railway budget is presented to the Legislative Assembly before the General budget, is conducive to the general interests or to the proper information of the Legislative Assembly.	11 (Items 9—13) R.	The consideration of the question has been left over until after the revision of the constitution.
4	Supply of copies of "Epitome of the Reports from the Central Committees of Public Accounts," 1923-27, prepared by the Auditor General, to members of the Committee and such other members of the Assembly as ask for it.	14 R. ..	Copies have been supplied to members of the Public Accounts Committee and will also be supplied to other members of the Assembly who may ask for them.
5	Further discussion with the Auditor General regarding necessity for the Reserve placed at the disposal of the Finance Department.	18 R. ..	It has been decided not to make any change in the existing practice for the present. The question will be examined after the Indian Statutory Commission's Report is examined.
6	Internal check of Customs receipts	19 R. ..	The reorganisation of the appraising establishments in the Madras, Rangoon and Karachi Custom Houses and the further strengthening of

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
			<p>these establishments in Calcutta and Bombay was postponed on account of financial stringency. The Standing Finance Committee in its meeting held on the 16th June 1930 has approved the appointment of some additional customs staff required immediately for the recently opened King George's Dock, Calcutta. The Report of the Officer on Special Duty, Finance Department, is still under consideration.</p>
7	Maintenance of an inventory of Government property.	21 R. ..	Orders regarding the maintenance, in all Government offices, of an inventory of dead stock, such as plant and machinery, furniture and fixtures have been issued. A set of model rules governing the maintenance, etc., of inventories of Government stores, namely, consumable and perishable articles, in certain Departments, offices and institutions has also been prescribed.
8	Separate exhibition of additional expenditure on the 12 villages occupied by Moplah settlers in the Andamans.	22 R. ..	This is not possible for the reasons explained in Appendix VII.
9	Submission of a report on the working of the system of making Departments responsible for the maintenance of their own buildings in so far as the Posts and Telegraphs Department is concerned.	23 R. ..	Not yet ready.*
10	Question of setting up a small Committee to consider how far the present system of accounting really provides a true picture of the commercial results of the working of the Posts and Telegraphs Department, and to investigate the actual results of the present provision for depreciation and its adequacy.	24 R. ..	Under consideration.

* Since furnished—Vide Appendix XV.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
11	Settlement of claims of the Posts and Telegraphs Department against Railway and Canal Administrations on account of the rentals of telegraph and telephone wires, etc.	25 R. ..	Orders revising rates charged to Canal Administrations with effect from the 1st April 1930 have been issued. The rates charged to Railways are under consideration.
12	Action remaining to be taken on the Special Officer's report on the system of preparing budget estimates by Railways.	26 R. ..	The recommendations of the Special Officer other than those already adopted in the Budget for 1930-31 are being examined in consultation with Railway Administrations.*
13	Submission of a full report on the crew system and the question whether the crew system should be placed under the control of the Accounts Department instead of under the Traffic Department.	27 R. ..	A Committee consisting of a Traffic Officer and an Accounts Officer has been appointed to prepare the report and examine the suggestion of the Public Accounts Committee.
14	Submission of a report on the investigation of irregularities noticed in the Railway Appropriation Accounts and of lack of co-operation between the Railway Accounts staff and the Government Examiners.	28 R. ..	The Report of the Officer on Special Duty has been published and instructions to Railways on the recommendations made therein will be issued shortly. The Director of Railway Audit has also issued instructions to the Audit staff.
15	Preparation by the Auditor General, in future, of a Memorandum giving a collection of all doubtful cases relating to new services with full details.	31 and 38 R.	<i>Vide</i> Appendix IX.
16	Procedure for obtaining the approval of the Assembly to power being taken by the executive to select one out of alternative Railway projects.	37 R. ..	<i>Vide</i> Appendix VIII.
17	Revision of the relative rates levied for telegrams and those levied for the use of trunk telephone lines so as to secure the best possible economic results.	42 R. ..	Under consideration.
18	Suggestion that Government should issue orders that all stores (other than stores of a special technical nature) required by any Government Department should in future be purchased through the Indian Stores Department, or that they	43 R. ..	Orders have been issued entrusting the purchase of certain additional classes of stores on behalf of the Railway to the Indian Stores Department and enjoining on all the Minor Local Governments and all Heads of Departments

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
	should appoint a Committee of the Legislative Assembly to enquire into the present position and working of the Indian Stores Department.		subordinate to the Department of Industries and Labour to purchase all classes of stores (with certain exceptions) through the agency of that Department. The question of issuing similar instructions to the Heads of Departments subordinate to other Departments of the Government of India is under consideration.
19	Suggestion that when Railways desire to undertake a manufacturing business of a kind which is outside their ordinary business, special care should be devoted to checking the estimates and that any tendency in Railway concerns to expand outside their own special task, should be checked.	45 R. ..	Orders have been issued to Railways, impressing upon them the principle enunciated by the Committee and instructing them that the financial effect of a scheme should be reviewed from time to time so as to see at each stage whether it will be profitable, in the altered circumstances, to undertake the scheme.
20	Suggestion that, without any affirmation from the Legislative Assembly, all changes in the form of Demands for Railway grants initiated by the Railway Board in consultation with the Standing Finance Committee for Railways, may be subject to further consideration by the Finance Member who, before arriving at a final decision, will be entitled to consult the Public Accounts Committee.	47 R. ..	In practice all changes in the form of Demands are approved by the Finance Member before they are placed before the Standing Finance Committee. There may, however, be cases in which the Finance Member might think it desirable to consult the Public Accounts Committee before or after the change is approved by the Standing Finance Committee and in this case it has been decided to consult the Public Accounts Committee whenever the Finance Member considers such consultation necessary.
21	Submission of a full report on the commercial results of Government salt-producing undertakings.	50 R. ..	<i>Vide</i> Appendix VI.
22	Introduction of the commercial system of accounts in all Government salt-producing undertakings where it is not already in force.	51 R. ..	No change in the existing arrangements is proposed for the reasons set forth in Appendix V.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
23	Submission of a report on the services rendered by the Meteorological Department to the Royal Air Force and the reciprocal services rendered by the latter in the study of Meteorology, new routes for civil aviation or otherwise.	52 R. ..	Vide Appendix X.
24	Investigation by Government, in consultation with Provincial Governments, of the question regarding the policy to be adopted in regard to the production and distribution of quinine.	53 R. ..	Constitutionally, the Government of India have no power to <i>control and regulate</i> the distribution of quinine; without such power, they cannot require local Governments to adopt any policy involving intensive consumption of quinine. Moreover, Provinces such as Bengal and Assam have not the funds to spend on an intensive <i>anti-Malarial</i> campaign. The Government of India have therefore decided to wait until the Report of the Indian Statutory Commission becomes available. They will probably consult the local Governments after the Round Table Conference is over.
25	Reconciliation of the figures of net loss in the working of the Indian Stores Department as given in the Appropriation Accounts and the Administration Report.	54 R. ..	In order that the Administration Report of the Indian Stores Department may show the correct financial position of the Department, the existing statement will be entirely recast and prepared on the lines of the profit and loss account of the Indian Stores Department which is published annually with the Appropriation Accounts of the Central Government and which includes all indirect charges and gives an exact appreciation of the financial position of the Department. As final figures for the purpose of the account become available long after the close of the financial year to which they relate, it is not possible to include an absolutely accurate account in the Administration Report without considerably delaying its publication which is

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
			<p>undesirable in view of the criticisms made in the past in the Parliament as well as in the Indian Legislature. A fairly accurate provisional statement based on the information available at the time of the preparation of the Report will therefore be included in it in future. Besides the figures for the year under review, the Report will show, for the purposes of comparison, the final figures for the three preceding years which will be the same as those in the profit and loss accounts for those years published with the annual Appropriation Accounts.</p>
26	Suggestion that in the case of non-voted refunds there should be no time limit for the acceptance and sanctioning of re-appropriations and additional appropriations, provided that the orders are actually passed within the financial year.	55 R. ..	The suggestion is accepted and orders are issuing accordingly.
27	Possibility of improving the present procedure for the preparation of budgets in areas like Delhi where there is a separate Pay and Accounts Officer who can assist the Chief Commissioner in framing accurate budgets.	56 R. ..	Under consideration.
28	Exhibition of expenditure on the maintenance of gardens in the Delhi city in future Demands for Grants and Appropriation Accounts under the sub-head "Horticulture" instead of under "Agriculture".	57 R. ..	Under consideration.
29	Suggestion that, in preparing the accounts of the Dairy farm and the Slaughter-house in the Andamans on a commercial basis, the Auditor General should consider whether any portion of the loss on the working of these undertakings can properly be charged against the Army estimates.	58 R. ..	Under consideration by the Auditor General.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
30	Recommendation that the persistent over-budgeting under the grants for expenditure in England under the control of the Secretary of State and the High Commissioner for India should be brought to the special notice of these authorities.	59 R. ..	This has been done and it is expected that the improvement which has recently been noticeable, will be maintained in future.
31	Issue of circular instructions drawing attention to the rules in the Post and Telegraph Manual requiring comparison of the depositors' signatures on the withdrawal forms with the specimen signatures kept in the Post Office in Order to prevent fraud in connection with Savings Bank transactions.	60 R. ..	This has been done.
32	Further enquiry regarding the loss of measurement sheets on the Bengal Nagpur Railway and entry in the record of service of the Assistant Engineer concerned.	61 R. ..	It has not been possible to fix the responsibility for the loss on any officer. The remarks of the Committee have been communicated to the Railway.
33	Suggestion that legal opinion should be obtained whether criminal proceedings could be taken in the case involving payments not supported by details and irregular entries in measurement books in connection with the Barkakhana Chandil Railway construction.	62 R. ..	The matter was referred to the Government Solicitor who is of opinion that a criminal prosecution in the case is not possible.
34	Introduction, in the case of the Railways, of the Army Department rules relating to acquisition, custody and relinquishment of State lands and buildings.	63 R. ..	It is considered that the Railway land Rules are sufficiently elaborate and that nothing of real use or advantage can be imported into them from the Army Department rules.
35	Suggestion that the responsibility for the correct allocation of expenditure between revenue and capital in the estimates and accounts should lie on the Railway Board and the Government Examiner, respectively.	64 R. ..	Under consideration.

* But see para. 34 of Proceedings for explanation since given.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
36	Suggestion that the attention of the Loco Works Manager, Bengal Nagpur Railway, should again be invited to the remarks of the late Accountant General, Railways, in connection with the loss to the Railway due to absence of proper control in moulding and coramaking work and that a more instructive report should be furnished.	65 R. ..	A report has been received and is under consideration in the Railway Department.
37	Recommendation that before entering into an agreement with a local Government or other local body regarding the construction of unremunerative lines, detailed estimates should be prepared on the understanding that if the local Government or the local body did not accept the terms offered by the Railway Board, the cost of preparing such detailed estimates would have to be borne by the local Government or the local body concerned.	66 R. ..	The recommendation has been noted.
38	Submission of a report on the state of affairs regarding the Stores Accounts Section, East Indian Railway.	67 R. ..	Vide Appendix XII.
39	Recommendation that the figures of Railway Capital at charge as given in the Administration Report and those given in the Appropriation Accounts of Railways should be prepared on a uniform basis.	68 R. ..	The discrepancy between the two sets of figures has been set right.
40	Recommendation that the Railway Board should normally follow a definite policy of adjusting rates on Company-managed lines to rates on State lines.	69 R. ..	It is not considered possible to adopt the Committee's recommendation.*
41	Introduction of a system of proper commercial accounts on all collieries worked by Railways.	70 R. ..	It is not considered possible to adopt the Committee's recommendation.†
42	Submission of a report on the action taken as a result of the letter addressed by the Railway Board to the Agent, Bengal Nagpur Railway, on the subject of the serious financial irregularities on that Railway.	72 R. ..	Vide Appendix XI.

* But see para. 36 of Proceedings.

† But see para. 37 of Proceedings.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
43	Suggestion that disciplinary action should be taken against the senior officers responsible for irregularities as well as against subordinates.	6 R. (Sub-Com.)	The suggestion has been noted.
44	Suggestion that the Railway Board should take steps to ensure that the rules regarding the preparation of estimates and control of expenditure are observed by the Railways.	7 R. (Sub-Com.)	The suggestion has been noted.
45	Suggestion that the Railway Board should exercise a stricter financial control over the Company-managed Railways.	8 R. (Sub-Com.)	The suggestion has been noted.
46	Submission, by the Army Department, of a Memorandum on their policy as regards purchases of stores through the Indian Stores Department.	74 R. ..	<i>Vide</i> Appendix XIII.
47	Communication of the result of the examination by the Financial Adviser, Military Finance, of the existing anomaly which lies in the fact that Indian lodging and ration allowances are admissible during "concession" passages and not admissible during "duty" passages.	75 R. ..	Under consideration.
48	Assessment of the pensionary liability of the Posts and Telegraphs Department.	32 (Item 3) P.	Under consideration.
49	Preparation of an estimate so as to give an idea of the future commercial prospects of the Indian Posts and Telegraphs Department.	33 P. ..	An estimate is under preparation and will be placed before the Committee.*
50	Question of the necessity for a "Suspense" head under Grant No. 22—"Irrigation, Navigation, Embankment and Drainage Works—charged to Revenue" for 1927-28.	77 P. ..	The matter is being looked into by the Auditor General.
51	Question of appointing a Committee of the Legislature to deal with the allotment, etc., of residences to members of the Legislature in Simla.	81 P. ..	The consideration of the question has been held up pending discussion of the Report of the Public Accounts Committee in the Legislative Assembly.

* Since furnished.—*Vide* Appendix XVI.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
52	Suggestion that in preparing the budget estimate under "Survey of India," the actual results of the previous years should be taken into account.	97 P. ..	This is normally done and will be specially attended to in future.
53	Enquiry into the question whether the expenditure shown under the head "Pay of establishments" in Grant "53—Other Scientific Departments" for 1927-28 represents the pay of the Museum establishment directly under the control of Government.	102 P. ..	The expenditure represents the pay of the establishment employed in the Art Gallery and Art Section of the Indian Museum and is now included under the head "Grants-in-Aid".
54	Suggestion that a drastic lump cut should be made under "Convict Settlement charges" in the Andamans.	126 P. ..	A cut of rupees one lakh was made in the estimates for 1928-29 and of rupees three lakhs in those for 1929-30. The suggestion will be borne in mind.
55	Institution of a combined office of accounts and audit for the Andamans on the lines of that which serves the Indian Stores Department.	126 P. ..	Details of the scheme are being worked out.
56	Necessity for covering, before the close of the year, the excess expenditure under "Bonus on Postal Cash Certificates" and "Interest on Post Office Savings Banks" when such excess is foreseen.	176 P. ..	The point has been noted.

APPENDIX III.

Statement showing the Recommendations or Observations made by the Public Accounts Committee on the Accounts of 1921-22 to 1926-27, which do not appear in Appendix II and on which action is still outstanding.

(The references in the third column are to the paragraphs of the Report or of the Proceedings, as the case may be, for the year mentioned.)

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
1	Desirability of amending the leave rules which seem to be unnecessarily complicated.	33 R. 1922-23	The question of revising the leave rules was investigated by the Finance Department. The tentative proposals of the Government of India were discussed at the Conference of Financial Representatives held in November 1928. According to the decision taken therein, the proposals were referred officially to the various local Governments. The matter will be pursued on receipt of all the replies.
2	Question of creating a Civil Contingencies Fund on the English model.	30-33 R./1923-24 and 12 R./1924-25.	This has been left over for consideration in connection with the Report of the Statutory Commission.
3	Treatment of losses of revenue due to fraud, defalcation, etc., as a form of expenditure, thereby bringing them to the notice of the Public Accounts Committee through the Appropriation Accounts.	38 R./1923-24, 35 R./1925-26, and 20 (2) R./1926-27.	The matter was discussed at the Conference of Financial Representatives in November 1928 and the Auditor General's views on the various points raised at the Conference are awaited.
4	Question of enforcing disciplinary action on an officer who has retired between the date of committing an irregularity and the date of its discovery.	43 R./1923-24	The question is still under the consideration of the Government of India and a general decision on the form of the rules on the subject is not likely to be taken for some time yet.
5	Exhibition of working expenses of commercial departments in the accounts and estimates.	10-11 R./1924-25.	Proposals were laid in 1927 before the Secretary of State who has decided to postpone consideration pending receipt of the Report of the Statutory Commission.
6	Revision of the Sea Customs Act of 1878.	30 R./1924-25 and 16 R./1925-26.	The draft bill for the revision of the Act is under consideration. The proposals of the Government of India have been circulated to Local Governments for opinion. Some of the replies are still awaited.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
7	Direct access of the Auditor General to the Secretary of State.	33 R./1924-25 and 23 R./1925-26.	As against item 2.
8	Amendment of the Government of India Act in the manner suggested in the Auditor General's memorandum No. T. 517, dated 30th July 1926 (Appendix VI to Report for 1924-25) so as to remove the anomalous relations between him and the Auditor of Indian Home Accounts.	41 R./1924-25	As against item 2.
9	Necessity for submitting outgoings on account of Loans and Advances to annual vote.	10 (Item 18) R./1925-26.	As against item 2.
10	Question of modifying the system of large annual adjustments in accounts that are now made and of substituting accounts arrangements which will represent machinery for watching liabilities concurrently with events.	11 R./1925-26	The question is under consideration.
11	Separate exhibition of the accounts relating to the non-commercial portion to the work of the Indian Stores Department connected with the development of Indian Industries.	22 R./1925-26	The Government of India have carefully considered the suggestion and come to the conclusion that the Indian Stores Department cannot for the present be declared to be a commercial Department as some of its activities are of a non-commercial character. The ideal will no doubt be to disentangle the two sets of activities; but the Government of India are convinced that such division of the activities is at present impracticable.
12	Question of a more systematic audit of receipts and stores.	29-32 R./1925-26, and 20 (6) R./1926-27.	As against item 2.
13	Transfer of the control of the roads and buildings in the North-West Frontier Province from the Military Engineering Services to the Public Works Department.	47 R./1925-26	The question is still under consideration.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
14	Recommendation that an opportunity should be given to the Public Accounts Committee or the Legislative Assembly to express their views before the Governor General declares as non-votable an item of expenditure which has been votable.	59 R./1925-26	As against item 2.
15	Question of transferring the control of the Indo-European Telegraph Department to India.	66 R./1925-26	This is under correspondence with the Secretary of State.
16	Propriety of debiting Ecclesiastical charges incurred in connection with the Army to the head "Ecclesiastical" in the Civil Estimates.	25 R./1926-27	The dissolution of the legal union between the Church of England and the Church of England in India took place on the 1st March 1930. The matter is now being considered in the light of this dissolution.
17	Question whether the Posts and Telegraphs Department may use the accumulations in the Depreciation fund for its own capital expenditure.	35 R./1926-27	Under consideration.
18	Settlement of claims by the Imperial Government against Indian revenues mainly in respect of liabilities arising out of the war.	38 R./1926-27	Efforts to reach a comprehensive settlement of the various claims are still proceeding. The Government of India will not lose by delay in settlement.
19	Settlement of claims with Foreign Governments in connection with repatriation of refugees from India.	39 R./1926-27	Further amounts aggregating £1,913 were recovered during 1927-28 and £5,004 in 1928-29 and subsequently. Negotiations are proceeding in connection with a sum of £3,329.
20	Final settlement of the account of timber shipped from Burma and placed with the timber agents in London for disposal.	45 R./1926-27	The Government of India have on the recommendation of the High Commissioner for India, accepted the offer of Messrs. Howard Bros. of £5,500 for the whole stock of timber belonging to the Government of India remaining in their hands on the 31st December 1928, on the understanding that their accounts under all heads, viz., the Andamans, the "Chang Tu" Cargo and the exhibitions of 1920 and

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
21	Question of keeping cinchona accounts on a commercial basis in respect of the transactions of the Governments of Bengal and India.	49 R./1926-27	<p>1924 submitted up to that date would be accepted as final without enquiry. The question of allocation of the amount is under consideration and the necessary orders will be issued in due course.</p> <p>The Bengal Government are still considering the question of commercialising their cinchona accounts. Until their intentions are known, no progress can be made with the commercialisation of the cinchona accounts of Government of India, which is, besides, bound up with the problem, now being considered, of making the production and supply of cinchona a function of the Central Government.</p>
22	Improvement in the existing arrangements for verification of stocks of cinchona bark at Mungpoo.	50 R./1926-27	<p>The Government of India have accepted the proposal of the Director, Botanical Survey, that the matter should be referred to the Commercial Auditor who will, it is understood, be deputed to Mungpoo in connection with the commercialisation of the Bengal cinchona accounts. The matter will be considered further when the Auditor has reported.</p>
23	Question relating to (a) the revision of rents of residential buildings in Delhi; (b) the adequacy of rents charged for furniture supplied to Government residential buildings in Delhi; (c) the incidence of expenditure on the residences, etc., of His Excellency the Commander-in-Chief; and (d) the recovery from Commercial Departments of the loss incurred on account of residential buildings supplied to them by the Public Works Department.	57 R./1926-27	<p>(a) With a few exceptions the rents of residential buildings have been revised; the remaining cases are expected to be completed shortly; (b) inventories of furniture have been prepared in the case of Bungalows of Hon'ble Members and gazetted officers and clerks' quarters in the New Capital Area. Proposals in respect of revision of the scales and rents of furniture in these buildings have been approved by the Government of India, but rev. luation remains to be done and is being taken up; (c) and (d) the questions are still under consideration.</p>

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
24	Deposit of revenue collections direct into the treasury on a chalan passed by the revenue official concerned.	58 R./1926-27	The local Administration has issued instructions to the Political Agents that arrangements should be made to ensure that only those items should pass through the hands of Government officials which cannot be credited into the Treasury direct without undue hardship to the person or persons from whom revenue is due.
25	Form in which the <i>pro forma</i> profit and loss accounts in respect of S.S. "Maharaja" should be kept and the question of placing the Commissariat Department on a commercial basis.	59 R./1926-27	The form of the <i>pro forma</i> accounts of S.S. "Maharaja" has been settled. The accounts of the Commissariat Department have been examined by an officer of the Commercial Audit Department deputed to the Andamans for the purpose and his reports are under the consideration of the Government of India.
26	Desirability of instituting a local Pay and Accounts Office at Port Blair.	60 R./1926-27	A modified proposal is now under consideration to set up a combined audit and account office on the lines of the office of the Audit Officer, Indian Stores Department. Details of the scheme are being worked out (<i>vide</i> item 55 in Appendix II).
27	Early revision of the Ecclesiastical Rules.	62 R./1926-27	The views of the Metropolitan on the draft Ecclesiastical Rules have been received and the Rules are now being further revised in the light of those views.
28	Progress of the settlement of the outstanding claims against some Foreign Governments and Indian States and of the unadjusted balance due by the Gwalior Durbar.	64 R./1926-27	(a) The Claim against the Persian Government is still under the consideration of His Majesty's Government; (b) The outstanding claim against Gwalior has since been finally settled; (c) The claim against all the Foreign Governments amounted to £50,400 of which £18,703 has been recovered and the question of recovery of the balance is still under consideration.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
29	Preparation of capital and revenue accounts of residential buildings in New Delhi.	67 R./1926-27	The Government of India have decided that the Capital and Revenue Accounts of residential buildings in New Delhi should be prepared as from the 1st April 1929.
30	Desirability of coming to a decision on the points referred to in paragraphs 4 and 6 of the Auditor General's Memorandum on the working of the Provincial Loans Fund (Appendix X to Public Accounts Committee's Report on the Accounts of 1926-27).	68 R./1926-27	The matter is being considered in connection with certain amendments to the rules of the Fund which are under correspondence with Provincial Governments.
31	Enquiry into the comparative cost of running the Indian Posts and Telegraphs Department and the Indo-European Telegraph Department.	72 R./1926-27	The Director-in-Chief of the Indo-European Telegraph Department has been requested through the India Office to communicate the results of his detailed enquiry on the point.
32	Questions of improvements in the procedure relating to sales of stores.	76 R./1926-27	The outstanding points are still under consideration, being dependent on the success of the scheme for extended use of machines on Railways which is being experimented upon at present.
33	Intimation to the Committee of the decision taken regarding the recommendations of the State Railway Workshops Committee on the piece-work and bonus systems and the introduction of cost accounting in workshops.	77 R./1926-27	The recommendations made by the Workshops Committee related to the North Western Railway and have been adopted there. Cost accounting has been introduced fully in the Tatanagar Workshops and partially in the N. W. Railway Workshops.
34	Ascertainment of the rules in force on the Army side for the recovery of the sale-proceeds of auctioned materials, with a view to their adoption, if necessary in the Railway Department.	83 R./1926-27	The procedure on the Army side has been ascertained and orders on the subject will be issued as soon as the legal examination of the form of agreement is completed.

APPENDIX IV.

Statement comparing expenditure with grants for 1928-29.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or —
PART I.—CIVIL.					
A.—EXPENDITURE CHARGED TO REVENUE.					
16. Customs—					
Voted	73,72,999	71,90,960	—1,82,039	—14,070	—1,67,969
Non-voted ..	19,74,201	19,79,173	+4,972	..	+4,972
17. Taxes on Income—					
Voted	65,84,000	65,09,975	—74,025	—6,800	—67,225
Non-voted ..	2,45,619	2,35,373	—10,246	..	—10,246
18. Salt—					
Voted	80,57,000	77,57,244	—2,99,756	—28,910	—2,70,846
Non-voted ..	45,08,500	45,36,119	+27,619	..	+27,619
19. Opium—					
Voted	79,73,000	53,14,354	—26,58,646	—25,59,558	—99,087
Non-voted ..	78,368	70,065	—8,303	..	—8,303
20. Stamps—					
Voted	2,22,000	1,26,557	—95,443	—9,000	—86,443
Non-voted ..	..	367	+367	..	+367
21. Forest—					
Voted	7,63,000	7,09,596	—53,404	—41,764	—11,640
Non-voted ..	3,24,377	3,19,323	—5,054	..	—5,054
22. Irrigation, Navigation, etc.—					
Voted	16,61,000	17,36,509	+75,509	—73,000	+1,48,509
Non-voted ..	14,52,300	14,58,561	+6,261	..	+6,261
23. Interest on ordinary Debt, and Reduction or Avoidance of Debt—					
Voted	1,27,34,000	1,25,28,862	—2,05,138	..	—2,05,138
Non-voted ..	8,96,03,000	8,19,72,170	+76,308,830	..	+76,308,830
Interest on Miscellaneous Obligations—					
Voted	40,36,000	40,02,614	—33,386	—395	—32,991
Non-voted ..	6,89,74,498	5,77,40,228	—1,12,34,270	..	—1,12,34,270

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or —
27. Staff, Household and Allowances of the Governor General—					
Voted	4,81,000	4,34,207	—46,793	—37,880	—8,913
Non-voted ..	10,04,575	9,96,963	—7,612	..	—7,612
28. Executive Council—					
Voted	81,000	63,077	—17,923	—14,000	—3,923
Non-voted ..	4,81,000	4,80,068	—932	..	—932
29. Legislative Bodies—					
Voted	5,37,000	3,85,524	—1,51,476	—12,000	—1,39,476
Non-voted ..	1,40,889	1,30,849	—10,040	..	—10,040
30. Foreign and Political Department—					
Voted	8,08,000	7,99,668	—8,332	..	—8,332
Non-voted ..	2,09,000	1,99,110	—9,890	..	—9,890
31. Home Department—					
Voted	6,45,000	5,70,795	—74,205	—70,850	—3,355
Non-voted ..	8,49,029	8,50,134	+1,105	..	+1,105
32. Public Service Commission—					
Voted	1,17,000	1,20,898	+3,898	—6,000	+3,898
Non-voted ..	2,86,060	2,78,686	—9,374	..	—9,374
33. Legislative Department—					
Voted	5,70,000	4,83,620	—86,380	—76,060	—10,300
Non-voted ..	2,11,008	2,10,389	—619	..	—619
34. Department of Education, Health and Lands—					
Voted	6,06,000	5,92,044	—12,956	—11,700	—1,256
Non-voted ..	2,09,396	2,09,049	—347	..	—347
35. Finance Department—					
Voted	10,86,000	10,28,222	—57,778	—50,980	—6,798
Non-voted ..	2,90,079	2,89,983	—96	..	—96
36. Separation of Accounts from Audit—					
Voted	14,12,000	13,83,256	—28,744	..	—28,744
Non-voted ..	45,000	36,604	—8,396	..	—8,396

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or —
37. Commerce Department—					
Voted	2,91,000	2,86,018	—4,982	—3,000	—1,982
Non-voted ..	1,00,900	1,00,291	—609	..	—609
38. Army Department—					
Voted	5,71,000	5,03,011	—67,989	—59,042	—8,947
Non-voted ..	92,636	89,981	—2,655	..	—2,655
39. Department of Industries and Labour—					
Voted	4,76,000	4,54,747	—21,253	—16,300	—4,953
Non-voted ..	1,26,000	1,24,910	—1,090	..	—1,090
40. Central Board of Revenue—					
Voted	1,92,990	1,80,215	—12,775	—12,960	+ 185
Non-voted ..	1,03,100	1,02,938	—162	..	—162
41. Payments to Provincial Government, etc.—					
Voted	1,28,000	1,28,107	+ 107	..	+ 107
Non-voted ..	1,00,750	1,00,432	—318	..	—318
42. Audit—					
Voted	85,30,000	82,72,928	—2,57,072	—1,52,560	—1,04,572
Non-voted ..	6,41,860	6,65,175	+ 23,315	..	+ 23,315
43. Administration of Justice—					
Voted	1,05,000	1,04,387	—613	..	—613
44. Police—					
Voted	1,85,000	1,76,827	—8,173	..	—8,173
Non-voted ..	3,000	2,666	—334	..	—334
45. Ports and Pilotage—					
Voted	20,70,000	14,83,854	—5,86,146	—5,34,800	—51,346
Non-voted ..	11,39,400	11,06,162	—33,238	..	—33,238
46. Survey of India—					
Voted	31,84,000	29,99,835	—1,84,165	—1,03,333	—80,832
Non-voted ..	8,20,000	8,03,711	—16,289	..	—16,289
47. Meteorology—					
Voted	13,96,000	13,87,765	—8,235	..	—8,235
Non-voted ..	41,300	41,182	—118	..	—118

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or —
48. Geological Survey—					
Voted	2,12,000	2,13,708	+1,708		+1,708
Non-voted ..	3,84,000	3,79,354	--1,646		--4,646
49. Botanical Survey—					
Voted	4,51,000	3,87,436	--63,564	--61,700	--1,864
Non-voted ..	23,700	21,297	--2,403	..	--2,403
50. Zoological Survey—					
Voted	1,76,000	1,75,938	--62		--62
Non-voted ..	30,135	29,764	--371	..	--371
51. Archaeology—					
Voted	10,64,000	15,21,823	--1,42,177	--84,618	--57,559
Non-voted ..	96,950	93,302	--3,648		--3,648
52. Mines—					
Voted	1,71,000	1,69,555	--1,445	..	--1,445
Non-voted ..	71,180	70,907	--283	..	--283
53. Other Scientific Departments—					
Voted	3,30,000	3,28,087	--1,313	--468	--845
54. Education—					
Voted	3,24,000	3,19,126	--4,874	--4,664	--210
Non-voted ..	19,493	14,393	--5,100	..	--5,100
55. Medical Services—					
Voted	8,39,000	8,18,502	--20,498	..	--20,498
Non-voted ..	2,87,621	2,83,237	--4,384	..	--4,384
56. Public Health—					
Voted	12,29,000	11,89,963	--39,037	--2,000	--37,037
Non-voted ..	1,74,852	1,67,534	--7,318	..	--7,318
57. Agriculture—					
Voted	15,28,000	15,19,804	--8,196	..	--8,196
Non-voted ..	2,24,600	2,38,422	+13,822	..	+13,822
58. Civil Veterinary Services—					
Voted	6,75,000	6,67,897	--7,103	..	--7,103
Non-voted ..	73,000	66,380	--6,620	..	--6,620

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or —
59. Industries—					
Voted	2,87,000	2,63,931	—23,069	—3,500	—19,569
Non-voted ..	3,94,224	3,94,214	—10	..	—10
60. Aviation—					
Voted	5,68,000	5,06,217	—61,783	—56,100	—5,683
Non-voted ..	14,800	14,536	—264	..	—264
61. Commercial Intelligence and Statistics—					
Voted	3,09,000	2,66,054	—42,946	—37,513	—5,433
Non-voted ..	29,838	28,757	—1,081	..	—1,081
62. Emigration—Internal—					
Voted	36,000	30,913	—5,087	—2,117	—2,970
Non-voted ..	11,250	10,908	—342	..	—342
63. Emigration—External—					
Voted	1,97,000	1,91,503	—5,497	..	—5,497
Non-voted ..	64,045	61,006	—3,039	..	—3,039
64. Joint Stock Companies—					
Voted	1,46,000	1,32,224	—13,776	—13,361	—415
Non-voted ..	4,000	780	—3,220	..	—3,220
65. Miscellaneous Departments—					
Voted	2,24,000	2,11,489	—12,511	—8,432	—4,079
Non-voted ..	97,028	95,627	—1,401	..	—1,401
66. Indian Stores Department—					
Voted	18,04,000	17,83,682	—20,318	..	—20,318
Non-voted ..	96,000	95,970	—30	..	—30
67. Currency—					
Voted	45,86,000	40,81,599	—5,04,401	—2,95,833	—2,08,568
Non-voted ..	1,58,600	1,53,446	—5,154	..	—5,154
68. Mint—					
Voted	27,42,000	27,34,684	—7,316	..	—7,316
Non-voted ..	1,04,800	1,05,011	+211	..	+211

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or —
69. Civil Works—					
Voted	1,65,77,000	1,52,83,743	—12,93,257	—10,63,000	+3,89,743
Non-voted ..	11,29,000	13,30,469	+2,01,469	—11,622	+2,13,091
70. Superannuation Allowances and Pensions—					
Voted	37,59,000	33,65,217	—3,93,783	..	—3,93,783
Non-voted ..	2,18,72,497	2,14,09,797	—4,62,700	..	—4,62,700
71. Stationery and Printing—					
Voted	55,38,000	54,50,805	—87,195	—54,000	—33,195
Non-voted ..	28,784	27,137	—1,647	..	—1,647
72. Miscellaneous—					
Voted	22,31,800	17,25,018	—5,06,782	—4,14,000	—92,782
Non-voted ..	34,43,413	33,83,233	—60,180	..	—60,180
72-A. Miscellaneous adjustments between Central and Provincial Governments—					
Voted	1,08,000	1,08,059	+59	..	+59
73. Refunds—					
Voted	70,17,000	62,66,232	—7,50,768	—19,987	—7,30,781
Non-voted ..	2,27,53,112	2,13,50,283	—14,02,829	+11,622	—14,14,451
74. North-West Frontier Province—					
Voted	99,56,800	98,22,961	—1,33,839	..	—1,33,839
Non-voted ..	1,29,11,031	1,28,38,239	—72,792	..	—72,792
75. Baluchistan—					
Voted	28,97,000	27,54,576	—52,424	..	—52,424
Non-voted ..	46,55,550	46,71,673	+16,123	..	+16,123
76. Delhi—					
Voted	41,09,000	40,38,502	—70,498	..	—70,498
Non-voted ..	2,91,800	2,67,729	—24,071	..	—24,071
77. Ajmer-Merwara—					
Voted	14,54,000	13,96,289	—57,711	—21,310	—46,401
Non-voted ..	1,10,830	1,10,190	—630	..	—630

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or —
78. Andamans and Nicobar Islands—					
Voted	42,02,000	35,39,876	—7,52,124	—2,80,606	—4,91,518
Non-voted ..	2,08,000	1,94,329	—13,671		—13,671
79. Rajputana—					
Voted	5,50,000	5,30,549	—19,451	—5,530	—13,921
Non-voted ..	7,93,360	7,58,757	—34,603	..	—34,603
80. Central India—					
Voted	5,90,000	5,70,281	—19,719	—3,050	—16,669
Non-voted ..	6,82,873	6,53,412	—29,461	..	—29,461
81. Hyderabad—					
Voted	2,92,000	2,87,059	—4,941		—4,941
Non-voted ..	3,42,646	3,28,032	—14,614	..	—14,614
82. Expenditure in England under the control of the Secretary of State for India—					
Voted	13,45,000	12,30,168	—1,14,832	..	—1,14,832
Non-voted ..	17,40,000	16,45,103	—94,897	..	—94,897
83. Expenditure in England under the control of the High Commissioner for India—					
Voted	37,80,000	30,70,763	—7,09,237	—5,22,000	—1,87,237
Non-voted ..	39,69,000	39,22,573	—46,427	..	—46,427
Ecclesiastical—					
Non-voted ..	30,49,009	29,97,923	—51,086	..	—51,086
Political—					
Non-voted ..	92,10,358	96,90,089	+ 4,49,731	..	+ 4,49,731
Frontier Watch and Ward—					
Non-voted ..	1,35,32,525	1,32,08,607	—3,23,918	..	—3,23,918
Territorial and Political Pensions—					
Non-voted ..	29,48,650	28,12,913	—1,35,737	..	—1,35,737
Bangalore—					
Non-voted ..	13,57,161	13,37,562	—19,609	..	—19,609
Western India States Agency—					
Non-voted ..	16,37,442	15,91,592	—45,850	..	—45,850
Total ..					
{ Voted	12,57,78,589	14,46,60,309	—1,11,18,280	—74,28,721	—36,89,559
{ Non-voted ..	26,32,12,934	26,19,55,137	—12,27,797	..	—12,27,797

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or —
B.—EXPENDITURE CHARGED TO CAPITAL.					
84. Capital Outlay on Security Printing—					
Voted	67,000	—4,75,524	—5,42,524	—35,000	—5,07,524
85. Forest Capital Outlay ..					
Voted	2,000	..	—2,000	..	—2,000
86. Irrigation Works—Not charged to Revenue—					
Voted	1,74,000	32,550	—1,41,450	—1,23,000	—18,450
Non-voted ..		3,490	+3,490	..	+3,490
89. Capital Outlay on Currency Note Printing Press—					
Voted	3,40,000	3,36,534	—3,466	—50,000	+46,534
Non-voted ..	6,000	480	—5,520	..	—5,520
90. Capital Outlay on Vizagapatam Harbour—					
Voted	47,53,000	29,23,364	—18,29,636	—15,53,000	—2,76,636
91. Commuted value of Pensions—					
Voted	26,10,000	29,13,702	+3,03,702	..	+3,03,702
Non-voted ..	7,33,000	6,95,332	—37,668	..	—37,668
92. Delhi Capital Outlay—					
Voted	1,38,39,000	1,15,46,778	—22,92,222	—19,21,707	—3,70,515
Non-voted ..	5,10,537	5,14,751	+4,214	..	+4,214
Total ..					
{ Voted	2,17,85,000	1,72,77,404	—45,07,596	—36,82,707	—8,24,899
{ Non-voted ..	12,49,537	12,14,053	—35,484	..	—35,484
C.—DISBURSEMENTS OF LOANS AND ADVANCES.					
93. Interest Free Advance ..	93,95,000	75,28,045	—18,66,955	—4,51,000	—14,15,955
94. Loans and Advances bearing Interest.	13,31,57,000	13,54,93,479	+23,36,479	—16,28,000	+39,64,479
Total Voted ..	14,25,52,000	14,30,21,524	+4,69,524	—20,79,000	+25,48,524
Total Civil ..	58,45,78,060	56,81,58,427	—1,64,19,633	—1,31,90,428	—32,29,205
Voted	32,01,15,589	30,49,59,237	—1,51,56,352	—1,31,90,428	—19,65,924
Non-voted ..	26,44,62,471	26,31,99,190	—12,63,281	..	—12,63,281

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess+ Saving—.	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or—	
PART II.—POSTS AND TELEGRAPHS.						
A.—EXPENDITURE CHARGED TO REVENUE.						
23. Indian Posts and Telegraphs Department—						
Voted	10,96,93,000	11,01,61,047	+4,68,047	..	+4,68,047	
Non-voted ..	75,63,090	74,30,920	-1,32,080	..	-1,32,080	
24. Indo-European Telegraph Department—						
Voted	26,45,000	23,98,186	-2,46,814	-1,46,000	-1,00,814	
Non-voted ..	12,40,000	12,21,898	-18,102	..	-18,102	
Total ..	Voted	11,23,38,000	11,25,59,233	+2,21,233	-1,46,000	+3,67,233
	Non-voted ..	88,03,000	86,52,818	-1,50,182	..	-1,50,182
B.—EXPENDITURE CHARGED TO CAPITAL.						
Capital Outlay on Indian Posts and Telegraph Department—						
Voted	69,87,000	55,86,648	-14,00,352	-7,60,000	-6,40,352	
Non-voted ..	21,000	22,171	+1,171	..	+1,171	
88. Capital Outlay on Indo-European Telegraph Department—						
Voted	-1,99,000	-2,75,634	-76,634	-1,10,000	+33,866	
Total ..	Voted	67,88,000	53,11,014	-14,76,986	-8,70,000	-6,06,986
	Non-voted ..	21,000	22,171	+1,171	..	+1,171
Total Posts and Telegraphs ..						
Voted	12,79,50,000	12,65,45,236	-14,04,764	-10,16,000	-3,88,764	
Voted	11,91,26,000	11,78,70,247	-12,55,753	-10,16,000	-2,39,753	
Non-voted ..	88,24,000	86,74,989	-1,49,011	..	-1,49,011	

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or—
PART III.—RAILWAYS.*					
A.—EXPENDITURE CHARGED TO REVENUE.					
1. Revenue—Railway Board—					
Voted	11,70,000	10,10,000	—1,60,000	..	—1,60,000
Non-voted ..	4,50,000	4,37,000	—13,000	..	—13,000
2. Revenue—Inspection—					
Voted	1,75,000	1,70,000	—5,000	..	—5,000
Non-voted ..	2,13,000	2,05,000	—8,000	..	—8,000
3. Revenue—Audit—					
Voted	10,56,000	10,12,000	—44,000	..	—44,000
Non-voted ..	29,000	25,000	—4,000	..	—4,000
4. Revenue—Working Expenses—Administration—					
Voted	18,33,00,000	18,45,04,000	+12,04,000	..	+12,04,000
Non-voted ..	42,09,000	40,39,000	—1,70,000	..	—1,70,000
5. Revenue—Repairs and Maintenance and Operation—					
Voted	39,45,00,000	39,50,87,000	+5,87,000	..	+5,87,000
Non-voted ..	1,26,000	1,11,000	—15,000	..	—15,000
6. Revenue—Companies and Indian States' share of surplus profits and net earnings—					
Voted	1,82,00,000	1,59,14,000	—22,86,000	..	—22,86,000
9. Revenue—Appropriation to Depreciation Fund—					
Voted	12,00,00,000	11,99,75,000	—25,000	..	—25,000
10. Revenue—Appropriation from Depreciation Fund—					
Voted	9,50,00,000.	9,59,83,000	+9,83,000	..	+9,83,000

* In the Audit and Appropriation Account, figures have been given in thousands only. For the sake of uniformity these figures have been shown in this statement by units by adding three noughts to figures given in the accounts.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or—
11. Revenue—Miscellaneous—					
Voted	15,88,000	95,000	—14,93,000	..	—14,93,000
Non-voted ..	7,50,000	5,03,000	—2,47,000	..	—2,47,000
12. Revenue—Appropriation to the Reserve Fund—					
Voted	3,50,30,000	2,57,74,000	—92,56,000	..	—92,56,000
14. Revenue—Strategic Lines—					
Voted	1,56,75,000	1,56,30,000	—45,000	..	—45,000
Non-voted ..	3,80,000	3,33,000	—47,000	..	—47,000
State Railway Revenue—Interest charges—					
1. Interest on Debt—					
Non-voted ..	27,09,03,000	27,82,54,000	—16,49,000	..	—16,49,000
2. Interest on Capital contributed by Companies—					
Non-voted ..	1,50,17,000	1,50,42,000	+25,000	..	+25,000
Total ..					
{ Voted	81,56,94,000	80,51,54,000	—1,05,40,000	..	—1,05,40,000
{ Non-voted ..	30,10,77,000	29,89,49,000	—21,28,000	..	—21,28,000
B.—EXPENDITURE CHARGED TO CAPITAL.					
7. Capital—New construction—					
Voted	8,81,00,000	8,75,70,000	—5,30,000	..	—5,30,000
Non-voted ..	4,11,000	3,84,000	—27,000	..	—27,000
8. Capital—Open line works—					
Voted	20,35,00,000	19,84,88,000	—50,12,000	..	—50,12,000
Non-voted ..	2,44,000	2,15,000	—29,000	..	—29,000

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving--	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted for--
15. Capital—Strategic Lines—					
Voted	76,60,000	67,81,000	—8,79,000		—8,79,000
Non-voted .. .	50,000	69,000	+19,000	..	+19,000
Total					
.. { Voted .. .	29,92,60,000	29,28,39,000	—64,21,000	..	—64,21,000
.. { Non-voted .. .	7,05,000	6,68,000	—37,000		—37,000
Total Railways ..	1,41,67,86,000	1,39,76,10,000	—1,91,26,000	..	—191,26,000
Voted .. .	1,11,49,54,000	1,09,79,93,000	—1,69,61,000		—1,69,61,000
Non-voted .. .	30,17,82,000	29,96,17,000	—21,65,000		—21,65,000

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.	Excess + Saving—	Net modification by re-appropriation, withdrawal or surrender.	Remainder unadjusted + or—
PART IV.—MILITARY.					
A.—EXPENDITURE CHARGED TO REVENUE.					
Army—					
<i>India</i>	40,19,73,000	40,04,97,317	—14,75,683	..	—14,75,683
<i>England</i>	13,00,28,000	12,92,97,720	—7,30,280	..	—7,30,280
Marine—					
<i>India</i>	56,00,000	53,98,883	—2,01,317	..	—2,01,317
<i>England</i>	28,08,000	27,88,120	—19,880	..	—19,880
Military Engineer Services					
<i>India</i>	4,12,86,000	4,39,79,608	—3,06,392	..	—3,06,392
<i>England</i>	3,57,000	3,69,266	+12,266	..	+12,266
Transfers to Military Reserve Fund .. ..	..	26,06,737	+26,06,737	..	+26,06,737
Total Military Non-voted	68,50,52,000	68,49,37,451	—1,14,549	..	—1,14,549
GRAND TOTAL	2,71,43,16,060	2,67,72,51,114	—3,70,64,946	—1,42,06,428	—2,28,58,518
Voted	1,55,41,95,589	1,52,08,22,484	—3,33,73,105	—1,42,06,428	—1,91,66,677
Non-voted	1,16,01,20,471	1,15,64,28,630	—36,91,841	..	—36,91,841

APPENDIX V.

Memorandum furnished by the Central Board of Revenue with reference to the proposal to introduce the commercial system of accounts in Government salt undertakings.

The attention of the Public Accounts Committee is invited to paragraph 51 of their Report on the Accounts of 1927-28, in which they expressed the opinion that the commercial system of accounts should be introduced in all Government salt producing undertakings.

2. The matter has been examined by the Central Board of Revenue. The following conclusions that the Board has arrived at, in which the Government of India concur, are laid before the Committee for information.

3. There are three groups of Government factories in the Madras Presidency, three Government works in Bombay and one factory in Burma. Of the three groups in Madras that in the Ennore Circle is by far the largest, its average output of salt, taking the years 1924-25 to 1927-28, being about 12 lakhs of maunds annually. Accounts are already maintained in these factories on commercial lines and a copy of the accounts for the last few years is being furnished to the Public Accounts Committee separately. The other two groups are comparatively insignificant, the annual output being well below 1 lakh of maunds in each case. The Central Board of Revenue is of opinion that it is not worth while to maintain commercial accounts in these factories.

4. The Government works in Bombay include the Pritchard Salt Works at Kharaghoda and the Sea Salt Works at Dharasna-Chharvada. Commercial accounts are being maintained in the former and a copy of the statements for the last few years is being furnished to the Committee separately. The Dharasna-Chharvada works yield, taking the years 1925-26 to 1928-29, an output averaging nearly 4.86 lakhs of maunds annually. Accounts on commercial lines are at present not maintained for them. The Board has considered the question of introducing the commercial system of accounts in these works, in consultation with the Collector of Salt Revenue, Bombay, but has come to the conclusion that it is not practicable to do so owing to certain peculiarities of the situation there. No capital expenditure has been incurred by the Government, as it has—for example—at Kharaghoda, nor are the stocks of salt bought up by the Government at the end of the manufacturing season, nor do the Government maintain reserve stocks. Thus no expenditure is incurred on haulage or storage, nor is any loss due to wastage borne by the Government.

5. The Dharasna-Chharvada Salt Works are worked on the following system :—

- (i) pans are allotted to the agarias at the beginning of the season ;
- (ii) manufacture of salt is allowed at the agarias' own cost and no taqavi advances are made ;
- (iii) salt is stored and heaped and the heaps are thatched with grass at the cost and risk of the agarias themselves ;

(iv) the cost price is recovered by Government from the purchasers at the time of *issue* of permits for the removal of salt at the rate of 2 as. 9 pies per maund and this amount is paid to the agarias. Only a personal deposit account is maintained and the transactions are not brought into the regular Government accounts.

6. The only restrictions placed on the agarias at Dharasna and Chharvada are—

- (1) they are allowed to manufacture only a stipulated quantity of salt according to the market demand. The areas supplied have been equitably distributed between the two salt works ;
- (2) they are not allowed to charge anything over and above the fixed cost price of 2 as. 9 pies per maund.

The establishment sanctioned for the Dharasna Salt Works as at private sea salt works is intended for :—

- (i) the collection of salt revenue, and
- (ii) guarding.

No establishment has been sanctioned as has been done at Kharaghoda for the supervision of the manufacture of salt by the agarias.

7. The only Government factory in Burma is at Kyaukpyu. The output of this factory is negligible. It was 3,299 maunds in 1926-27 and 10,656 maunds in 1927-28. The Central Board of Revenue is of opinion that this factory does not require accounts kept on the commercial system.

APPENDIX VI.

Memorandum furnished by the Central Board of Revenue, showing the cost of production of salt in Government-owned factories.

Last year the Public Accounts Committee desired to be furnished with a detailed review of the cost of production of salt in *Government-owned factories* in the N. I. S. R. Department and in the various provinces during the last few years.

Five statements, one each for Khewra, Warcha, Kalabagh, Sambhar, Didwana and Pachbadra with a prefatory note, all in Northern India and one each for the Government factories in the Madras Depot circle and Khara-goda works in the Bombay Salt Department have been prepared and are annexed (Annexures A to E). The statements cover the period 1924-25 to 1928-29, except for Madras in which case the period covered is 1924-25 to 1927-28, figures for 1928-29 being not yet available. These figures will be placed before the Committee when received.

There are also a few petty Government factories in Madras and one in Burma in which it has not been considered necessary to maintain account on the commercial system as their operations are on a very small scale. There are also two sea salt works in Bombay owned by Government, *viz.*, Dharasana and Chharvada. Orders have now been issued for the maintenance of cost accounts in these factories with retrospective effect from 1928-29. The figures relating to these works will be supplied to the Committee if they are ready before the Committee meets for the next session.

Northern India Salt Revenue Department.

The system of maintaining commercial accounts in the Northern India Salt Revenue Department was introduced with effect from 1st April 1924. The accounts are, however, kept within the Government accounts and not outside in a Personal Ledger Account under Chapter II of the Account Code. A statement showing the accounts for five years, beginning from 1924-25 is attached. The figures have been taken from the audited commercial accounts for those years.

2. In the first three years the figures for Khewra, Warcha and Kalabagh on the one hand and Sambhar and Didwana on the other were shown together, as separate accounts for each source were not maintained before 1927-28.

3. Some of the important items of expenditure are explained below :—

(i) *Manufacturing charges*.—Represent expenditure on establishment employed on manufacture of salt, payments to miners or manufacturers, cost of electric current, carriage of salt, maintenance of permanent-way and rolling stock and other plant and machinery.

(ii) *Share of Commissioner's headquarters*.—In 1924-25 and 1925-26 practically the whole of the expenditure relating to the Commissioner's headquarters was debited to "Manufacture". From 1926-27, 9/10ths of this charge was debited to 'manufacture' and 1/10th to 'prevention'. The question of the further revision of this allocation is at present under consideration.

(iii) *Royalties and Compensations*.—These payments are made in compensation for the following :—

1. The leasing of certain salt sources to Government.
2. The introduction of measures in Indian States to enable the Government to abolish the Inland Customs line.
3. The suppression of salt manufacture in Indian States.

4. The transfer to the British Government of the right to levy duty on salt consumed by the subjects of these States.

Royalty payable to Jodhpur and Jaipur is debited to the cost of production at Sambhar. Of the other treaty payments and compensations a fixed sum of Rs. 3 lakhs is allocated between Sambhar, Pachbadra and Didwana *pro rata* according to issues during the year.

(iv) *Net expenditure on Stores and Workshop establishment.*—Represents expenditure on general stores, workshops and electric power house at Sambhar and Khewra *minus* recoveries on account of services rendered to other branches of the Department, such as "Manufacture", "Weighment", etc.

(v) *Pensionary charges.*—Calculated at rates applicable to Government servants lent to other employers. These rates are governed by elaborate Government orders issued from the Finance Department.

(vi) *Interest on capital.*—Before 1928-29 interest was calculated on the value of assets such as land, buildings, other works, plant and machinery, roads and bridges, furniture and fittings, general stores and bags. But from this year interest is also calculated on the value of the stock of salt and any other amounts due to and from the Manufacturing Branch of the Northern India Salt Revenue Department at the beginning of the year, *i.e.*, interest is now charged on net capital, *i.e.*, fixed *plus* floating assets less liabilities.

(vii) *Depreciation charges.*—Depreciation is charged annually for a full year on the complete assets in existence at the end of the year and is calculated on the diminished value of assets.

The rates of depreciation are :—

Furniture and fittings	7½%
Buildings and works	2½%
Plant and Machinery	10%
Sanding of Kyars (complete)	10%

No depreciation is charged on the earth work of the Kyars and on roads and bridges which can be kept in perfectly good condition by adequate annual repairs.

(viii) *Cost of Account and Audit establishment.*—9/10ths of this is debited to Manufacture and 1/10th to Preventive. It also includes the fees paid to the Commercial Audit Staff.

(ix) *Weighment charges.*—In the accounts for 1924-25 the weighment charges were allocated between price and duty in the ratio of 1/5, *i.e.*, roughly in the ratio of average cost of production to rate of duty. In subsequent years the whole of these charges was debited to cost price. This allocation has, however, been recently revised and it has now been decided that in future 1/6th of these charges should be added to price, the other 5/6ths being borne finally by Government as part of the cost of collection of revenue.

(x) *Prime cost of salt per maund.*—Means manufacturing charges divided by quantity produced during the year.

(xi) *Selling price.*—The selling prices of salt at various salt sources in Northern India were raised with effect from 15th July 1929. The new prices take into account not only the cost of production at each source but also the need for maintaining more or less constant zones of consumption. They have also been so fixed that Government recover the cost of production taking the Northern India sources and Kharaghoda together. The prices include only one-sixth of weighment charges, the other five-sixths being borne by Government as part of cost of collection of revenue.

				1928-29.					
Particulars				Khehra.	Warcha.	Kalabagh.			
				Rs. s. p.	Rs. s. p.	Rs. s. p.			
Manufacturing Charges	28	7	10	92,528	7	2	82,910	12	6
Share of Commissioner	76	0	7	8,187	7	11	6,561	11	10
Royalties and Compen	..			..			..
Medical Charges	23	3	4	2,993	11	8	165	0	6
Leave salary paid in R	32	7	9	525	0	4	420	12	4
Net expenditure on a	05	11	8	-1,307	1	0	..		
shop establishment									
Pensionary charges	31	11	3	4,999	11	7	2,919	7	3
Interest on Capital	00	14	1 (p)	9,760	7	4	2,700	5	5
Depreciation Charges	75	15	10	10,328	5	1	1,658	3	11
Cost of Account and	022	12	7	4,516	3	9	3,619	8	4
ment.									
Weighment Charges	753	3	3	8,076	6	2	5,586	9	6
Contribution to Provid	70	10	0	..			..
Cost of stationery and	351	10	4	76	13	1	61	8	11
Total charges	791	5	2	1,40,685	9	1	1,06,604	0	0
Quantity produced (in	6,478			6,51,716			4,32,062		
Cost of production per	0	5	2.36	0	3	5.45	(e) 0	3	11.37
Prime cost per maund	0	3	5.90	0	2	3.26	0	3	0.84
Overhead charges	0	1	8.46	0	1	2.19	0	0	10.58
Selling price	0	3	6	0	3	6	0	3	6
Quantity issued (in ma	818			6,51,700			4,27,942		

ction.

	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Manufacturing Charges	8,48,186 10 6	6,57,621 11 6	6,84,226 7 8	6,75,267 3 9	98,681 1 1	69,400 12 9	6,06,128 7 10	92,528 7 2	82,910 12 6			
Share of Commissioner's Headquarters	20,551 1 4	63,306 0 0	68,605 6 5	51,547 0 0	6,696 0 0	6,209 5 9	47,176 0 7	8,187 7 11	6,561 11 10			
Royalties and Compenations	..	..	..	..	..	..	..	..	..
Medical Charges	13,998 1 4	13,380 12 6	11,380 12 6	9,384 3 11	2,694 5 4	179 8 0	9,423 3 4	2,993 11 8	165 0 6			
Leave salary paid in England	8,167 12 0	3,652 0 0	10,443 0 0	16,103 4 9	792 0 0	788 0 0	6,532 7 9	525 0 4	480 12 4			
Net expenditure on stores and work-shop establishment.	—38,062 6 1	—8,570 1 3	—42,841 5 7	—89,276 10 8	—1,173 14 0	..	—92,905 11 8	—1,307 1 0	..			
Pensionary charges	31,594 0 0	33,108 0 0	34,237 0 0	29,524 0 0	2,334 0 0	1,625 0 0	24,661 11 3	4,999 11 7	2,919 7 3			
Interest on Capital	70,645 10 0	1,14,060 3 0	1,29,998 4 0	1,20,206 0 0	11,751 7 0	2,761 7 0	1,27,100 14 1 (d)	9,760 7 4	2,700 5 5			
Depreciation Charges	92,162 6 0	86,791 0 0	96,298 14 6	1,82,576 4 0 (c)	80,674 10 0	1,630 15 0	1,14,775 15 10	10,328 5 1	1,668 3 11			
Cost of Account and Audit Establishment.	15,338 0 0	23,836 0 0	31,093 0 0	26,062 0 0	3,386 0 0	3,140 0 0	26,022 12 7	4,516 3 9	3,619 8 4			
Weightment Charges	..	99,702 13. 2	83,633 1 9	63,658 14 3	9,589 7 6	4,710 0 0	55,753 3 3	8,076 6 2	5,586 9 6			
Contribution to Provident Fund	..	..	..	1,299 2 0	..	..	1,770 10 0	..	..	
Cost of stationery and printing	3,177 10 0	4,464 12 10	3,951 11 0	3,138 12 11	88 4 0	71 0 0	4,351 10 4	76 13 1	61 8 11			
Total charges for the year	10,51,740 12 8	10,91,970 8 7	11,11,086 3 9	10,89,490 2 11	1,40,508 4 11	90,461 0 6	9,92,791 5 2	1,40,685 9 1	1,06,604 0 0			
Quantity produced (in maunds)	52,03,045	30,62,223	36,12,090	26,95,776	5,47,463	3,38,436	30,56,478	6,51,716	4,32,062			
Cost of production per maund	(d) 0 3 2.61	(d) 0 5 8.5	(d)(e) 0 4 11.06	(d)(e) 0 6 5.69	(d) 0 4 1.28	(d) 0 4 3.32	0 5 2.36	0 3 5.45	(e) 0 3 11.87			
Prime cost per maund	0 2 7.30	0 3 5.2	0 3 0.37	0 4 0.09	0 2 8.65	0 3 3.37	0 3 5.90	0 2 3.26	0 3 0.84			
Overhead charges	0 0 7.51	0 2 3.3	0 1 10.69	0 2 5.50	0 1 4.43	0 0 11.95	0 1 8.46	0 1 2.19	0 0 10.58			
Selling price	0 3 0	0 3 0	0 3 0	0 3 6	0 3 6	0 3 6	0 3 6	0 3 6	0 3 6			
Quantity issued (in maunds)	53,32,136	30,74,851	38,36,633	27,68,436	6,17,463	3,41,035	30,81,818	6,51,700	4,27,942			

(a) The issues were abnormal in 1924-25 owing to the reduction of duty from Rs. 2-8-0 to Rs. 1-4-0 in March 1924, hence increased production.

(b) The issues were below normal as the markets were overstocked at the end of 1924-25, hence reduced production.

(c) Includes Rs. 56,206 on account of 1923-27.

(d) The figures exclude loss due to drayage or wastage.

(e) Corrected figures, allowing for the wrong entry explained in footnote (c) are 1926-27, 5 as. 2-3 pias and 1927-28, 6 as. 1-6 pias.

(f) Price raised from Rs. 0-3-0 to 0-3-6 from 20th February 1927.

(g) For explanation of increase see prefatory note, para. 3 (VI).

	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Manufacturing Charges	4,47,890 8 9	4,86,325 11 8	4,25,916,13 11	4,90,766 12 1	29,780 4 4	4,63,217 3 4	31,421 11 6				
Share of Commissioner's headquarters	29,548 1 11	52,726 2 3	41,173 0 0	37,807 0 0	2,567 0 0	41,504 15 11	2,335 12 5				
Royalties and Compensations	2,36,571 0 0	2,95,788 10 0	6,87,858 0 0	8,15,836 0 0	11,040 1 0	9,73,714 11 0	11,469 0 0				
Medical charges	..	9,729 5 2	9,752 3 6	9,124 15 6	120 0 0	8,687 8 0	120 0 0				
Net expenditure on Stores and Workshop establishment	44,191 7 6	37,861 9 11	-7,956 14 1	-9,071 1 9	..	11,945 10 11	..				
Pensionary Charges	41,750 4 0	38,918 0 0	36,263 14 0	35,503 0 0	973 2 0	34,089 14 11	2,653 10 2				
Leave salary paid in England	6,500 15 0	3,041 0 0	6,261 6 0	11,556 15 0	303 0 0	11,990 9 2	149 12 6				
Interest on Capital	2,25,489 6 0	2,49,715 0 0	2,52,551 15 0	2,60,160 1 0	970 5 0	3,44,428 4 1	1,799 10 7				
Depreciation charges	1,63,965,12 0	1,62,637 0 0	1,65,620 15 0	1,59,917 9 0	508 14 0	1,62,222 10 10	488 0 8				
Cost of Account and Audit Establishment	12,207 12 0	19,853 0 0	18,644 0 0	19,115 0 0	1,298 0 0	22,804 8 2	1,288 7 0				
Cost of stationery and printing	2,529 3 0	3,898 5 8	2,326 11 8	2,817 11 2	29 0 0	3,845 12 0	21 14 7				
Weightment charges	..	1,20,146 1 5	1,24,509 1 9	1,37,604 13 11	6,094 13 0	1,08,833 2 4	6,217 6 9				
Total charges for the year	12,10,674 2 2	14,80,639 14 1	17,62,921 2 9	19,71,188 11 11	53,684 7 4	21,87,374 14 8	57,965 6 2				
Quantity produced (in maunds)	55,99,069	90,57,933,122	49,04,737,120	68,44,870	3,16,922	67,20,425	2,87,064				
Cost of production per maund	0 3 5.52	0 2 7.4	0 5 9.01	0 4 7.29	0 2 8.52	0 5 2.49	0 3 2.76				
Prime cost per maund	0 1 3.36	0 0 10.3	0 1 4.67	0 1 1.77	0 1 6.04	0 1 1.23	0 1 9.01				
Overhead charges	0 2 2.16	0 1 9.1	0 4 4.34	0 3 5.52	0 1 2.48	0 4 1.26	0 1 5.75				
Selling price	Sambhar 4 0	Sambhar 4 0	Sambhar 4 0	0 4 0	0 2 0	0 4 3	0 2 0				
	Didwana 2 0	Didwana 2 0	Didwana 2 0	0 4 3	0 4 3	..	0 2 0				
Quantity issued (in maunds)	85,61,653	60,24,284	74,98,842	85,09,206	3,41,173	1,12,213	3,10,356				

(a) Price raised from 0-4-0 to 0-4-3 from 7th June 1927.

(b) Price raised from 0-2-0 to 0-2-6 from 27th May 1926.

(c) In 1924-25 and 1925-26 due share of royalties and treaty payments was not debited to manufacture. Hence the low figures.

The correct figures should have been Rs. 5,30,495-15-5 and 9,11,824-13-10, respectively.

(d) The increase in 1927-28 and also in 1928-29 is due to larger issues in the preceding years. (The royalty is calculated on the sales of the preceding year.)

PACHBADRA

ANNEXURE C TO APPENDIX VI.
PACHBADRA.

Particulars.	1924-25.		1925-26.		1926-27.		(c) 1927-28.		1928-29.	
	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.
Manufacturing charges	55,259	4 11	1,12,860	8 0	38,540	14 7	39,621	9 3	93,874	3 10
Share of Commissioner's headquarters	7,143	7 11	13,015	0 0	7,133	0 0	5,799	0 0	8,988	4 6
Royalties and Compensations	31,250	0 0	(d) 31,250	0 0	11,594	0 0	13,009	15 0	25,706	0 0
Medical charges . . . . .	..	..	3,956	7 7	2,985	0 2	3,518	1 4	2,766	12 10
Net expenditure on stores and workshop establishment . . . . .	..	..	..	..	..	..	..	..	..	..
Pensionary charges	11,718	0 0	8,277	0 0	7,402	0 0	6,326	0 0	7,089	11 5
Leave salary paid in England	2,000	5 0	751	0 0	1,085	0 0	685	0 0	557	2 2
Interest on Capital	5,301	8 0	7,961	5 0	6,594	13 0	6,903	11 0	11,480	3 6
Depreciation charges	3,541	11 0	4,387	2 0	3,707	13 0	3,800	13 0	3,835	12 8
Cost of Account and Audit Establishment	3,756	4 0	4,900	0 0	3,230	0 0	2,932	0 0	4,792	8 2
Cost of stationery and printing	778	3 0	1,067	5 4	383	0 0	780	11 4	871	3 6
Weightment charges . . . . .	..	..	28,958	7 1	28,171	11 7	30,355	11 1	27,092	6 11
Total charges for the year	1,20,748	11 10	2,17,394	3 0	1,10,827	4 4	1,14,232	8 0	1,86,554	5 6

	95,530	6,62,822/10	56,824/30	5,22,795/20
Quantity produced (in maunds)				
Cost of production per maund	Rs. a. p. 1 4 2-69	Rs. [a. p. 0 5 3	Rs. a. p. 1 15 2-47	Rs. a. .. 5
Prime cost per maund	(e) 0 9 3-06	0 2 8-7	0 10 10-22	0 2 10-40
Overhead charges	0 10 11-63	0 2 6-3	1 4 4-25	0 2 10-11
Selling price	0 3 6	0 3 8	0 3 6	0 3 3
Quantity issued (in maunds)	7,43,022	7,20,679	(a) 0 3 0 3,01,467	4,20,590½ 6,95,607

(a) Price reduced from 0-3-6 to 0-3-0 from 1st July 1926.

(b) Price raised from 0-3-0 to 0-3-3 from 7th June 1927.

(c) No salt was manufactured during the year.

(d) In 1924-25 and 1925-26 manufacture was not debited with the correct share of treaty payments, which amounted to Rs. 23,958-6-7 and 10,601-2-2.

(e) Corrected figures allowing for the wrong entry, explained in foot-note (d) above, are :—

	1924-25.	1925-26.
Cost of production	Rs. a. p. 1 3 0	Rs. a. p. 0 4 9
Overhead charges	0 9 8-94	0 2 0-3

Note.—The selling price was raised from 0-3-3 to 0-4-0 per maund with effect from 15th July 1929.

(f) For explanation of increase see prefatory note, para. 3 (VI).

ANNEXURE D TO APPENDIX VI.
KHARAGHODA.

Statement giving the analysis of the cost of production for the years 1924-25 to 1928-29.

Items of expenditure.	1924-25.		1925-26.		1926-27.		1927-28.		1928-29.	
	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.
Upkeep of Sidings	39,788	0 0	26,626	0 0	16,655	0 0	26,936	6 0
Storage Expenses	6,138	0 0	5,010	0 0	8,743	0 0	10,277	12 0
Agarias wages and connected items	(c) 2,11,881	0 0	1,76,518	0 0	2,55,843	0 0	3,46,682	8 0
Haulage charges	34,589	0 0	28,577	0 0	46,617	0 0	63,264	7 0
Well-being of Agarias	1,800	0 0	1,790	0 0	4,597	0 0	3,875	4 0
Cost of Establishment	(d) 19,316	0 0	24,280	9 9	25,331	2 0	25,768	2 7
Pensionary charges	(b)		4,309	1 11	4,474	5 2	4,645	1 8
Royalties and Compensations to Radhanpur, Patri, Jhenjhu, Wada and Palsanpur.	(b)		30,395	2 0	30,491	14 0	30,503	1 6
Interest on Capital	98,029	0 0	98,029	0 0	98,151	0 0	98,922	0 0
Depreciation on Plant and machinery	34,300	0 0	34,300	0 0	34,348	0 0	35,362	4 9
Other miscellaneous items (e)	(b)		3,377	10 3	3,849	9 1	3,744	13 4
Total Charges	4,46,841	0 0	4,33,212	7 11	5,29,100	14 3	6,49,961	12 10
Total Production (mds.)	15,61,131	15,06,710		12,44,574		20,30,258		27,55,298	
Cost per md. (g)	Rs. a. p. 0 4 7-19	Rs. a. p. (f) 0 4 8-8		Rs. a. p. 0 5 6-83		Rs. a. p. 0 4 2-03		Rs. a. p. 0 3 9-3	

ANNEXURE TO APPENDIX VI.

Statement showing the figures of cost of production of Salt in the Government Factory, Madras Depot, for the years 1924-25 onwards.

Items of expenditure.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Ra. a. p.	Ra. a. p.	Ra. a. p.	Ra. a. p.	Ra. a. p.
1. Land Assessment	3,404 10 7	3,381 12 11	3,236 3 3	3,236 3 3	
2. Payment to manufacturers	1,34,797 8 8	1,41,858 7 4	2,07,558 15 4	1,90,264 1 4	
3. Works for Salt manufacture and Storage :—					
(a) Interest	12,013 7 8	12,013 7 8	13,231 11 7	13,231 11 7	
(b) Repairs	17,570 12 9	12,324 7 3	13,684 12 7	12,358 14 9	
4. Establishment charges (a) . . . . .	..	3,610 4 4	27,434 10 9	28,069 10 8	
5. Pensionary charges	8,629 5 11	8,074 3 3	11,185 11 5	11,732 11 4	
6. Conveying and Storing salt	82,203 9 2	85,769 10 11	1,53,724 5 8	1,27,300 5 5	
7. Interest on roads and Railway siding	605 0 6	605 0 6	665 8 7	665 8 7	
8. Other miscellaneous items (b)	538 6 4	445 1 0	1,110 1 11	2,270 2 6	
Total charges	2,69,762 13 7	2,68,080 7 2	4,91,832 1 1	3,89,129 5 5	
Total production (Mds.) (c)	8,58,055	9,21,102	17,72,845	12,36,898	
Cost per maund	Ra. a. p. 0 4 10·1	Ra. a. p. 0 4 7·9	Ra. a. p. 0 4 5·3	Ra. a. p. 0 5 0·4	
Selling price (average of different heaps)	0 5 6	0 5 6	0 5 6	0 5 6	

Notes.—(a) Establishment charges used, up to 1925-26, to be the amount represented by the excess over 5 per cent. of the duty on the salt sold in the preceding year. From 1926-27, this item represents 1/3 of the total Establishment charges. This accounts for the substantial increase of the amount in 1926-27 and following years.

(b) This includes such petty items of expenditure as land and village cess, expenditure on salt, weighing machines, etc.

(c) This includes small amounts of (a) gain by weight and (b) miscellaneous, but excludes loss due to wastage.

APPENDIX VII.**Memorandum furnished by the Home Department regarding the exhibition in the accounts of the additional expenditure on the 12 villages occupied by Moplah settlers in the Andamans.**

In paragraph 22 of their Report on the Accounts for the year 1927-28, the Public Accounts Committee recommended that the additional expenditure incurred on the villages occupied by Moplah settlers in the Andamans should be shown separately in the accounts as the cost of this settlement was considered a matter of public interest. The Government of India consulted the Chief Commissioner, Andaman and Nicobar Islands, and he replied that it would be a waste of time to start a separate account of expenditure since the majority of the Moplahs are due to become " free " shortly under the orders of the Madras Government and that, apart from this, it is not possible to allocate even approximately any portion of the expenditure on the Police, Medical, Revenue and other Departments to any particular community or locality. The Chief Commissioner further pointed out that a large number of Moplahs for whom a portion of the settlement can be said to be reserved, have ceased to form any direct charge, and that a certain number are single men who are mixed up with the non-Moplah population and are working for Government. In these circumstances the Government of India agree with the Chief Commissioner that it would not be possible to exhibit separately the cost of the Moplah villages.

APPENDIX VIII.

Memorandum by the Financial Commissioner of Railways on the recommendation in paragraph 37 of the Report of the Public Accounts Committee on the accounts of 1927-28, regarding budgeting for alternative railway projects.

In paragraph 37 of their report on the accounts of 1927-28, the Public Accounts Committee recommended that when alternative projects for new railway lines were under consideration, particulars of all of these might be given to the Legislative Assembly when the Railway budget is presented, and it might be possible by adding token votes to get approval in advance from the Assembly for power to select one out of the various projects mentioned. They suggested that the procedure for this purpose ought to be carefully considered and then formulated in definite terms.

The object of this recommendation, as is shown by the discussions in the Committee, is to provide a method of procedure which while, allowing sufficient latitude to the Railway administration to regulate their programme according to the needs which may develop, will at the same time preserve for the legislature effective control, not only over the sum to be expended in the year for which the budget is presented, but also over the total commitments which the expenditure proposed for that year will involve.

2. To attain this object, the following rules are proposed :—

“ If, in the year for which a demand for a grant under either of the heads No. 7—Railways (Commercial Lines) Capital, New Construction or No. 15—Railways, Strategic Lines, Capital, New Construction is being presented to the Legislative Assembly, the Government of India propose to commence the construction of one or more new lines, but at the time of presentation of the demands for grants, a final decision has not been reached which of the various projects in contemplation, should be selected for construction the following procedure shall be adopted in placing the demand for a grant before the Legislative Assembly :—

(i) All the ~~new~~ lines from which the selection will be made shall be shown in a separate annexure to the relevant demand.

(ii) This annexure shall also show :—

- (a) the latest estimated cost of each of the lines ;
- (b) the total amount included in the demand which the Government of India propose to spend in the year for which the demand for grant is presented, whichever of the lines are selected for construction ; and
- (c) the maximum amount, according to the latest figures of estimated cost, to the expenditure of which the Government of India undertake to limit their commitments in the selection of one or more of the lines for construction.

(iii) In the explanatory note to the demand attention will be drawn to this annexure, and a full explanation of the position with regard to each of the lines will be given."

3. I should like to give a brief explanation of the way in which these rules, if adopted, will operate, using for this purpose the more important Demand No. 7—Railways :—

- (i) At present we show details of all new lines under construction, or the construction of which it is proposed to commence, grouped under the different railways in an annexure to Demand No. 7, giving figures of their latest estimated cost with approximate expenditure to the end of the previous year and the budget estimate of expenditure in the year for which the demand is made. By placing "alternative projects" in a separate annexure, and not grouped under railways, and by drawing special attention to this annexure in the explanatory note to the demand with a full explanation of the position, we shall secure that the proposals of the Government of India do not escape the notice of the Legislative Assembly.
- (ii) There should be no difficulty in deciding what sum of money will be required for expenditure in the year for which the demand is made on the "alternative projects" whichever of the lines are selected for construction; and by exhibiting this sum in the annexure to the demand the control of the Legislative Assembly over the amount to be granted for expenditure in the ensuing year on the "alternative projects", whichever of them are selected, will be secured without the necessity for bringing in the token voté procedure.
- (iii) Rule 1 (c) is designed to secure the control of the Legislature over commitments. If there were four alternative projects A, B, C & D, the new annexure would exhibit them in the following way.

ANNEXURE B.

(Figures in thousands of rupees.)

Name of project.					Latest estimated cost.	Budget estimate, 1931-32.
A	43,00	} 25,00
B	..	..	..	..	67,00
C	..	..	..	..	127,00
D	..	..	..	..	23,00

Out of the above alternative projects it is not intended to select for commencement in 1931-32 any combination, the total completed cost of which is estimated to exceed 150 lakhs.

If the proposals of the Government of India were accepted by the Legislative Assembly, it would be open to them to start projects A, B and D, or any one or two of them or to start project C or projects C and D ; but not projects A and C or B and C, for that would raise the figure to the expenditure of which the Legislative Assembly had agreed above 150 lakhs.

4. It will be seen that these rules will secure to the Legislature the opportunity, by a motion for a reduction of the demand, to express its opinion :—

- (a) which, if any, of the proposed projects should be commenced in the ensuing year ;
- (b) what sum, if any, should be allotted for the selected projects in the ensuing year ;
- (c) whether the limit proposed by the Government of India on the expenditure to which they will be committed by the commencement of the projects finally selected for construction is suitable.

APPENDIX IX.

Memorandum of doubtful cases of "New Service" appearing in the Accounts for 1928-29, furnished by the Auditor General with reference to paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1927-28.

Railway Department. (Grant No. 8—Capital—Open Line.)

1. *Drainage Channel on the Kadu Lake (Burma Railways).*—(Reported in paragraph 112 of the report of the Director of Railway Audit on the Railway Appropriation Accounts for 1928-29).

In November 1928 the Railway Board authorised expenditure amounting to Rs. 10 lakhs on the drainage of the Kadu Lake, which lies about 3 miles north-west of Saye station on the Sagaing-Myitkyina Railway. The lake, owing to heavy rains in 1928, had increased in area from about 3 square miles to about 70 square miles, and the water level had risen in October 1928 about 8 inches above the rail level necessitating the suspension of all traffic. It was necessary to lower the level of the water in the lake, and it was decided to do so by cutting a spill-way from the south end of the lake and allowing the water to escape on the lower ground north of the Alon Branch, from where it would escape through the branch line bridges, and find its way into the Kaunghmadaw lake, which is connected with the Irawaddy river.

In February 1929, the Government of India sanctioned an estimate amounting to Rs. 9,82,457 for the work, and again in November 1929, a revised estimate amounting to Rs. 14,99,444, chargeable to capital.

There was no provision of funds for the work in the Budget Estimates for 1928-29 and 1929-30; and audit represented to the Railway Board that it should be considered as a new instrument of service, requiring a vote of the Assembly. It was explained that expenditure must be within the scope of the demand; and that, under rule 50 of the Indian Legislative Rules, an additional grant was required from the Assembly before money could be spent on any new service not contemplated in the demand. It was further pointed out that the procedure which the Railway Board had hitherto adopted was that all important works, on which expenditure is proposed to be incurred, are detailed in the "Pink Books" which are laid before the Assembly with the Book of Demands; that the Assembly is thus informed of the programme of work contemplated in the demand, presumably because it is thought necessary to do so; and that works costing much less than the amount in the present case had been detailed by the Railway Board in the Pink Books in support of their demand.

The Railway Board stated that they were unable to agree that the work was in any sense a 'new service' or 'a new instrument of service', but they assigned no reason for their views.

As to the necessity of the work, there can presumably be no doubt. That, however, is not a consideration relevant to the question whether it constituted a new service or a new instrument of service. On the other hand, it must be

recognised that provision for drainage is an essential and permanent liability of those responsible for the maintenance of the permanentway. If the Public Accounts Committee consider that the vote of the Assembly should have been taken, it is important that they should make it absolutely clear whether they base their view on the ground that the work constituted a "new service" or a "new instrument of service", or on some other ground, *e.g.*, the magnitude of the expenditure.

2. *Purchase of a workshop.*—(Reported in paragraph 113 of the report of the Director of Railway Audit on the Railway Appropriation Accounts for 1928-29).

On receipt of a report from the Chief Auditor, East Indian Railway, that the expenditure during the year 1928-29 on the remodelling of the East Indian Railway Workshop at Tatanagar would amount to about Rs. 25 lakhs (*i.e.*, about Rs. 15 lakhs on Engineering and Structural works and other equipment, and Rs. 10 lakhs on account of an increase in the Stores and Manufacture Suspense balances of the Workshop), the Railway Board were requested by the Accountant General, Railways (now Director of Railway Audit), early in March 1929 to obtain a specific vote of the legislature for the expenditure in question, as funds for the work were not specifically provided for in the budget for 1928-29. The Railway Board, in reply, inquired the reasons for holding the view that the expenditure in question required a supplementary vote of the Assembly, and pointed out that the Assembly had already granted funds in respect of these works in the year 1927-28 and also for the year 1929-30.

It was then explained to the Railway Board that the expenditure to be incurred during a year should be within the scope of the demand for that year, and that, under rule 50 of the Indian Legislative Rules, an additional grant was required from the Assembly before money could be spent on any "new service" not contemplated in the demand. The expenditure incurred during the year 1928-29 was on remodelling the Tatanagar workshop, and as it amounted to over Rs. 14 lakhs (excluding the increases of 10 lakhs in the stores and manufacture suspense balances of the workshop), it should be considered a new instrument of service requiring a special vote.

It was also explained to the Railway Board that the fact that similar expenditure is incurred in a subsequent year does not do away with the necessity of bringing other heavy expenditure of that nature to the notice of the Assembly during the year in which it is incurred, and the fact that the Assembly has granted funds in respect of the Tatanagar workshops in the Budget for 1929-30 has no bearing on the question at issue. The funds voted during the previous year (1927-28) were for a different work altogether, *viz.*, the purchase of the Tatanagar Workshops.

In paragraph 22 of their report, the Committee on Public Accounts, which had examined the accounts of the Government of India for the year 1926-27, had decided that the question as to what should constitute a 'New Instrument of Service' should be regulated by case law as a result of decisions given in individual cases by the Committee on Public Accounts. The Railway Board were, therefore, requested to explain their reasons for not accepting the audit view in the present case, so that the point might be presented in the report on

the Appropriation Accounts of Railways in India for an authoritative decision by the Committee on Public Accounts.

The Railway Board have invited a reference to the remarks of the Committee on Public Accounts under the heading "New Service" in their report on the accounts of 1927-28 and to the evidence recorded in the minutes of the proceedings of the Committee in that connection, but have not advanced any specific reasons for not accepting the audit view in this case.

I am not sufficiently acquainted with the detailed facts of the case to express a confident opinion at this stage whether the object of the expenditure was a new service or not: and I think the Committee also will require further detailed information. It will be relevant, I think, to ascertain definitely *inter alia* whether from the beginning large expenditure on remodelling the workshops was contemplated and was inseparable from the purchase, whether the Assembly was aware of this: and what was the nature and extent of the remodelling.

Home Department. (Grant No. 76—Delhi).

3. *Purchase of a loud speaker apparatus.*—[Reported in paragraph 32 of the report of the Accountant General, Central Revenues, on the Central (Civil) Appropriation Accounts for 1928-29].

In a letter dated the 23rd February 1929, the head of a local Administration informed the Government of India in the Home Department that, in view of the need of a loud speaker apparatus that was felt at the various public functions that constantly take place, he had incurred an expenditure of Rs. 4,212 in January 1929, on the purchase of the necessary equipment, with four loud speakers, batteries, etc., and an amplifier with four loud speakers; and requested the Government of India to convey their sanction to the charge as the expenditure was beyond his powers of sanction. The necessary sanction to the expenditure was conveyed in letter No. F. 133/29-Public, dated the 8th March 1929, from the Government of India in the Home Department, and the head of the Administration was told to meet the expenditure by reappropriation from his existing grant.

The Audit Officer held that the particular expenditure, which amounted to about Rs. 4,000, constituted a "New Service not contemplated in the demand", and as such required the approval of the Standing Finance Committee.

This audit ruling was conveyed to the Government of India through the head of the local Administration. The Government of India in their Home Department letter No. F. 133,29-Public, dated the 17th February 1930, stated, that as the expenditure was incurred and met by reappropriation within the sanctioned grant for the year 1928-29, a reference to the Standing Finance Committee would, at that stage, be only *ex post-facto* and of no value, and that the Government of India did not, therefore, propose to place the matter before the Standing Finance Committee.

The amount involved is small, but I agree that in principle the object of the expenditure appears to be a 'new service.'

Finance Department—Central Board of Revenue. (Grant No. 17—Taxes on Income).

4. *Purchase of buildings for the use of Income Tax Department, Bihar and Orissa.*—(Reported separately by the Accountant General, Bihar and Orissa).

During 1928-29, the Government of India in their Army Department letter No. 346-A. D.-4, dated the 12th February 1929, sanctioned, on payment of Rs. 11,169, the transfer of the old Staff Sergeant Instructor's quarters and Armoury of the Bihar and Orissa Light Horse at Patna, together with the land on which the quarters stand, to the Finance Department (Central Revenues) for use by the Income Tax Department, Bihar and Orissa. Provision for this purchase was not made in the budget of the Income Tax Department, and the expenditure was met by re-appropriation.

The transaction involved, in the first place, a transfer of funds to a non-voted grant (Military estimates) from a voted grant (Civil estimates); in the second place, the purchase of the house and land for office accommodation was made against provision for the annual rent for such accommodation; thirdly, the purchase involves recurring outlay in future years in the shape of maintenance charges. These factors have suggested to the Accountant General an analogy with the case dealt with in paragraph 34 of the last year's report of the Public Accounts Committee. On the other hand, the provision of office accommodation for a public department cannot ordinarily be regarded as a new service: and, if the building in this case is merely viewed as a new instrument of service, it would be consonant with previous decision to hold that the sum involved being relatively small it was not necessary to obtain the vote of the Assembly.

The case having only recently been reported, I have not had an opportunity of ascertaining and considering the views of the Finance Department on the subject. But it appears to be a simple case which can conveniently be investigated by the Committee during their discussions.

APPENDIX X.

Memorandum furnished by the Department of Industries and Labour with reference to paragraph 52 of the report of the Public Accounts Committee on the Accounts of 1927-28 regarding the services rendered by the Meteorological Department to the Royal Air Force in India and the reciprocal services rendered by the latter.

1. *Original scheme for supply of weather reports to R. A. F.*—Prior to 1925 the Royal Air Force in India had no organisation for the regular supply of weather reports or forecasts to their pilots. The India Meteorological Department used to supply weather reports or forecasts from Simla, whenever specially requested to do so. Early in 1924 the Royal Air Force authorities considered that, for safety of flying, a regular meteorological service for forecasting local weather conditions was essential. A scheme was therefore formulated by the India Meteorological Department in collaboration with R. A. F. authorities for the supply of weather reports, forecasts and warnings of adverse weather conditions to the six R. A. F. stations in India, viz., Ambala, Lahore, Peshawar, Dardani, Quetta and Drigh Road (Karachi). As weather reports had to include information about upper winds, the opening of new pilot balloon stations in northwest India and reorganisation of others were proposed. The scheme also contemplated the employment of two officers of meteorologist's grade, one at Quetta and the other at Peshawar, to undertake the responsibility of issuing local forecasts and warnings. As the proposed service was primarily in the interest of the Royal Air Force on the frontier, the Air Officer Commanding agreed to make available the services of two fully qualified R. A. F. meteorologists for employment at the aerodromes at Quetta and Peshawar. Their pay and allowances have been borne by the Army Department. It was at the same time considered that as it would be advantageous to concentrate all meteorological arrangements under one authority and as the R. A. F. officers would supply useful information to the Meteorological Department, the Director General of Observatories should, besides supervising the technical work of these officers, provide them with clerical staff, instruments, stores, telegraphic meteorological data, etc., the India Meteorological Department thereby became responsible for all charges, excepting the pay and allowances of these officers.

2. *Additions to original scheme.*—According to the original scheme, R. A. F. wireless operators were to assist in the clerical and observational work at Quetta, Peshawar and elsewhere. But this arrangement was reported to be unsatisfactory and a revised scheme had to be submitted to Government for increased clerical staff during the year 1927. Later, during the year 1929, in order to relieve the meteorological officers at Quetta and Peshawar of their routine work as far as possible and to afford them opportunity to devote more time to the critical study and analysis of weather charts with a view to improving the quality of forecasts for the areas under their charge, the appoint-

ment of two senior clerks for service under the meteorological officers at Quetta and Peshawar was sanctioned temporarily for a period of three years.

3. *Expenditure now incurred by Meteorological Department exclusively for R. A. F.*—Since the original R. A. F. weather scheme was brought into force, the needs of civil aviation (including airships) have necessitated meteorological development in northwest India; and no more than one of the pilot balloon stations in northwest India can now be said to exist *exclusively* for R. A. F. purposes. If that station is, for the present, assumed to be Peshawar (actually there would be a redistribution of the stations, less one, if R. A. F. needs were not to be met) then one may estimate the annual expenditure incurred by the Meteorological Department *exclusively* for the R. A. F. in respect of establishment, weather service and other miscellaneous services to be as follows:—

	Rs.
(a) Clerical staff at Quetta (excluding 2 observers and one balloon-maker for pilot balloon work)	2,800
(b) Pilot balloon observer, clerical staff and one balloon-maker at Peshawar	4,720
* (c) Office supplies, services and contingencies, including standard forms and stationery, charts, etc., to Quetta and Peshawar ..	4,000
(d) Cost of balloons, hydrogen gas supply, etc., at Peshawar (for 2 flights daily)	5,000
(e) <i>Cost of weather telegrams</i> —	
(i) Direct routine telegrams daily from observatories at Dalbandin, Mirjawa and Chaman to Quetta and Peshawar	1,800
(ii) Direct special telegrams from observatories, including requisition telegrams and awards to observers	1,000
(iii) Composite message (daily) consisting of observations from about 30 observatories sent from Poona to Quetta and Peshawar	10,940
(iv) Daily weather telegraphic summary sent at press rates from Poona to Quetta and Peshawar	240
(v) Telegrams containing forecasts and reports sent on request to R. A. F. planes by land line from offices of the India Meteorological Department	500
(vi) Telegrams of pilot balloon observations from Delhi	600
(f) Cost of 1 clerk at Karachi, 1 at Poona and 1 at Agra who may be taken to be wholly for R. A. F. (Quetta and Peshawar) work ..	3,000
Total ..	34,800

Recently it was decided that weather telegrams should no longer enjoy concessions that were formerly granted and should be charged to the Meteorological Department at full rates. The effect of this has been taken into account in estimating expenditure under (e) above.

4. *Further services rendered by the Meteorological Department to the Royal Air Force.*—The exclusive services mentioned above represent only a part of the benefit derived by the R. A. F. from the Meteorological Department.

* Spent through Agra and Headquarters offices not separately budgetted for Only rough estimate.

The latter department has an extensive organisation for discharging its functions and, but for the aid of this organisation the establishment of the two R. A. F. forecasting centres would have involved very much greater annual expenditure than that detailed in the preceding paragraph. The items thus serving the joint requirements of the R. A. F. and other departments or the public generally are stated below :—

- (a) *Telegraphic expenditure.*—The meteorological office at Karachi supplies to the R. A. F. officers by W/T the ground and upper air observations from most of the stations west of Karachi. The cost of collecting these observations at Karachi is Rs. 40,000 annually and the cost of transmission of the W/T broadcasts is Rs. 41,250. The cost of collecting the observations from 30 Indian stations transmitted by land-line from Poona to the R. A. F. officers is about Rs. 16,500. All this telegraphic expenditure serves, of course, several other purposes in addition to meeting the needs of the R. A. F.
- (b) *Maintenance and administration of Observatories.*—In order to ensure that the data telegraphed from the observatories may continue to be reliable, the Meteorological Department, besides frequent correspondence with observers on their work, allowances and leave arrangements, has also to renew instruments which occasionally go out of order, send frequent contingent supplies to the observers and arrange for periodic inspection of all observatories by meteorological officers. This work is mostly done by the observatory section of the Headquarters at Poona and represents one of the main items of work for which the R. A. F. are not called upon to contribute.
- (c) *Supply of climatological data.*—The R. A. F. meteorological officers frequently ask for the supply of climatological data of observatories over northwest India, and sometimes for similar data over routes elsewhere in India or outside India, e.g., for routes to Europe and Australia. These data are compiled or extracted by the climatological section of the Poona office from the monthly data supplied by the various observatories and are of primary importance to weather forecasting centres in India. Besides the cost incurred by this department on staff for preparing these data, a considerable amount of additional work is also involved in the selection of data suited to the requirement of these officers, and copying them for their use.
- (d) *General Administrative correspondence.*—The administration of the various sub-offices and the headquarters at Poona is carried out by the "General Section" of the latter. A proportion of the work of this section relates to the meteorological offices at Quetta and Peshawar.
- (e) *Equipment and maintenance of first class observatories.*—There are about twelve first class observatories in India where, besides the ordinary meteorological equipment, special (mostly self-recording) instruments are installed in order to obtain continuous

records of the various meteorological elements for purposes of detailed study of weather. Two of these first class observatories are under the R. A. F. officers at Quetta and Peshawar, but the work involved in indenting for, testing, maintaining and occasionally repairing these instruments is arranged by the Instruments Section of the Poona Office.

- (f) *General technical advice and information.*—In addition to the facilities given to the R. A. F. as mentioned above, their meteorological officers can, and do, make use of the departmental libraries, which contain practically all the important meteorological publications from all over the world, and are thus enabled to keep in touch with modern developments in meteorology. They also enjoy a full share of the facilities for discussions of important technical matters with the Director General of Observatories and his officers, both at the headquarters and at the various sub-offices like Karachi, Delhi, Agra, etc.
- (g) *Special weather reports.*—It may also be mentioned that further occasional help is also given by officers of the Meteorological Department by supplying special weather reports and forecasts, when R. A. F. aeroplanes are flying over routes other than those on the frontier and in the Punjab.

From the foregoing it will be clear that so far as administration and technical supervision are concerned, the forecasting centres at Quetta and Peshawar form practically as integral a part of the India Meteorological Department as any of the other departmental sub-offices, such as Karachi and Delhi. In fact, if the R. A. F. centres of Quetta and Peshawar are finally transferred to the India Meteorological Department, the latter will have no additional responsibilities to shoulder except the provision of officers. The exact proportion of the costs of the meteorological organisation that may properly be assigned to the services mentioned in (a) to (g) above, would be a very difficult question to decide, and it is perhaps needless at present to try to appraise the money value of such co-operation. Only if the Meteorological Department were partly "commercialised", would it be necessary to estimate the value of the services rendered or to ask the R. A. F. to pay a proportionate share of the meteorological budget grant.

5. *Reciprocal services rendered by the R. A. F. to the Meteorological Department.*—The following are the services rendered by the R. A. F. to the Meteorological Department :—

- (a) Some of the observations supplied by Quetta and Peshawar to the R. A. F. at Drigh Road by W/T are telephoned to the Meteorological Office at Karachi. These observations should ordinarily go to the Karachi office by direct telegrams from the observatories, but to meet the needs of the R. A. F., the department allows the direct telegrams to go to Quetta instead of to Karachi at the cost of the meteorological department.
- (b) The R. A. F. meteorological officers at Quetta and Peshawar, for their local forecasting work, collect, almost daily, temperature

data of the upper air by attaching to aeroplanes, during test flights, instruments loaned by the India Meteorological Department. At Karachi also about 10 such flights are made every month. These data are sent to the India Meteorological Department by post. About three years' data have accumulated and their discussion will prove valuable in the study of upper air conditions over northwest India. Such data, if telegraphed to forecasting centres, will be of special practical use in forecasting for airship flights over northwest India.

- (c) The R. A. F. officers at Quetta and Peshawar co-operate with this department in the technical supervision of the first class and upper air observatories at their stations. The data collected under their supervision are useful for the study of weather conditions over the frontier.
- (d) The meteorological officers at Quetta and Peshawar have also occasionally undertaken the inspection of observatories in Baluchistan, the North West Frontier Province and parts of Persia, on behalf of the Meteorological Department.
- (e) It may be also mentioned that the Royal Air Force Depot at Drigh Road, which has its own medical organisation has recently promised medical help to the meteorological observers who are stationed at the Civil Aerodrome near the Airship Base at Drigh Road.

These reciprocal services rendered by the R. A. F. are greatly appreciated by the Meteorological Department. It would be difficult to appraise their monetary value, but it may reasonably be claimed that their value is fully outweighed by that of the services enumerated in the preceding section.

6. *Possible developments in near future.*—Two of the observers at Peshawar are on pays of Rs. 40--4--60, a scale which is possible in a temporary experimental scheme but needs revision if the experiment is to continue. Proposals are likely to be submitted regarding the revision of such scales of pay.

The recent meteorological developments in northern India in connection with civil aviation include arrangements for telegraphing observations twice a day from observatories in place of the former once-daily reports. Further the reports, as now received from observatories, are "reduced", *i.e.*, do not require to be decoded by clerks at forecast centres before being charted by draughtsmen; one of the reasons for originally arranging for composite messages to Quetta and Peshawar was the fact that direct messages used to require decoding and therefore need more staff. The centres at Peshawar and Quetta ought to share in these improvements in organisation and receive telegraphic information twice a day instead of only once daily about weather at stations in northwest India; also they should, as an aid to promptness in receipt of information, receive telegrams direct from a number of neighbouring stations and not be so dependent upon composite messages from Poona, which inevitably arrive much later than would direct telegrams.

It may also be recalled that a Meteorological Department officer has recently taken charge of Peshawar office during the absence on leave of the

R. A. F. Meteorologist. The possibility of similarly replacing the other R. A. F. meteorologist some months hence has been mooted and is still under consideration.

7. In compiling this report no attempt has been made at meticulous accuracy as regards details but it is hoped that a fairly clear idea has been given of the relationship between the R. A. F. and the India Meteorological Department as regards reciprocal obligations.

APPENDIX XI.

Memorandum by the Railway Department showing the action taken on the irregularities noticed by Audit on the Bengal-Nagpur Railway, referred to in the Appropriation Accounts of Railways for 1927-28.

In paragraph 72 of their Report, the Public Accounts Committee desired to have a full report this year on the action taken on the irregularities on the Bengal-Nagpur Railway as a result of the letter addressed by the Railway Board to the Agent, Bengal-Nagpur Railway. A statement showing the action taken is appended (Annexure).

ANNEXURE TO APPENDIX XI.

Statement showing the action taken on the irregularities on the Bengal-Nagpur Railway brought to notice in the Report on the Appropriation Accounts of Railways for 1927-28.

Serial No.	Reference to paragraph of the report.	Subject matter of the irregularities.	Remarks by the Railway Board.	Remarks of the Agent.	Further remarks by Railway Board.
1	Paragraph 2 of annexure to the report.	Measurements not recorded in Measurement Books on the spot.	The Assistant Engineer was also to blame and but for the fact that he has since proved a useful officer, the Board would have asked for disciplinary action to be taken against him. It is understood that the sheets, in which the Assistant Engineer first recorded measurements, have been lost. Attempt should be made to fix responsibility for such loss and take suitable disciplinary action. It is presumed that the District Engineer was not concerned in the loss.	This case occurred on a temporary development district. The Assistant Engineer had only one year's service and the loss of the measurement sheets may be explained by the fact that the temporary district was closed before the inspection was made.	The remarks of the Public Accounts Committee were communicated to the Railway Administration for further action.
2	Paragraph 3 of annexure.	Fictitious daily reports.	It is understood that the Chief Engineer has, in accordance with the Board's instructions issued a circular to impress upon all officers that misrepresentation of facts in accounts is a most serious offence and will be taken most serious notice of. It is hoped that such instances will not occur in future.	While the Chief Engineer has impressed upon his officers the seriousness of such irregularities, he considers that the failure to make out daily reports must occur in certain exceptional circumstances, e.g., by reason of sickness.	Nil.

3	Paragraph 4 of annexure.	The Board are not satisfied with the explanation for not taking any disciplinary action against the District Engineer and suggest that the circumstances of the case show that, at least, a censure is required.	I agree with the Railway Board and a censure has been recorded against the District Engineer.	Nil.
4	Disregard of financial interest of the Railway.	The Financial Commissioner on investigation, concluded that, while the Administration was not to blame in regard to sub-paragraphs (a) and (c), case (b) showed an error of judgment. The Board do not wish to pursue the matter further.	Nil	Nil.
5	Payments not supported by details and irregular entries in measurement books.	The case discloses a deliberate misrepresentation of facts, for which high officers of the railway were responsible, and but for the fact that both the officers concerned have left the service of the railway, disciplinary action against them would have been pressed for. The Board desire to impress on the Administration the necessity for describing the reasons for any payment as accurately as possible. If the grounds for payment are reasonable and if the payment is objected to by Audit on technical grounds, the matter should be reported to the Railway Board for special sanction.	I note and agree with the Railway Board's remarks. The irregularities however are rather errors of judgment and not a deliberate falsification of facts.	No further useful action can be taken.

Serial No.	Reference to paragraph of the report.	Subject matter of the irregularities.	Remarks by the Railway Board.	Remarks of the Agent.	Further remarks by Railway Board.
6	Paragraph 7 of annexure.	Posting of officers on some works while their pay was charged to others.	While it may be necessary to post officers according to the exigencies of service temporarily to special works unconnected with the posts held by them, it is essential to see that the resulting arrangements do not involve any misrepresentation of the facts in accounts. Moreover, the fact that funds are available under one head of accounts is no justification for expenditure relating to another to be booked under that head.	I agree	<i>Nil.</i>
7	Paragraphs 8 and 10 of annexure.	Irregular reversal of an adjustment in accounts and loss to the railway owing to dilatoriness of the Administration.	While the Board consider that the charge of dilatoriness has not been fully made out, they desire to impress upon the Administration the desirability of settling such questions expeditiously.	<i>Nil</i>	<i>Nil.</i>
8	Paragraph 9 of annexure.	Loss to the Railway due to purchase at Nagpur of land and bungalows subsequently found to be of no use to the	The Railway Board consider that the facts of the case show considerable lack of judgment in the matter of purchase of bungalows and the price paid for them. They would suggest	The officer is no longer in service.	<i>Nil.</i>

9	<p>Paragraph 13 of annexure.</p> <p>Loss to Railway due to absence of proper control.</p>	<p>that the question of disciplinary action against the officer primarily responsible for the purchase should be considered.</p> <p>The report on the new system of shop costing, evolved in collaboration with the Production Engineer, should be furnished by the end of May 1930, and it is presumed that the question of careless supervision has been satisfactorily dealt with.</p>	<p>A report will be submitted in due course, and the question of careless supervision has received attention.</p>	<p>Report has been received, but as the new system has been introduced only from May 1930, it will take sometime to find out if the new system has brought about any improvement and economy.</p>
10	<p>Loss in departmental brick manufacture.</p>	<p>The Board agree to the continuance of the manufacture of bricks by manual labour, but were not satisfied that the construction originally of the factory for the manufacture of bricks by machines was justified. They consider that a venture of this sort should not have been embarked upon without considering fully its financial results. They suggest that the Administration should see whether reasonable care was taken to find out to see that it would not be a source of so much loss. A report on the operations for 1928-29 on the re-organised factory should be submitted by May 1930.</p>	<p>The Board's remarks are noted and a report on the operations of the reorganised factory will be submitted in due course.</p>	<p>The report has since been received, and the question whether the factory for the manufacture of hand-moulded bricks should be retained is under consideration.</p>

Serial No.	Reference to paragraph of the report.	Subject matter of the irregularities.	Remarks by the Railway Board.	Remarks of the Agent.	Further remarks by Railway Board.
11	Paragraphs 15 and 16 of annexure.	Purchase of materials in advance or in excess of requirements, and irregular accounting of materials.	The Board note with gratification that adequate action has been taken to prevent the recurrence of such mistakes, but they hope that suitable action will be taken against the persons responsible for the irregularities.	The persons responsible are no longer in service.	Nil.
12	Paragraph 17 (i) of annexure.	Fictitious adjustments to avoid excess over estimates.	It is essential, in order that the cost of a work may be shown as accurately as possible, that all adjustments of the cost of materials issued to the work should be carefully priced and the cost adjusted against the work.	The Board's remarks are noted	Nil.
13	Paragraph 17 (ii) of annexure.	Ditto	The Board understand that the Administration realises the irregularity of the adjustments carried out in this case and are surprised that the Chief Engineer accepted the suggestion in the first instance. They trust that such cases will not occur in future.	It is hoped that no such cases will arise in future, as adjustment memoranda are now subjected to detailed check in Audit.	No remarks.
14	Paragraph 18 of annexure.	Excessive measurements and preparation of fictitious bills to use up	The Board understand that of the two officers at fault, the District Engineer has left the Railway, and the Assistant	Nil	Nil.

15	Paragraph 19 of annexure.	budget grant. Unauthorised revision of sanctioned estimates.	Engineer has been severely reprimanded. As the latter had only three years' service and has since proved himself a most capable officer, the Board do not desire to carry the matter further. (a) The Board desire to impress on the Administration the impropriety of having two estimates, one for Audit and one for Engineering purposes. They trust that this is only an isolated case but will be glad if steps are taken to ensure that working to an unauthorised estimate for Engineering purposes is stopped. (b) All material modifications of proposals sanctioned by the Board should be brought to their notice. The Board will be glad if suitable instructions are issued. All these estimates should have formed part of one estimate.	The Board are correct in the assumption that this is an isolated case. Suitable instructions have been issued to prevent a recurrence.	Nil.
16	Paragraph 20 of annexure.	Splitting up of an estimate.		Nil	Nil.
17	Paragraph 21 of annexure.	Fitting lights and fans in bungalows without provision for current.	The Administration should not have undertaken the work without entering into a legal contract with the Company regarding electric supply. They hope that steps will be taken to impress on all officers the desirability of a legal contract in such cases.	The Board's remarks are noted	Nil.

Social No.	Reference to paragraph of the report.	Subject matter of the irregularities.	Remarks by the Railway Board.	Remarks of the Agent.	Further Remarks by Railway Board.
18	Paragraph 64 of report.	Non-recovery of Railway dues.	<p>The losses seem to have been more due to a defect of system, which the Board are glad to find has been changed, than to any particular fault on the part of any officer. No disciplinary action is pressed for.</p>	Nil	Nil.
19	Paragraph 65 of report.	Land leased at nominal rates.	<p>The Board trust that their instructions, that contractors should be charged a proper economic rent for all Railway land leased to them, are being followed at present.</p>	<p>This question is under investigation by the Chief Engineer at all stations on the Railway.</p>	Nil.
20	Paragraph 75 of report.	Avoidable loss to the Railway.	<p>It is understood that measures have been introduced for the reform of the working of this department and that, as a result, a profit will be shown. A report of the results should be furnished for 1928-29 and 1929-30 on the basis of allowing the Catering Department all the privileges which Refreshment Room contractors in similar circumstances are allowed.</p>	<p>The Board are correct in their understanding and the reports called for will be submitted in due course.</p>	<p>The reports have not been received yet. The Administration has been reminded.</p>

21	Paragraph 100 of report.	Tampering with the entries in the Measurement Book.	<p>Though it is probable that the methods followed in this case did not involve any loss to the Railway and that there was no deliberate intention to falsify accounts, the importance of correct statement of facts in accounts does not appear to have been given sufficient attention. Attention has already been drawn to the necessity of accounts strictly and accurately representing facts. The Board would be glad to know whether disciplinary action is not necessary against the District Engineer, who is partly responsible.</p>	<p>At the enquiry held by Messrs. Rau and Lines, the details of the case were explained personally by the District Engineer and it was understood that they were satisfied with his explanation.</p>	<p>The Administration has been told that the question of disciplinary action should be further considered.</p>
22	Paragraph 129 of report.	Starting work without entering into proper agreement and consequent loss to the Railway.	<p>The Board are not quite satisfied that the delay in carrying out the work referred to by the arbitrator was not a cause of part at least of the final payment that had to be made to the contractor. The necessity of obtaining the sanction of the Board before the dispute was submitted to arbitration should not have been overlooked. The circumstances of the case disclose very unsatisfactory features, and the Board trust that steps have been taken to prevent the recurrence</p>	<p>I note and agree with the Board's remarks.</p>	Nil.

Serial No.	Reference to paragraph of the report.	Subject matter of the irregularities.	Remarks by the Railway Board.	Remarks of the Agent.	Further remarks by Railway Board.
23	Paragraph 131 of report.	Expenditure improperly charged to Railway funds.	<p>of such regrettable irregularities. They recognise the difficulty of fixing responsibility on any particular officer and they do not wish to press for disciplinary action.</p> <p>The Board agree that the transaction did not involve any serious loss, but was a source of considerable advantage to the Railway. They note, however, that in the final terms the original intention of asking for a deposit and obarg- ing rent was overlooked, while there does not seem to have been any oversight to recover from the Corporation the pay of the staff or the honoraria agreed upon. This suggests that the officers concerned were less solicitous of the interests of the Railway than of the interests of the individual employees. The Board desire to express their displeasure particularly with this aspect of the case.</p>	The Board's remarks are noted	Nil.

APPENDIX XII.

Memorandum regarding the state of work in the Stores Accounts Section, East Indian Railway, furnished by the Railway Department with reference to paragraph 67 of the Report of the Public Accounts Committee on the accounts of 1927-28.

Paragraph 119 (i) of Report on Appropriation Accounts for 1928-29.—
Price List.—The Government of India have not yet come to a final decision as to the detailed procedure to be followed in the pricing of stores, *i.e.*, whether the prices should be fixed at the average booked rate obtained by dividing the amount by the quantity in hand, which is more or less the practice at present ; or whether the price list rates should be based on the average price of the latest receipts (which is the same as the average of the latest market rates *plus* incidental charges) up to an amount approximately equal to the quantities on hand, as recommended by Sir Arthur Dickinson, or whether the prices should be based on the latest market rate *plus* incidental charges. Even after this decision has been arrived at, however, we have in the case of the East Indian Railway still to wait for the priced ledgers to be corrected and brought up to date. This cannot be done unless and until we have a printed list of about seventy thousand items of stores according to a standard nomenclature for the guidance of all concerned. Such a list did not exist in the Company days, when the headings in the then existing ledgers were the only guide, with the result that different officers of the Railway adopted different nomenclature for one and the same article, and new ledger headings were opened, as it appeared to each officer that the articles were of a different kind from those already in stock. And this confusion got worse confounded when the O. and R. Railway was amalgamated with the E. I. Railway with its own nomenclature for stores, different from the headings shown in the E. I. Railway ledgers. The number of ledger headings thus got unnecessarily multiplied in many cases. And conversely also different articles got lumped up together in one ledger account in quite a large number of cases. This was aggravated with the introduction of cards in place of ledgers, when depots split up the then existing heads into new headings or grouped them in many cases without any advice to the Accounts Department. Steps were taken to remedy this state of affairs and the preparation of a standard nomenclature taken in hand. An Officer was placed on special duty for the purpose. He has done about one-third of the work, and the remaining two-thirds will, it is expected, yet take him more than a year. In the meantime, arrangements had also been made for the preparation of a provisional standard nomenclature by each depot in consultation with and with the help of the Accounts Department. District Controllers of Stores were requested to arrange that the list for each class on completion should be jointly compared by the Depot staff and Accounts staff with the Depot ledgers, and a joint certificate recorded in the list to the effect that it was complete and included all items of stores of that class for which the depots had ledgers. It was, however, found on completion of the work in one depot that the District Controller of Stores was unable to give the certificate owing to the bad condition of the ledgers in his depot. A mere fixation of nomenclature from the articles

themselves without reference to the various headings under which they had hitherto appeared in the Depot and Account Ledgers was not considered to be of much practical value, until the previous balances were brought forward and fitted into the new heads.

In the circumstances, the only course left open seemed to be to take fresh count of the existing stock under the new provisional nomenclature, value them at the market rates and start with new ledgers based thereon. This has been arranged for with effect from the transactions for April 1930, but as the stocktaking will take at least six or eight months, the new ledgers have been opened with the opening balances left blank for the present. A monthly reconciliation of the transactions of the month with the general books and a continuous reconciliation of the net results of the transactions as recorded in the Accounts ledgers with those in Depot books have also been arranged for. As soon as the stock-taking is made and the actual ground balances known, the balances will be brought into the new ledgers and the postings in the ledgers completed. A separate set of men have been put on the work of getting the correct book balances on the 31st March 1930. The priced ledgers have nearly been posted up to date, as also the Depot Ledgers. They will now be reconciled with each other. Owing to the confusion and mistakes in both of them due to the absence of a standard nomenclature as explained above, this reconciliation will take at least four or five months. In the meantime, the stock-taking will continue. A list will be made of all differences found between the balances as per actual count and the balances as per books and an investigation made into them as far as practicable.

(ii) In spite of the confusion and arrears in the posting of the priced ledgers mentioned in (i) above, reconciliation is reported to have been effected between the aggregate amount of balances under all the Priced Ledger Accounts taken together and the amount at debit of "stores" in the general accounts. This has been made through the 31 class ledgers under which all the articles have been posted, independently of the Priced Ledgers, from information obtained from depots from the original records of receipts and issues. As the accounts have really been posted direct from the class Ledgers, the reconciliation of Priced Ledgers with general books should be by an agreement between the total of all the Priced Ledger Balances with the total of balances of the class ledgers. This reconciliation has not been attempted up to date and can not be made until the Priced Ledgers have been posted up to date.

(iii) The difficulty and the cause of delay in the reconciliation between the priced ledgers and the depot books have already been explained in detail in (i) above. As stated therein the Priced Ledgers have only now been brought up to date and it will still take some four or five months to bring their reconciliation with the depot books up to date. As regards the issue of a Police List in combination with such nomenclature as has been completed, this can only be done when the Railway Board have come to a final decision as to the detailed procedure to be followed in the pricing of stores as stated in (i) above.

(iv), (v) and (vii). No remarks.

(vi) The Officer placed on special duty for the preparation of a standard nomenclature is also fixing the maximum and the minimum quantity for each item of stores, based on the actual consumption for the past 12

months. He is also working out the quantities and values of the surplus stock so arrived at in each depot. When this work has been completed for all the depots on the line, a complete account of the surplus stores will be available. In this connection, it may be relevant to mention that the officer on special duty is also working on the standardisation of stores, which will eventually reduce stores balances considerably. At present when a single article is required on a rare occasion and is slightly different from the material kept in stock, a large quantity of the new material is obtained with the result that it soon becomes surplus. It is hoped that the standardisation of materials will go a long way to reduce such spasmodic swellings of the stock in hand. Depots are also being authorised to consult each other about an article being available, instead of corresponding through the Controller of Stores as they do at present.

General.—The machines did not arrive in the country till February 1930. They have been set to work on the North-Western Railway. Difficulties which are perhaps incidental to new work have been experienced and are being attended to. Some time will be needed for things to settle down. In the meantime a machine has been set up on the E. I. Railway to work on the transactions commencing with the new year 1930-31. Owing to the absence of a standard nomenclature and correct depot and accounts balances in the other depots, the machine is for the present working for the Howrah Depot only. But arrangements have been made to work it for the other Depots also, so far as the transactions of the year are concerned, i.e., without the opening balances, as soon as a provisional nomenclature has been fixed upon by each depot in consultation with and with the help of the Accounts Department.

It will be seen from the above that whilst considerable progress has been made in overtaking the arrears and in eliminating the confusion in the accounts of the Stores Department, which have been in existence on the East Indian Railway for so many years, the main defects which have been responsible for this state of affairs, *viz.*, the absence of a standard nomenclature, and want of co-operation between the Stores Department and the Accounts Department, have now been substantially removed, and that whatever time it may yet take to evolve order out of chaos with regard to the past transactions—it should not be more than eight or nine months on a conservative estimate—the accounts from April 1930 have been placed on a satisfactory footing and there is no longer any fear of current transactions getting into arrears. The preparation according to a standard nomenclature, of a printed list of stores has been taken in hand; and in the meantime a provisional nomenclature agreed to by both the Controller of Stores and the Chief Accounts Officer is being got out and worked upon. Mechanisation has been introduced in one depot and is being extended to others.

APPENDIX XIII.**Memorandum on the relationship of the Army to the Indian Stores Department in regard to the purchase of stores, furnished by the Army Department with reference to paragraph 74 of the Report of the Public Accounts Committee on the accounts of 1927-28.**

The present Memorandum has been prepared in continuation of the memorandum issued by the Army Department and printed as Appendix XIX to the Public Accounts Committee's Report for 1927-28. That memorandum was issued provisionally in the absence of the Master General of the Ordnance, who on his return examined the whole question with great care and on the 26th October 1929 submitted the case for the opinion of the Principal Staff Officers of His Excellency the Commander-in-Chief, who discussed it in committee on the 6th November 1929. The subject was further discussed by the new Master General of the Ordnance with the Chief Controller, Indian Stores Department on the 5th June 1930. The Indian Stores Department statement of their case is contained in Mr. Kirkhope's note of 4th September 1929, which was not shown to the Army Department till 11th June 1930. It has accordingly been impossible within the time available to reply to this note in full but a copy of a note submitted by the Master General of the Ordnance dealing with the proposals of the Indian Stores Department in regard to oils and paints is attached to this memorandum.

The last audited figures available are for the financial year 1928-29. For that year the total orders placed with the Indian Stores Department by all branches of the Army and the Royal Indian Marine aggregated Rs. 1,32,75,000, a sum representing more than one-third of the entire orders placed on the Indian Stores Department.

The policy of the Army as already stated in the previous memorandum submitted to the Public Accounts Committee, has been, and is, to purchase the requirements of the Army at the lowest possible cost, irrespective of the purchasing agency. The Army is treated as a commercial department. It cannot afford to purchase in a dearer market merely to provide orders for a purchasing department.

In this connection the Master General of the Ordnance in India, as a result of a discussion that he has had recently with Mr. Pitkeathly, the Chief Controller of Stores, has given an assurance that he will examine personally and in detail the individual claims of the Indian Stores Department to purchase Army stores, and it has now been arranged to hold a monthly meeting between representatives of the Master General of the Ordnance Branch and of the Indian Stores Department, to ensure close and continuous co-operation.

Mr. Pitkeathly pointed out that owing to the large purchases which the Indian Stores Department makes, in any case, of oils and paints, it would seem advantageous to transfer all such purchases to one agency.

A note showing how purchases of oils and paints made by the Director of Contracts compare with purchases made by the Indian Stores Department over the three years 1927-30 is placed below.

The last figures available, but not audited, for the financial year 1929-30, showing the volume of purchases of these stores by the Director of Contracts are as follows :—

	Rs.
Paints	1,58,997
Lubricating oils	2,78,095
Kerosine	7,45,774
Petrol, M. T.	8,97,826

The progressive use made of the Indian Stores Department is illustrated by the following values of orders placed on that department by the Director of Contracts for textiles and miscellaneous stores over the past three audited years :—

	Rs.
1926-27	23,56,000
1927-28	60,13,000
1928-29	73,64,000

In addition to the above, and over the above period, the Director of Contracts has contributed Rs. 84,000 to the Alipore Test House for tests and advisory services.

OILS AND PAINTS.

Mr. Kirkhope's note of 4th September 1929 and Appendix I of enclosure thereto.

The Indian Stores Department claims :—

- (1) That it should purchase oils and paints for the Army.
- (2) That it purchases these stores in much larger quantities than does the Army and hence at a cheaper price.
- (3) That it would be in a position by bulking demands to secure still better prices.

(Cf. paragraph 12 of above note.)

Mr. Kirkhope supports the above contentions by the following figures :—

Stores.	Units for price.	Director of Contracts, 1927-28.		Indian Stores Department.			
				1927-28.		1928-29.	
		Quantity.	Average price.	Quantity.	Average price.	Quantity.	Average price.
			Rs. A. P.		Rs. A. P.		Rs. A. P.
Lubricating Oils ..	Gallons ..	1,77,848	1 9 0	6,16,891	1 7 5	28,69,488	1 8 2
Paints ..	Tons ..	314	443 14 0	1,002-75	441 14 0	2,065	415 3 4

(Cf. Appendix I of above note.)

Figures presented as above are valueless for comparison of prices, as, in each category of stores, prices vary widely for different classes and for different qualities. Obviously, if larger quantities of the cheaper varieties are purchased the average prices will be lower. The only comparisons of any value are those made item by item.

In order to ascertain the financial effect to the Army, by purchase through the Director of Contracts or through the Indian Stores Department, the actual cost of purchase of the total quantities of each item purchased by the Director of Contracts over the 3 years 1927-30 has been compared item by item with the cost that would have been incurred had the purchases been made through the Indian Stores Department and the following results emerge :—

	Loss on.		Gain on.		Net Gain.	I. S. D. Commis- sion at 1%	Total Savings.
	Items.	Rs.	Items.	Rs.	Rs.	Rs.	Rs.
<i>Lubricating Oils.</i>							
1927-28	5	2,477	7	4,065	1,588	3,013	4,601
1928-29	2	118	15	12,841	12,723	2,084	14,807
1929-30	1	168	11	15,266	15,100	2,876	17,976
<i>Paints.</i>							
1927-28	9	584	31	6,645	6,061	1,170	7,231
1928-29	8	215	41	5,050	4,835	1,163	5,998
1929-30	8	294	31	6,047	5,763	1,002	6,765
Totals .. ..	..	..	..	..	46,070	11,308	57,378

From the above figures it appears that under arrangements made by the Director of Contracts these commodities were purchased at Rs. 46,070 less than they were obtainable under Indian Stores Department arrangements, and had they been purchased by the Indian Stores Department the Army would have suffered to the extent of Rs. 57,378.

In the case of these commodities the Indian Stores Department purchases on a much larger scale than does the Director of Contracts but this fact has not enabled that department to purchase as economically as the Army, nor do the results support their claim for bulking demands.

In certain cases, as in the case cited in paragraph 8 of Mr. Kirkhope's note, that of fuel oil, the bulking of demands may be advantageous, but such cases are few. More often the effect is to restrict prejudicially competition or to exhaust the market. The Army, when its requirements of non-ferrous metals are large, has found it advantageous to purchase at intervals so as not to raise the market against itself.

In view of Mr. Kirkhope's reference to fuel oil the Army point of view in this connection is of interest.

Both the Army and the Indian Stores Department are able to purchase on exactly the same terms, but, by bulking demands, each stand to derive

the advantage of telescopic rates. The purchases of the Indian Stores Department being the larger the Army would naturally add their demands to those of the Indian Stores Department and in 1927-28 did so. In the upshot the minimum quantity for reduced rates was not reached and as a result the Army was a loser to the extent of Rs. 2,566 in commission. For the succeeding year the Indian Stores Department held out the same inducements but, in the light of past experience, the Army declined to co-operate except, on the condition that if as a result of pooling demands the lower rate were secured the Army would pay 2 per cent. commission to the Indian Stores Department but that otherwise the Indian Stores Department should raise no charge, in short that the Army should not be penalised by supporting the Indian Stores Department. As this accommodation was not forthcoming the Army purchased separately. Had the demands been pooled the telescopic rates would have operated and the Army would have secured its fuel oil at Rs. 54-7-1 per ton (*i.e.*, Rs. 53-6-0 and Re. 1-1-1 commission) whereas it was actually purchased by the Director of Contracts at Rs. 54-6-0.

During this time the Director of Contracts was negotiating with the Attock Oil Company and its Diesel Oil was under trial. This oil having proved satisfactory, it is purchased at Rs. 74-6-0 per ton *ex-Morga* for the following stations, at which, having regard to freight, it is cheaper than the Burmah-Shell Oil at Rs. 53-11-0 *ex-Karachi* by the amounts per ton shown against each station :—

	Rs.	A.	P.
Rawalpindi	11	6	0
Havelian (Abbottabad)	7	5	0
Jhelum	4	15	0
Peshawar	4	9	0
Nowshera (Risalpore)	5	14	0
Kohat	3	11	0
Bannu (Manzai)	17	15	0
Sialkot	0	10	0

For the current year an estimated quantity of 2,450 tons is being purchased as above, and the balance of requirements for other stations, estimated at 2,600 tons, has been bulked with Indian Stores Department indents.

In the light of these facts it will be seen that the matter of economy in purchase is not so simple as would appear from Mr. Kirkhope's note.

The freight factor introduces greater complications in the cases of Petrol and Kerosine. For the former it is cheaper to draw from up-country tank supplies at 85 stations, and for the latter at 83 stations, and for each of these stations separate contract rates have been arranged.

For the above services—Lubricants, Paints, Kerosine and M. T. Petrol—the economies effected by purchase through the Director of Contracts, over the 3 years 1927-30, aggregated Rs. 8,38,674 and it is still open to the Indian Stores Department to produce concrete evidence that it is able

to purchase as cheaply and as efficiently for the Army as the existing Army Department agencies. Until such evidence is produced it is for consideration whether the Army would be justified in entrusting the Indian Stores Department with additional purchases.

In paragraph 8 of his note Mr. Kirkhope remarks that the overlapping which occurs in purchase entails considerable duplication of labour and increased costs to the State as a whole. In this connection it is to be observed that the responsibility for provision lies "with the Master General of the Ordnance through the Director of Contracts irrespective of the source of purchase". (Despatch from Secretary of State for India, No. 12, dated 21st February 1924) and no relief in the matter of establishment is possible in the office of the Director of Contracts as a set off against the commission paid to the Indian Stores Department for its undertakings. In point of fact were the whole of the purchases of oils and paints to be entrusted to the Indian Stores Department there could be no saving of clerical establishment in the Contracts Directorate. The Director of Contracts is responsible that all indents passed to the Indian Stores Department are duly covered and that schedules of deliveries are arranged conformably to indentors' requirements. Subsequently every step in supply is carefully watched, and past experience has shown that in the many cases where deliveries fail in point of time or quality a greater amount of work is thrown upon the Director of Contracts when functioning as a go-between between the indenter and the Indian Stores Department than when he is himself in direct touch with the supplier. In support of this statement it is remarked that against 1929-30 indents placed with the Indian Stores Department it was necessary for the Director of Contracts to issue 334 reminders and in addition much correspondence in connection therewith.

As Mr. Kirkhope's note of 4th September 1929 was only received in the M. G. O.'s Branch on the 11th June it has not been possible to analyse the other points raised, within the date of the accompanying draft memorandum for the Public Accounts Committee.

APPENDIX XIV.

Note for the guidance of members of Public Accounts Committees in India when examining the accounts of Government Commercial concerns contained in the commercial accounts appendix to the Appropriation Accounts of the Central Government (Civil) and in Appropriation Accounts of Local Governments, furnished by the Director of Commercial Audit on the 10th June 1930.

It is a recognised fact that the Indian Government system of accounts is unsuitable for recording and controlling the transactions, and presenting at any time the true state of affairs, of Government commercial undertakings. In order to investigate the possibilities of improvement in the systems of accounts in commercial and quasi-commercial undertakings, representatives of Messrs. Price, Waterhouse and Company, Chartered Accountants, London, came to India in December 1920 at the request of the Government of India. They made valuable suggestions as to the desirability of introducing certain reforms in accounting systems. The advisory work relating to the introduction of commercial systems of account and of auditing these accounts was, at the outset, entrusted to a few officers of the Indian Audit and Accounts Service with commercial accounting knowledge and to firms of Chartered Accountants in India and Burma with the previous sanction, where necessary, of the Auditor General in India, the statutory authority responsible for the efficiency of the audit of expenditure in India from the revenues of India. As the work increased it was considered desirable, to enable the Auditor General in India to discharge more adequately his statutory responsibility in regard to audit, to obtain the services of an experienced Chartered Accountant to supervise on his behalf the whole of such work and to train a certain number of officers of the Indian Audit and Accounts Service and the subordinate staff in commercial accounting and auditing. For that purpose, the Government of India in 1924, at the instance of the Auditor General, requested the Secretary of State for India to select a Chartered Accountant. The Accountant who was appointed reported for duty in India in January 1925 and was designated Director of Commercial Audit. He and his staff were attached to the Auditor General's office till the 1st of March 1928 when the section was separated from that office and constituted as a separate Commercial Audit Branch of the Indian Audit Department. The branch was placed on a permanent footing on 1st January 1929. There are now seven circle offices working under the Director of Commercial Audit with headquarters at Calcutta (Three Circles) Madras, Rangoon, Nasik Road and New Delhi. The work has been subdivided among the several circles on a territorial basis. There are 120 concerns now under the half-yearly and annual audit of the Commercial Audit Branch and in addition there are a number of comparatively small concerns, controlled by Agriculture and Forest Departments, the accounts of which are audited on the spot every three or four years.

2. Government accounts differ from accounts in commercial form in several important aspects. The most important differences are that Government accounts record only Receipts and Payments. They make no attempt to distinguish between actual Income and Expenditure applicable to a period

and they do not, in the majority of cases, incorporate the results of the Government inter-departmental transactions. It is true that commercial accounts for a period can be compiled from Government accounts by taking into consideration the debit and credit outstanding accounts at the beginning and the end of every trading period, increases or decreases in stores and stock at the end as compared with the beginning of the period and indirect charges, under several heads, which do not appear in the Government accounts. Although Manufacturing, Trading and Profit and Loss Accounts and Balance Sheets in commercial form can be prepared from the Government accounts, supplemented by records maintained by a concern relating to fixed assets, stores and labour payments, the fact still remains that there are certain difficulties in the way of *managing* a commercial concern under the Government system of accounts and finance. The first difficulty arises from the nature of the system of budget control which has to be applied to the generality of public transactions, and the second is that all receipts must be credited at once into the Government account at the treasury and may not be utilised to finance expenditure. In the management of a commercial concern it is frequently desirable to take advantage of a favourable market to purchase raw material but this might be quite impossible if the powers of the Superintendent of the concern in regard to expenditure were limited by the ordinary rules of budgetary control. A special system has therefore been devised to give flexibility to financial arrangements for a Government commercial concern and the rules governing it are prescribed in Chapter 2 of the Account Code. It provides for the practically complete emancipation from the ordinary form of budget control of the Superintendent of a Government commercial concern to which the system is applied, for his being given working capital, and for his being allowed to recoup his working capital by utilising receipts. Parliamentary control is provided by certain links between the accounts of the concern and Government accounts, the result being that the Legislature can always control both (1) the investment of capital in the concern, and (2) the general working of the concern itself as the final profit or loss is recorded in the Government accounts, and due provision has to be made for the estimated figure in the budget. Clearly there must be safeguards in the application of such a system and these have not been omitted. The Chapter 2 arrangement is not applied to a Government commercial concern as a matter of course ; it is sanctioned by the Auditor General only after careful enquiry and after he is satisfied that (1) Government has prescribed a suitable schedule of powers which the Superintendent of the concern must observe, and (2) a proper system of commercial accounts has been installed.

3. The majority of Government commercial concerns, have however, not yet been brought under the rules in Chapter 2 of the Account Code. At non-Chapter 2 concerns commercial books to record cash, stores and costing transactions are maintained in addition to the ordinary Government accounts to facilitate the preparation of Manufacturing, Trading and Profit and Loss Accounts and Balance Sheets. In such cases the Commercial Audit Branch audit the commercial accounts only. Non-Chapter 2 concerns prepare and present bills on the treasury for their expenditure like any Government office and they pay their receipts into the treasury. In the commercial accounts

of the concern, "Withdrawals from the treasury" and "Remittances into the treasury" are accounted for, and at the close of the year these accounts are closed by credit and debit to "Government Capital Account"; for whatever Government pays to a concern increases the capital invested by Government in it and whatever money is returned by the concern decreases the capital invested by Government in the concern. Such concerns cannot be considered to have any specific working capital. When at the end of a year, the Profit and Loss Account is drawn up, the net profit is added to the Government Capital Account and so also are any liabilities of the concern to Government for leave, pension and passage contributions on account of permanent employees, bonus for Provident Funds, Audit Fees, Interest and Depreciation Charges.

4. It will therefore be seen that Government commercial concerns come under two main categories (1) those which work under the rules in Chapter 2 of the Account Code and (2) those for which commercial books are maintained in addition to the ordinary Government accounts. The commercial accounts are, however, maintained on the same principles whether or not Chapter 2 rules apply. The Manufacturing, Trading and Profit and Loss Accounts and Balance Sheets which appear in the various Appropriation Accounts have been prepared on the principles adopted in ordinary commercial accounting practice. As the main business of Government commercial concerns is to manufacture it is the accounts of the manufacturing concerns with which this note is principally concerned

5. General forms of (1) Manufacturing Account, (2) Trading Account, (3) Profit and Loss Account and (4) Balance Sheet are given at the end of this note (Annexures A to D) and a definition of the account is given at the top of each form. It is not possible to prepare forms which would be suitable in all respects for the many types of Government commercial concerns. The majority of these undertakings are manufacturing concerns. They purchase raw material for conversion, after perhaps going through many processes, into finished articles for issue to other Government Departments or for sale to the public. Raw materials differ so much in nature that no standard forms can be laid down as being applicable to all cases.

6. In regard to the accounts to be examined it is assumed that Balance Sheets and Manufacturing and Trading and Profit and Loss accounts are forthcoming and that the information disclosed in these accounts can be supplemented by further information either from the books of the concern or from individuals. For the purpose of this examination it does not matter whether these accounts are the result of well kept or badly kept books so long as they are genuine. Comments offered will be of value if they lead to action either confirming the course which has been pursued in the past, or leading to an alteration in that course.

7. When examining the accounts of a Government commercial concern there are two main points to which all comments should be directed:—

- (1) Is the concern making all the profit it should after taking into consideration educational and research activities, if any?
- (2) Has the concern a suitable capital represented by fixed and floating assets?

The first question demands a reference to the Manufacturing and Trading and Profit and Loss accounts while the second is one on which most light is thrown by the Balance Sheet.

8. The Manufacturing, Trading and Profit and Loss accounts are the statements which demand the more careful attention because nobody can tell a capable Superintendent of a commercial concern so much about his Balance Sheet as he knows himself, whereas it is often possible to tell him by a study of his Manufacturing and Trading and Profit and Loss accounts, of the existence of a state of affairs of which he is not fully cognisant. Moreover, a review of these accounts involves a consideration of most of the items which constitute the assets shown in the Balance Sheet. Another reason for the importance of the Profit and Loss Account, as compared with the Balance Sheet, is that it is much easier for Government to put a commercial concern in a satisfactory financial position than it is to improve its profit earning capacity. It takes skilful management as well as money to turn a loss into a profit or a low profit into a high one. The fuller the original accounts submitted the better; and for detailed examination these accounts serve as a useful starting point. But from two or three Balance Sheets and Profit and Loss accounts it is not difficult to get a good idea of the business and the changes which have taken place in it, as a whole. It is advisable to bring the figures together in a comparative statement so that fluctuations can be seen at a glance.

9. The Manufacturing, Trading and Profit and Loss Accounts are the most important documents presented for scrutiny. They present the result of the actual working of the concern as opposed to its financial position at any given date and should be dealt with first. Every item therein is a possible matter for comment. There are three general questions which should always be dealt with—

- (1) Is the Gross Profit, *i.e.*, the margin between the works cost *plus* selling expenses and selling price sufficient in amount to provide for necessary general expenses and for net profit?
- (2) Are the expenses, taken as a whole, justified by the size of business?
- (3) Are the percentages of Gross Profit and Net Profit on sales sufficiently high and are those percentages fairly constant?

10. In comparing the gross profit of one year with that of another it is true, theoretically, that the ratio of gross profit to sales is not affected by the amount of these sales. But in practice, the amount of sales does affect the ratio. The explanation is that if a concern is equipped for a given normal output the prime cost per article on a maximum output will be somewhat less than the corresponding prime cost of an output of 75% of the maximum. This is not a question of standing expenses; it is one of pure prime cost. When working at full capacity it is usual that the workers work at their best. When, therefore, it is noticed that with slack times the rate of gross profit goes down the explanation is not necessarily that prices have gone down, but it is probable that with slackness has come a falling off in the efficiency of the factory as a whole.

Gross profit shows clearly the margin between cost price and selling price but it does not show, and cannot show, how the buying and selling respectively contribute to this result. If the rate is very low this may be due to bad buying or wasteful use of labour or material which are matters affecting the producing side of the accounts or it may be due to selling at too low a price. In practice a small gross profit is often due to all these faults. Directly the accounts for several years are put together and compared, a great deal of additional light is let in upon the concern, and much valuable information obtained.

11. Suppose the accounts show the following results :—

1925-26 .. Sales	Rs.	3,00,000	Percentage of Gross Profit to sales.	25%
1926-27 .. ..	..	3,50,000	Do.	27%
1927-28 .. ..	..	4,00,000	Do.	28%

Here is obviously an improving business—improving both in size and in rate of profit. If on the other hand, the order of the figures is reversed, then obviously the business is on the down grade. If the figures run in this way—

1925-26 .. Sales	Rs.	3,70,000	Percentage of Gross Profit to sales.	27%
1926-27 .. ..	..	4,80,000	Do.	30%
1927-28 .. ..	..	4,00,000	Do.	28%

it would appear that the trade done is a fluctuating one though there may be some special reason for the large sales during 1926-27 outside the control of the particular concern, *e.g.*, it has been noticed that Army and other contracts for supplies have been given to certain Government commercial concerns for stated periods on the expiry of which orders have been given to private manufacturers.

12. Expenses which appear in the Profit and Loss Account have also some relation to turnover but not that close and direct relation which works cost of manufacture has. For example, rent, salaries and general office expenses are not materially affected by an ordinary increase or diminution in the year's sales. They have to be paid irrespective of the value of the year's receipts. To show therefore the exact proportion which each item in the Profit and Loss Account bears to sales or to purchases or to labour gives little information which leads to useful action. Nevertheless, the various headings in the Profit and Loss account should be compared with corresponding figures for previous years. Where comparative Profit and Loss accounts for two or three years are prepared there is no limit to the questions which may be asked on the accounts. All important fluctuations should be noted and if a question does not always hit the intended mark it sometimes calls forth other information equally valuable.

13. There is not usually much to comment on in a Balance Sheet. This statement does not show whether or not assets such as buildings are well situated and suitable for their purpose, but in the case of buildings one may form

some idea as to whether a rent based on their value is, or is not, too large a charge for the business to bear. It should be ascertained what charge has been made against Revenue in each year by way of depreciation and up-keep of buildings and other fixed assets. General points to consider in a Balance Sheet are :—

- (a) Are the assets suitable to the business both in character and value ?
- (b) Does the business justify large additions to fixed assets ?
- (c) Is the quantity of stores on hand maintained at a proper level and unnecessary accumulations avoided thereby diminishing the necessity for writing off stores which become obsolescent or depreciate in one way or another.
- (d) What is the relation between the amount of the Debtors and the amount of the Creditors ? It is generally accepted that book debts should exceed in total the trade liabilities. If credit sales exceed credit purchases (as they generally do) the value of the debtors accounts should exceed the value of the creditors accounts.

14. In every report on an audit conducted by the Commercial Audit Branch the attention of Government is invited to points on which orders are required. Delay in passing orders involves a great deal of additional work in audit as irregularities may have to be referred to over and over again and this must postpone the date on which the financial and accounting arrangements can be placed on a satisfactory basis.

ANNEXURE B TO APPENDIX XIV.
TRADING ACCOUNT FOR THE ENDED.....

(A Trading Account is a statement of account prepared for the purpose of showing what is the gross profit realised on goods sold after charging cost of rendering such goods marketable, such cost consisting of production and distribution expenses. Goods produced are transferred from the Manufacturing Account to the Trading Account at cost, the theory being that production exists solely for the benefit of sales and that the selling department therefore takes over the factory output at actual cost price.)

	Rs.	a.	p.		Rs.	a.	p.
To Finished Stock to beginning..				By Sales			
To Manufactured goods transferred from Manufacturing a/c.				Less Returns ..			
Office (or General) oncost—				By Finished Stock at end of the year ..			
To Carriage Outwards ..							
To Travellers' salaries and expenses							
To Agency Commission and Expenses							
To Rents and Rates of Warehouse							
To Warehouse Wages ..							
To Advertising							
To Duties payable on sale of product							
To Gross Profit carried to Profit and Loss a/c							
Total ..				Total ..			

ANNEXURE C TO APPENDIX XIV.
PROFIT AND LOSS ACCOUNT FOR THE ENDED²

(A Profit and Loss Account is a statement designed to show the amount of net profit earned. This account is credited with the gross profit carried from the trading account *plus* items of revenue such as interest, commission and cash discount earned and is debited with general administration and office charges *plus* interest on capital.)

Dr.

Cr.

	Rs.	a.	p.		Rs.	a.	p.
To Office or General oncost—				By Gross Profit brought from Trading a/c ..			
Office and General expenses ..				Interest and Commission received ..			
Rents, rates and taxes (office)				Cash Discounts received			
Stationery and Printing ..				Miscellaneous Receipts			
Audit fee							
Administration charges ..							
Postages and Telegrams ..							
Cash Discount allowed ..							
Clerks' salaries							
Leave, pension and passage allowances							
Depreciation on office buildings and on furniture							
Insurance charges							
Interest on Capital							
Bad Debts written off ..							
To Net Profit carried to Balance Sheet							
Total ..				Total ..			

APPENDIX XV.

Memorandum furnished by the Director General of Posts and Telegraphs on the working of the system of making Departments responsible for the maintenance of their own buildings in so far as the Posts and Telegraphs Department is concerned.

In paragraph 23 of their Report on the Accounts of 1927-28 the Public Accounts Committee desired to have a thorough report showing how the new system of making departments responsible for the maintenance of their own buildings has worked so far as the Posts and Telegraphs Department is concerned. The existing orders relating to the maintenance of buildings in the Posts and Telegraphs Department are contained in the Government of India, Industries and Labour Department's letter No. 55-G./P.T., dated the 18th April 1928, a copy of which is attached to this memorandum (Annexure A). It will be seen that under these orders Heads of Circles are allowed a good deal of discretion in the matter of deciding upon the agency by which repairs to buildings should be carried out, and in some circles the local Public Works Department is still freely resorted to for this purpose.

2. It will be seen that the orders on which Heads of Circles are at present working were issued in April 1928. In order to carry these orders into effect a good deal of preliminary organisation was necessary and this inevitably caused a certain amount of dislocation of work and delay in the execution of repairs and other minor building projects. Consequently the working of the new system during the year 1928-29 in which it was initiated cannot form a reliable basis on which to come to final conclusions regarding its merits or demerits. Moreover, during the last two years an important reorganisation of the Circle administrations has been in progress, whereby the postal, traffic, and Engineering work of each circle is unified under the control of a single head—the Postmaster-General. It is possible that this reorganisation, which was only completed by the beginning of the current year, may facilitate the working of the new system to a considerable extent.

3. For the reasons stated above the Director-General feels that the new system has not been tried long enough in the Posts and Telegraphs Department to enable him to come to any final conclusions regarding its suitability. He hopes however to be in a position to place before the Public Accounts Committee at its sittings next year a full report on the whole subject.

ANNEXURE A TO APPENDIX XV.

COPY OF A LETTER FROM THE SECRETARY TO THE GOVERNMENT OF INDIA, DEPARTMENT OF INDUSTRIES AND LABOUR, TO THE DIRECTOR-GENERAL OF POSTS AND TELEGRAPHS, No. 55-G./P.T., DATED THE 18TH APRIL 1928.

SUBJECT :—*Repairs to Posts and Telegraphs buildings and execution of minor building works.*

I am directed to state that the Government of India have decided, after consultation with yourself regarding experience of the results of the orders issued in the Hon'ble Mr. Parsons' letter No. 48-P. T. of the 17th September 1925 on the subject of the execution of ordinary repairs of Posts and Telegraphs buildings through the departmental agency, to cancel those orders, and to direct that the instructions embodied in the accompanying memorandum (Annexure B) should be observed henceforth in respect of the maintenance of Posts and Telegraphs buildings and the construction of minor building works. These instructions should be brought into effect as soon as practicable.

2. I am to request that you will submit for the orders of Government your proposals regarding the entertainment of such additional staff as may be considered necessary to give effect to these orders and whose employment may be beyond your own powers of sanction.

3. It will be realised that any expenditure of this nature during the current year will have to be met from the existing provision for repairs and minor works in the Posts and Telegraphs budget estimates.

ANNEXURE B TO APPENDIX XV.

MEMORANDUM.

Instructions regarding the maintenance of Posts and Telegraphs buildings and the execution of minor building works.

[Enclosure to Industries and Labour Department letter No. 55-G./P. T., dated the 18th April 1928 (Annexure A) as subsequently amended by the orders in Memorandum No. 55-G./P. T., dated the 15th August 1928.]

1. The Postmaster-General, or Director of Telegraph Engineering in independent charge, is in charge, and is responsible for the maintenance, of all buildings owned by Government occupied by staff under his control and also for the execution of minor works in connection with such buildings. The funds available for repairs and minor works in each Circle will be placed at the disposal of the Postmaster-General or Director concerned. It will be the duty of the Postmaster-General or Director concerned (1) to draw up a programme of repairs and minor works to be carried out in his Circle during the year and (2) to decide upon the agency to which each item of repairs and minor works will be entrusted.

The funds allotted to the Postmaster-General or Director for this purpose will be distributed by him amongst agencies entrusted with the works.

2. The programme of works and minor works at the beginning of each year will be drawn up by the Postmaster-General or Director having regard to the allotments placed at his disposal. It will be his duty to see that the available funds are laid out in the best interests of the public service.

3. In deciding on the agency to be utilised, the following procedure will ordinarily be observed:—

- (a) Repairs and works estimated to cost more than Rs. 2,500 in each case will be entrusted, according to the dictates of convenience and economy, at the discretion of the Postmaster-General or Director, to the local Public Works Department, the Military Works, the Municipality, or District Board.

Note.—In the case of works in the Punjab, however, the agency of the local Public Works Department should in no case be employed, the Superintending Engineer Simla Imperial Circle, being entrusted with the carrying out of such minor works as cannot reasonably be entrusted to the contractors available in the vicinity.

- (b) Other repairs and works will be entrusted either to the Engineering Branch of the Posts and Telegraphs Department (where the work can conveniently be carried out by them), or to private agency under the supervision of the Presidency Postmaster, the Divisional or Sub-Divisional Engineer or the Superintendent of Post Offices or Railway Mail Service concerned.

4. Heads of Circles may at their discretion depart from the foregoing rules in the matter of the choice of agencies when such departure is in the interest of economy and efficiency, except in the case of minor works and repairs in the Punjab. In particular in the case of minor works it may be

found advantageous to entrust works costing more than Rs. 2,500 to private contractors of reliable standing.

5. Heads of Circles may also at their discretion delegate their power to choose the agency by which a work is to be done to the Presidency Postmasters, Superintendents of Postal and Railway Mail Service Divisions, or Divisional Engineer, Telegraphs.

6. In the case of the Stores and Workshops buildings the Controller of Telegraph Stores will exercise the same functions as are assigned by these orders in the case of postal buildings to the Postmaster-General.

7. The Deputy Postmaster-General, Sind and Baluchistan will exercise the functions of a Postmaster-General in respect of buildings under his control.

APPENDIX XVI.

Memorandum furnished by the Financial Adviser, Posts and Telegraphs, regarding an estimate of the future commercial prospects of the Posts and Telegraphs Department.

The Public Accounts Committee at their meeting held on the 12th August 1929 (*vide* paragraph 33 of the Proceedings) desired that an estimate should be made to give an idea of the future commercial prospects of the Posts and Telegraphs Department. The Appropriation Accounts of the department show that it is difficult to estimate with reasonable accuracy the financial results of the working of the department for even one year ahead and it will therefore be realised that any such estimate extending over several future years must necessarily be highly speculative.

2. The estimated loss on running the department during the current financial year is approximately Rs. 48 lakhs which is arrived at as follows :—

					Lakhs of rupees.
(1) Pay and allowances	..	..	..	..	8,49
(2) Contribution to depreciation fund	..	..	..	..	35
(3) Pensionary liability	..	..	..	..	62
(4) Other working expenses	..	..	..	..	2,44
					<hr/>
				Gross working expenses	.. 11,90
(5) Deduct :—Credits to working expenses	..	..	..	..	63
					<hr/>
				Net working expenses	.. 11,27
(6) Interest charges	..	..	..	..	72
					<hr/>
				Total—Working expenses <i>plus</i> interest	.. 11,99
(7) Revenue	..	..	..	..	11,51
Loss (including Radio)	..	..	..	..	48
Loss (excluding Radio)	..	..	..	..	41

If the volume of traffic and other work handled by the department remained stationary the only items shown above that ought, theoretically at least, to undergo any material change are items (1) and (6). Item (1)—Pay and allowances—would continue to increase for some years to come even though no growth in strengths of establishments occurred, owing to the fact that most of the existing scales of pay in the department have been recently introduced and the point at which stabilisation occurs, that is at which the increase in cost owing to the accrual of annual increments is counterbalanced by the decreases due to retirements and other casualties, has not yet been reached. Item (6)—Interest charges—also would increase each year owing to the fact that the department has to pay interest each year on the accumulated loss on its working since the 1st April 1925 up to the beginning of that year. The loss adopted for this purpose excludes the cost of certain unremunerative activities of the

Wireless Branch and would increase from 41 lakhs shown above by the amount of increase under item (1).

3. In paragraph 33 of his Report on the Appropriation Accounts of the Posts and Telegraphs Department for 1928-29 the Accountant-General, Posts and Telegraphs, has estimated that the charges for permanent establishment in the Postal Branch are likely to increase on account of increments by about Rs. 50 lakhs per annum over the corresponding expenditure for 1928-29 before stabilisation is reached. The increase for the department as a whole would probably be in the neighbourhood of Rs. 60 lakhs. The increase on this account for the years 1929-30 and 1930-31 may be taken at roughly Rs. 30 lakhs and for purposes of this estimate I have assumed that during the next 5 years a further increase (gradually diminishing each year) aggregating approximately Rs. 30 lakhs would occur on account of accrual of increments were the staff to continue at the present strengths.

4. Actually of course the volume of work handled by the department and consequently the revenue earned must increase and the growth of work will necessitate increased expenditure on items (1) to (7) of paragraph 2 above, in addition to the inevitable increases referred to in paragraph 3. It will be obvious that this growth in expenditure must depend almost entirely upon the growth of business and it is therefore impossible to frame any estimate of the future financial results of the working of the department without first making an arbitrary assumption regarding the growth of work as reflected in the growth of revenue.

5. Forecasts of revenue in this department must necessarily be very unreliable as so many indeterminate factors enter into the matter. During the five years ending with 1928-29 the actual increases in gross revenue were as follows :—

							Increase. Lakhs of rupees.
1924-25	..	..	..	..	..	..	35
1925-26	..	..	..	..	..	..	25
1926-27	..	..	..	..	..	..	32
1927-28	..	..	..	..	..	..	30
1928-29	..	..	..	..	..	..	21

The average increase for these 5 years is about Rs. 29 lakhs but allowing for the reduction in the rates for foreign telegrams in 1927-28 and for an arrear adjustment in 1929-30 of revenue appertaining to 1928-29, the true average annual increase is approximately Rs. 31 lakhs. The increase expected for 1929-30 however is about Rs. 16 lakhs and it is possible that if trade and other conditions in India continue to deteriorate the increase for the current year may be even less. For the purpose of this report two statements A and B have been prepared (Annexures A and B) giving a rough indication of the probable results of the working of the department during the next few years on the purely arbitrary assumptions (1) that the revenue increases uniformly at the rate of Rs. 20 lakhs per annum during the years succeeding 1930-31 and (2) that the revenue increases uniformly at the rate of Rs. 25 lakhs per annum during those years. It has

also been assumed that the settlement of the claim against railways on account of enhancement of the rentals for telegraph and telephone wires, and of certain other minor adjustments will secure to the department additional revenue in 1931-32 and succeeding years amounting to Rs. 10 lakhs per annum.

6. The increases in items (1) to (7) of paragraph 2 above on account of these assumed growths in the volume of business have been estimated as closely as possible on the basis of past experience of the growth of establishment and other relevant factors. No increase in item (2)—“Contribution to the depreciation fund” has been allowed for as the increase in this item on account of new assets would be counterbalanced by decreases owing to the cessation of contribution in respect of time-expired assets under the existing rules.

7. It will be seen from statement A that on the assumption underlying its preparation the department might be expected to turn the corner and begin to pay its way again in 1935-36. On the more optimistic assumption underlying statement B the turning point would be reached in 1934-35.

8. It is necessary to emphasise once more the highly questionable nature of some of the assumptions underlying the estimates contained in these two statements. All that they can purport to do is to indicate that as far as can be foreseen at present the department may be expected to attain financial equilibrium in the course of the next 4 or 5 years without enhancing postal, telegraph or telephone rates provided that a normal growth of business can be secured.

ANNEXURE A TO APPENDIX XVI.

STATEMENT A.

Financial results assuming a uniform growth of revenue amounting to Rs. 20 lakhs per annum during the 5 years succeeding 1930-31.

(Figures represent lakhs of Rs.)

	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
Pay and allowances ..	8,66	8,80	8,92	9,03	9,13
Contribution to depreciation fund	35	35	35	35	35
Pensionary liability ..	63	64	65	66	66
Other working expenses ..	2,47	2,49	2,52	2,54	2,57
Gross working expenses ..	12,11	12,28	12,44	12,58	12,71
Deduct—Credits to working expenses	68	73	78	83	88
Net working expenses ..	11,43	11,55	11,66	11,75	11,83
Interest charges ..	75	78	80	83	85
Total working expenses plus interest	12,18	12,33	12,46	12,58	12,68
Revenue ..	11,81	12,01	12,21	12,41	12,61
Loss (including Radio) ..	37	32	25	17	7
Loss (excluding Radio) ..	29	24	16	8	—3

ANNEXURE B TO APPENDIX XVI.

STATEMENT B.

Financial results assuming a uniform growth of revenue amounting to Rs. 25 lakhs per annum during the 5 years succeeding 1930-31.

(Figures represent lakhs of Rs.)

	1931-32.	1932-33.	1933-34.	1934-35.
Pay and allowances	8,68	8,84	8,98	9,11
Contribution to depreciation fund ..	35	35	35	35
Pensionary liability	64	66	67	68
Other working expenses	2,48	2,51	2,54	2,57
Gross working expenses	12,15	12,36	12,54	12,71
Deduct—Credits to working expenses ..	69	75	81	87
Net working expenses	11,46	11,61	11,73	11,84
Interest charges	75	79	82	84
Total working expenses plus interest ..	12,21	12,40	12,55	12,68
Revenue	11,86	12,11	12,36	12,61
Loss (including Radio)	35	29	19	7
Loss (excluding Radio)	27	21	10	—2

APPENDIX XVII

Memorandum furnished by the Railway Department showing the Statistical Results of Coaching and Goods Traffic and the Earnings therefrom of principal Railways for the year 1929-30 (Approximate).

In the Meeting of the Public Accounts Committee on the Accounts for 1927-28 it was promised in reply to question No. 779 that a Memorandum showing the last year's figures of Coaching and Goods Traffic Earnings would be circulated to the Committee. A statement showing these figures for the year 1929-30 is accordingly attached to this Memorandum (Annexure). In calculating the numbers of passengers or tons of goods carried the basis adopted is that a passenger or a ton of goods when carried on one or more than one gauge of the same Railway System should be treated as one passenger or ton. In the statement appended to the Report for 1928-29, however, the figures were arrived at by counting a passenger or a ton carried on two or more gauges, as two or more passengers or tons, as the case may be. In order to facilitate comparison the figures for 1928-29 have also been recast on the lines on which the figures for 1929-30 have been calculated now and a statement showing these revised figures is also appended.

ANNEXURE TO APPENDIX XVII.

Statement showing the Statistical Results of Coaching and Goods Traffic and the Earnings therefrom of principal railways for the year 1929-30. (Approximate).

(In Thousands.)

Railway.	1	2	3	4	5	6	7	8	9
Bengal Nagpur	27,541	44.0	Rs. 2,65,22	16,586	183.0	Rs. 6,51,73	Rs. 21,28	Rs. 9,38,23
B., B. & C. I. Railway	92,887	27.0	5,01,26	7,758	223.6	7,36,56	-72,56	11,65,26
Burma Railways	33,124	22.9	1,58,70	5,494	144.9	3,18,00	10,27	4,86,97
Eastern Bengal	53,594	28.0	3,04,99	6,431	126.4	3,70,26	-2,80	6,72,45
East Indian	72,097	57.7	6,84,08	24,433	260.0	12,63,80	12,59	19,60,47
G. I. P. Railway	64,196	35.1	5,01,96	11,306	227.9	9,70,11	-26,35	14,45,72
M. & S. M. Railway	47,968	33.2	3,45,48	6,326	192.0	5,61,08	-18,01	8,88,55
North Western	85,371	45.3	7,09,49	14,710	201.4	10,33,34	-1,56,37	15,86,46
South Indian	64,680	25.7	3,48,52	5,705	93.8	3,09,32	-23,03	6,34,81

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(In Thousands.)

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Statement showing the Statistical Results of Coaching and Goods Traffic and the Earnings therefrom of principal railways for the year 1928-29.

Railway.	1	2	3	4	5	6	7	8	9
	Number of Passengers carried.	Mean Mileage of each passenger.	Earnings from Coaching Traffic.	Number of tons carried.	Mean Mileage for each ton.	Earnings from Goods Traffic.	Sundry Earnings and Suspense—less Refunds and Worked lines.	Total Receipts.	
			Rs.			Rs.	Rs.	Rs.	Rs.
Bengal Nagpur ..	25,741	44.7	2,65,38	14,909	192.0	6,35,08	13,69	9,14,15	
B., B. & C. I. Railway ..	90,812	27.8	5,18,44	7,729	225.7	7,35,52	-56,98	11,96,98	
Burma Railways ..	35,374	22.5	1,71,13	5,725	134.7	3,15,82	9,43	4,96,38	
Eastern Bengal ..	51,797	28.7	3,14,93	6,599	125.6	3,98,35	-4,30	7,08,98	
East Indian ..	71,576	53.8	6,63,12	23,862	270.0	13,58,64	20,09	20,41,85	
G. I. P. Railway ..	63,272	34.4	5,08,63	13,196	211.4	10,59,83	-24,46	15,44,00	
M. & S. M. Railway ..	44,688	33.1	3,32,92	7,063	178.1	6,05,02	-15,07	9,22,87	
North Western ..	89,348	42.8	7,40,54	15,101	209.9	10,46,52	-1,89,82	15,97,24	
South Indian ..	56,966	25.5	3,05,28	5,510	96.0	2,88,87	-30,92	5,63,23	

APPENDIX XVIII.

Proceedings of the First Meeting of the Military Accounts Committee held on Monday, the 23rd June 1930, at 11 A.M.

PRESENT

The Hon'ble Sir ARTHUR McWATTERS, C.I.E., I.C.S., *Chairman*.

Mr. G. KAULA, C.I.E., Member.

Mr. G. M. YOUNG, C.I.E., I.C.S., Army Secretary.

Mr. A. MACLEOD, I.C.S., Financial Adviser, Military Finance.

Lieutenant-Colonel S. G. V. ELLIS, D.S.O., Military Accountant General. } *Witnesses.*

Mr. H. L. LIVINGSTONE, Deputy Financial Adviser, Military Finance. }

Mr. E. BURDON, C.S.I., C.I.E., I.C.S., Auditor General. }

Mr. A. C. GUPTA, O.B.E., Director of Army Audit. } *Were also present.*

As, owing to the pressure of other urgent business, the Hon'ble the Finance Member was unable to be present, Sir Arthur McWatters took the chair.

2. The Committee took up the examination of Appendix A to the Appropriation Accounts of the Army, Marine and Military Engineer Services for the year 1928-29, which showed the action taken or proposed to be taken on the recommendations, etc., made by the Military Accounts Committee which examined the accounts for 1927-28.

3. *Item 1 of Appendix A.*—The Committee went through the statement (Annexure) prepared by the Army Department which indicated the action taken on the several recommendations of the Second Innes Committee and the savings effected as a result. The Committee were gratified to see that practically all the recommendations had been disposed of, and agreed in the opinion expressed by Mr. Burdon, who, as a member of the Second Innes Committee, considered it satisfactory that the examination of the working of the establishments at Army Headquarters by the expert appointed for the purpose, had brought about an actual saving of about Rs. 2½ lakhs, the maximum saving being as much as Rs. 3,37,540 (*vide* item 25 of the Annexure).

4. *Items 4 to 7 ibid, paragraph 5 I (a) of the Director of Army Audit's Report and paragraph 5 (b) (i) of the Auditor General's letter, dated the 4th June 1930.*—The Auditor General promised to examine the reasons for not adhering to the normal procedure relating to reappropriations in certain cases. The Committee desired that the result of the examination should be intimated to them next year.

5. *Item 8 ibid, paragraphs 75-77 of the Director's Report and paragraph 28 of the Auditor General's letter.*—The Committee decided to examine the Deputy

Engineer-in-Chief (Works) on Wednesday, the 25th instant, regarding the actual application of the general principles relating to contracts (*vide* paragraph 55 of these Proceedings).

6. *Item 9 ibid and paragraph 5 (b) (iii) of the Auditor General's letter.*—The Committee agreed with the Auditor General that the control of expenditure on stationery and printing was a matter of very considerable importance and that it was desirable that efforts to find a solution should be vigorously sustained. They were informed that a Central Revision Section had been established at Army Headquarters and that the centralisation of the control of stationery and printing would improve matters in due course. The Committee, however, decided to examine on the 25th instant Mr. Macdonald who was considering the question (*vide* paragraph 54 of these Proceedings).

7. *Item 10 ibid.*—The Military Accountant General explained at length the present position in regard to the different parts of the Office Manual and it was considered that the position was satisfactory and it was decided not to pursue the matter further.

8. *Item 12 ibid.*—The Committee desired to be informed next year of the terms of the final settlement which may be arrived at in connection with the claim on account of arrears on account of the higher rate of 15 per cent. for departmental expenses preferred by the Air Ministry in respect of aeronautical stores issued to India.

9. *Item 17 ibid.*—The Committee were informed that the Army Department accept in principle the necessity for the administration in India, as in England, fortifying itself by securing a certificate on the lines of the one included in the British Appropriation Accounts in regard to the existence in stock of all authorised war reserves of stores. They were further informed that steps would be taken to adopt the English practice when the requisite conditions were fulfilled, that is to say, first, when the Government of India have laid down the quantities and categories of mobilisation reserves which shall be held and, secondly, when the actual stocks approached the prescribed level.

10. *Paragraph 18 ibid.*—The Committee went through Appendix E to the Appropriation Accounts, which showed, among other things, the losses incurred in connection with stores. They desired that the practice of incorporating such a statement in the Appropriation Accounts should be continued in future.

11. *Item 19 ibid and paragraph 5 (b) (iv) of the Auditor General's letter.*—The Committee accepted the view that the last two lines in Appendix F to the Appropriation Accounts which purported to exhibit the cost per unit for fighting services and the cost per head for fighting services, respectively, were apt to be misleading, having regard to the fact that the cost was calculated with reference to the transactions of the particular year concerned which might include abnormal features. It was explained by the Financial Adviser that the end in view was to ascertain the normal figure of cost rather than the cost for a particular year. It was also suggested that more correct results could probably be produced at a considerably smaller cost. The Committee desired to record the opinion that, so far as they were concerned, any such improvement would be in the right direction, but that any new statement which might be devised should be susceptible of check by audit.

12. *Item 21 ibid and paragraph 5(b)(vi) of the Auditor General's letter.*—The Committee noted the improvement which had already been made in the trading accounts. In view of the facts that most of the produce of the manufacturing establishments was used in the Army itself and that such establishments were distributed over a large area, they doubted whether any useful purpose was served by the consolidation of accounts relating to a particular class of establishments. The important point seemed to be to determine the cost of production in each case. They proposed to await the result of the joint examination by the Directors of Army and Commercial Audit which the Auditor General promised to arrange.

13. *Item 25 ibid.*—The Financial Adviser read out to the Committee the rules relating to security deposits which had recently been issued. The Committee considered that no further action was necessary in the matter.

14. *Item 26 ibid.*—The Committee were informed that instructions had been issued with a view to preventing unnecessary expenditure being incurred on very old motor vehicles.

15. The Committee then adjourned for lunch till 2 P.M.

Proceedings of the Second Meeting of the Military Accounts Committee held on Monday, the 23rd June 1930, at 2 P.M.

PRESENT :

As at the First Meeting. In addition Mr. W. R. TENNANT, I.C.S., Deputy Secretary, Finance Department, was also present during a part of the proceedings.

16. *Item 27 of Appendix A.*—The Committee desired to have a report next year regarding the effect on the receipts of the revised arrangements relating to advertisements in the *Fauji Akhbar*.

17. *Item 29 ibid.*—In regard to the anomaly in connection with the grant of lodging allowance which was referred to by the Home Auditor last year, the Financial Adviser explained that the former had not referred to the point in his later report and it was, therefore, assumed that the Secretary of State's ruling had set the matter at rest. No further action was, therefore, considered necessary.

18. *Item 30 ibid and paragraph 5(b)(vii) of the Auditor General's letter.*—The conditions qualifying for family pensions, as interpreted in the Army Department, were discussed by the Committee with Mr. Tennant, Deputy Secretary in the Finance Department. The Committee considered that there should be co-ordination between the Civil and the Army sides. They were glad to be assured that the two sides were getting into touch with each other and accordingly decided not to pursue the matter.

19. *Item 31 ibid.*—The Financial Adviser explained that no useful purpose would be served by showing in the Army accounts the cost of supplies received from the factories, a corresponding credit being shown in the factory accounts,

The Auditor General agreed in this view which was also accepted by the Committee.

20. *Item 35 ibid.*—It was decided to examine the Deputy Engineer-in-Chief on the subject of the rush of expenditure in the closing month of the year (*vide* paragraph 56 of these Proceedings).

21. *Item 38 ibid.*—The Committee considered the Memorandum (Appendix XIII) prepared by the Army Department on the relationship of the Army to the Indian Stores Department in regard to the purchase of stores. They were of opinion that the position set forth was satisfactory as showing that the Army Department were getting into touch with the Chief Controller of Stores in this important matter.

22. This concluded the examination of Appendix A. The Committee then proceeded to consider the comments in the Auditor General's letter in conjunction with the relevant portions of the Appropriation Accounts and of the Director's Report.

23. *Paragraphs 1 to 4 of the Appropriation Accounts, paragraphs 1 to 3 of the Director's Report and paragraph 4 of the Auditor General's letter.*—The Committee agreed with the Auditor General that it was necessary to make sure, as far as possible, that the purposes underlying the stabilisation of the Military grant were being accomplished and that the conditions attaching thereto were being fulfilled. The Financial Adviser explained that the expenditure on the special programme could not ordinarily be separated from the normal expenditure and that any supplementary statement which might be prepared in order to meet the views of the Auditor General would necessarily contain a certain element of estimation and would, therefore, not be susceptible of audit check. The Committee considered that as much of the special expenditure as possible should be exhibited separately in the accounts and that the Finance Department should see what action can be taken as regards the remainder with a view to its being determined with accuracy. The Committee concurred in the suggestion of the Auditor General that it might be desirable to detail an audit officer in order that suitable accounting arrangements might be devised in consultation with the Military Accountant General. It was also agreed that in order that the Appropriation Accounts may completely fulfil their function, it is necessary that they should include an examination of the receipt side of the account—though not in any great detail.

24. *Paragraph 5 II (e) (ii) of the Director's Report and paragraph 5 (c) of the Auditor General's letter.*—The Committee agreed that it would be desirable for the Director to submit a further report next year on the working of the revised procedure for ascertaining the actual cost of manufacture of drugs.

25. *Paragraph 7 A of the Director's Report and paragraph 5 (d) (ii) of the Auditor General's letter.*—The Committee decided to examine the Deputy Engineer-in-Chief regarding the objections raised for want of sanctioned estimates (*vide* paragraph 57 of these Proceedings).

26. *Paragraph 7 B of the Director's Report and paragraph 5 (e) of the Auditor General's letter.*—The Military Accountant General explained that, as things stood at present, no change was desirable in the practice of placing under objection expenditure not supported by vouchers without allowing a reasonable time

for their receipt. The Committee agreed that no change was necessary at the present moment.

27. *Paragraph 7 C of the Director's Report and paragraph 5 (f) of the Auditor General's letter.*—The Committee decided to discuss with the Deputy Engineer-in-Chief the prospects of a reduction in the outstanding objections as a result of steps recently taken in this direction (*vide* paragraph 57 of these Proceedings).

28. *Paragraph 7 of the Appropriation Accounts, paragraph 12 of the Director's Report and paragraph 6 of the Auditor General's letter.*—The Committee agreed with the Auditor General that the variations from the estimates were not large, relatively to the amount of the total Military grant, and that their significance was further reduced by reason of the temporary stabilisation of the budget and the latitude definitely provided under that arrangement. It had also to be remembered that 1928-29 was the first year of the working of the stabilised budget.

29. *Paragraph 7 (a) of the Auditor General's letter.*—The Committee enquired into the variations noticed by the Auditor General. It was explained in particular that, under Head I (India), it was difficult to estimate in advance savings which were occasioned by British troops coming out on reduced rates of pay and which amounted to Rs. 17 lakhs and further that an anticipated credit from the Civil side relating to Aden transactions had also not been realised; under Head II (India), there was the Emergency Grant of Rs. 18 lakhs against which no expenditure was recorded in the accounts; under Head V (India), the estimates relating to provisions were not accurate for want of statistical information; while under Head VIII (India), the estimates could only be based on 8 months' figures which were the latest available and could not therefore be sufficiently near the mark.

30. *Paragraph 19 of the Appropriation Accounts and paragraph 8 of the Auditor General's letter.*—On the question of inaccuracies in the Home Estimates, the Financial Adviser explained that in practice no effort was made to get into touch with the India Office. The Committee were emphatically of the opinion that it should be possible for the Indian and the Home estimating officers to keep in closer touch with one another and thus avoid large differences between estimates and actuals pertaining to ordinary charges recurring from year to year. They also suggested that the Auditor General's comments, in which they concurred, should be brought to the notice of the Secretary of State.

31. *Paragraph 8 of the Appropriation Accounts and paragraph 7 (b) of the Auditor General's letter.*—The Financial Adviser furnished the Committee with an analysis of the decrease, here mentioned, in the expenditure on purchase and manufacture of stores. He explained that the apparent discrepancy in the figures was due to the fact that the estimates were based on an erroneous interpretation of the rules issued by the Auditor General regarding the treatment of recoveries in the accounts in respect of issues to other Governments, while the actuals proceeded on the correct basis, and that the discrepancy would not recur in future.

32. *Paragraph 9 of the Auditor General's letter.*—The Committee examined the question of the lump sum provisions referred to and found that normally

such provisions were not being made in excess of requirements so that no further action was necessary in the matter.

33. At this stage the Committee adjourned till 2-30 P.M. on Tuesday, the 24th June 1930.

Proceedings of the Third Meeting of the Military Accounts Committee held on Tuesday, the 24th June 1930, at 2-30 P.M.

PRESENT :

(As at the First Meeting.)

34. *Paragraph 58 of the Appropriation Accounts and paragraph 11 of the Auditor General's letter.*—The Committee agreed with the Auditor General that the estimates relating to Indian units serving in the Colonies should not be based merely on past actuals, but on actual liabilities which must be definite and definitely known.

35. *Paragraph 18 of Director's Report and paragraph 12 of the Auditor General's letter.*—In the case of deficiency in stores and equipment referred to, the Military Accountant General explained that there was no mistake on the part of the Local Audit Officer and that the Commanding Officer who was guilty of slackness of supervision, had been held responsible and suitably punished.

36. *Paragraph 70 of the Appropriation Accounts and paragraph 13 (a) of the Auditor General's letter.*—The Financial Adviser reported that the amounts realised on account of the disposal of surplus and obsolete stores in recent years were as follows :—

						Rs.
1926-27	..	..	..	..	..	1,93,000
1927-28	..	..	..	..	..	36,72,000
1928-29	..	..	..	..	..	42,44,000
1929-30	..	..	..	..	..	29,39,000

The Committee thought that it would be interesting to have similar figures every year in the Appropriation Accounts and also comments on the working of the organisation.

37. *Paragraph 22 of the Director's Report and paragraph 13 (b) of the Auditor General's letter.*—The Committee agreed with the Director that a comparison between estimate and expenditure is rendered inaccurate by the presence of Reserves such as the Emergency Grant which, in the year under consideration, had been taken at 20 lakhs instead of the usual 2 lakhs.

38. *Paragraph 24 of the Director's Report and paragraph 14 of the Auditor General's letter.*—The Financial Adviser explained that the regulations dealing with contracts had been revised, that suitable money limits had been laid down in the case of contracts to be entered into by subordinate authorities and, further, that important contracts were subject to financial scrutiny. The Committee, however, shared the doubt expressed by the Auditor General regarding the suitability of long term contracts, particularly in a period of

falling prices, and desired that the question should be examined and a report submitted to them next year.

39. *Paragraph 25 of the Director's Report and paragraph 15 of the Auditor General's letter.*—It was explained to the Committee that the difference between the figures for the two years 1927-28 and 1928-29 in the charges for conveyance of firewood from the ration stand to family quarters, was the result of a change in the terms of the contract; that authority for free transport had since been given; and that audit was not at fault in the matter and there was no question of effecting any recovery.

40. *Paragraph 27 of the Director's Report and paragraph 16 of the Auditor General's letter.*—The Committee were informed that the Master General of Ordnance agreed that the procedure which resulted in the loss from deterioration of materials was wrong and that suitable instructions had been issued with a view to preventing the recurrence of such losses.

41. *Paragraph 28 of the Director's Report and paragraph 17 of the Auditor General's letter.*—In this case also, the Master General of Ordnance had admitted that the short recovery from the War Office was attributable to a misunderstanding for which the fault lay with his own office. It was explained, however, that the actual loss was under Rs. 2,000, that disciplinary action in the matter was not practicable and that machinery does exist for guarding against such cases in future.

42. *Paragraph 37 of the Director's Report and paragraph 18 of the Auditor General's letter.*—The Committee agreed with the Director that the case indicated a lack of co-ordination in the administration of the factories concerned. They were assured, however, that the matter would be pursued and that a further report would be submitted to them next year.

43. *Paragraph 38 of the Director's Report and paragraph 19 of the Auditor General's letter.*—It was explained that general orders had been issued with a view to the stacking of coal and coke in heaps of about 500 tons each in a way which would facilitate verification of stocks. The Committee suggested that audit should examine the working of the new arrangements to see whether they are effectual and correspond to arrangements in the Railway Department in the same connection; also that the Director of Audit should report on the subject next year.

44. *Paragraph 40 of the Director's Report and paragraph 20 of the Auditor General's letter.*—The Financial Adviser explained the working of the Joint Hide Purchase Scheme. He also informed the Committee that the basic rates followed those paid by the parties when they were in competition with one another, that hides not suitable for use by Government were taken over by the other party and that the Agent's commission, which was inclusive of buyer's expenses, had been gradually reduced from 8 annas per hide in 1926-27 to 4½ annas. The Committee agreed that, theoretically, it appeared to be a good system, but desired to be kept informed of the results of its working from year to year.

45. *Paragraph 46 of the Director's Report and paragraph 22 of the Auditor General's letter.*—The Committee were informed that as their meetings in the current year were held earlier than usual, it had not been possible to obtain

information necessary for determining the responsibility for the incorrect pricing which led to the excess credit afforded to the Imperial Government in this particular case and that a report on the question would be submitted next year.

46. *Paragraphs 57 and 57A of the Director's Report and paragraph 24 of the Auditor General's letter.*—The Military Accountant General explained that the Pension Office at Lahore had to deal with as many as 206,000 pensioners; that the irregularities which appeared in the Lahore and Mhow offices were due partly to the fact that as a result of the transfers and dislocation of work which were a feature of the war days, the office happened to be manned with comparatively weak staff; and, further, that most of the irregularities were not due to mistakes made in the two offices themselves, but represented mistakes made in the pension sections of the offices of the various Controllers before the formation of the present Pension Offices. The length of time taken to detect irregularities was partly due to the fact that pensions were drawn at irregular intervals, and were, therefore likely to escape the percentage audit for a considerable time. The delay in the settlement of irregularities noticed was to a certain extent accounted for by the fact that the Pension Offices had to correspond with subordinate Civil authorities like Postmasters, many of whom were comparatively illiterate. As regards the frequency of the transfers of the officers in charge, the Military Accountant General explained that each Pension Office could be given only one Superior Service Officer and that, if he was a fairly senior officer about to be promoted to Class I, transfers of the kind were unavoidable. He thought that he could get over the difficulty by posting a somewhat different type of officer whom it would not be necessary to transfer in this manner, but he considered that the amalgamation of the two offices, if carried out, would secure two Superior Service officers for the entire establishment and ensure a certain amount of continuity. The Committee were not prepared to commit themselves to this last suggestion at the moment, but desired that its possibilities might be explored and a report furnished next year.

47. *Paragraph 145 of the Appropriation Accounts, paragraph 62 of the Director's Report and paragraph 25 of the Auditor General's letter.*—The Financial Adviser explained that, as a matter of fact, the provision for the expansion of the Territorial Forces had not been diverted to other purposes, but that the apparent discrepancy was due to the difficulty of compiling separately the expenditure relating to such expansion. He stated that 7½ lakhs had actually been spent on the scheme and the balance of 2½ lakhs carried to the Military Reserve Fund. The Committee recognised that the difficulties were more or less similar to those felt in the case of the expenditure on the special programme and that action might be taken on the lines suggested by them in that case (*vide* paragraph 23 of these proceedings).

48. *Paragraph 64 of the Director's Report and paragraph 26 of the Auditor General's letter.*—The Committee were informed that the savings noticed by the Director arose from the fact that certain stores had been ordered in England, but not paid for before the close of the year.

49. *Paragraph 74 of the Director's Report and paragraph 27 of the Auditor General's letter.*—On the question raised here, *viz.*, whether daily labour should be paid in British Indian currency or in the currency of the Indian State concerned, the Military Accountant General pointed out that, if the number of

hours of daily work was taken into account, a change in this system would mean a saving of no more than a pie per man per day, which was negligible and did not justify the maintenance of accounts of exchange transactions which would be involved. In the circumstances, the Committee agreed to the present system being continued.

50. *Paragraph 9 of the Home Auditor's Report on the accounts of the Secretary of State and paragraph 29 (b) of the Auditor General's letter.*—The Committee desired to be informed next year of the result, of the reference to arbitration, of the question of India's share in the accumulated surplus of the Navy, Army and Air Force Insurance Fund which had been transferred to the Imperial Exchequer in 1926.

51. *Paragraphs 18 and 23 of the Home Auditor's Report on the accounts of the Secretary of State and paragraph 29 (c) of the Auditor General's letter.*—The Committee were informed that the further consideration of the questions relating to the capitation rate for effective services and the Air Force capitation rate had been held up pending the consideration of the report of the Statutory Commission.

52. *Paragraph 3 of the Home Auditor's Report on the High Commissioner's Accounts and paragraph 30 (a) of the Auditor General's letter.*—The Committee were told that the Finance Department had already issued necessary instructions as regards the form of the pension document and that no further action was required in this connection.

53. At this stage the Committee adjourned till 2-30-P.M. on Wednesday the 25th June 1930.

Proceedings of the Fourth Meeting of the Military Accounts Committee held on Wednesday, the 25th June 1930, at 2-30 P.M.

PRESENT :

As at the First Meeting. In addition, the following witnesses were also present during a part of the proceedings :—

Mr. H. I. MACDONALD, Army Headquarters.

Colonel H. S. GASKELL, D.S.O., Deputy Engineer-in-Chief (Works).

54. *Item 9 of Appendix A to the Appropriation Accounts.*—The Committee discussed the position as regards the control of the expenditure on stationery and printing with Mr. Macdonald who is in charge of the Central Revision Section. He explained that the Controller of Printing and Stationery had agreed to the system of accounting on his side being suitably modified in order to enable the Army Department to be informed how much they were going to be charged for a particular work. The Committee suggested that the Finance Department (Ordinary Branch) should be kept informed of the results of Mr. Macdonald's enquiry into the system so that any reform may be adopted to the needs of all Departments and not only of the Army Department. Mr. Macdonald also referred to the fact that he could now, with the aid of a ready reckoner, ascertain the cost of printing in advance in particular cases with a reasonable degree of accuracy, so that the control of expenditure would not present very great difficulties in future.

55. *Item 8 ibid paragraphs 75 to 77 of the Director's Report and 28 of the Auditor General's letter.*—The Committee next discussed the position in regard to contracts with Colonel Gaskell who assured them that the principles laid down were being adopted generally; the increase, in the year under discussion, in the number of contracts given without tenders being called for, was explained by the fact that, where extensions of works were decided upon, such extensions were entrusted in a number of cases to contractors who were carrying out the original works. Instructions had since been issued with a view to preventing a recurrence of such cases. As regards alterations in the terms of contracts once concluded, Colonel Gaskell informed the Committee that they were being allowed only in exceptional cases and with the sanction of proper authority.

56. *Item 35 ibid.*—As regards the rush of expenditure in March, Colonel Gaskell explained to the Committee that steps had been taken to secure an earlier intimation of allotments for new works to the officers concerned and earlier preparation of estimates, so that the expenditure would be spread more evenly over the different months of the year.

57. *Paragraphs 7A and 7C of the Director's Report and paragraph 5 (d)(ii) and 5 (f) of the Auditor General's letter.*—Colonel Gaskell explained that, in view of the measures referred to above, there should be a reduction in the amount placed under objection for want of sanctioned estimates and that, as a matter of fact, there had been a reduction from 79 lakhs in 1928-29 to 68 lakhs in 1929-30. The Committee considered that comparison of the kind made by the Director of Army Audit might usefully be repeated in future years.

58. *Paragraph 71 of the Director's Report.*—The Committee then dealt with the question of the purchase of a house mentioned in this paragraph. From a perusal of the original papers relating to the case, the Committee were satisfied that the consideration for the payment of Rs. 26,000 was not, as stated in the report, the relinquishment by the owner of his title to the land on which the bungalow stood, and that, in point of fact, Government did not consider the purchase as having been uneconomical: the price paid was justified having regard to the locality in which the house stood and the rent which it had been fetching.

59. *Paragraph 31 of the Auditor General's letter.*—In conclusion, the Committee were gratified to note the opinion recorded by the Auditor General that during the year under review, the percentage of financial irregularity, detected by audit and requiring special mention, was on the whole satisfactorily small, and that there had been some improvement in the standard of financial discipline applied to cases of financial irregularity, etc., in which it was found possible to bring individuals to book. They considered, however, that there was room for improvement in the direction of closer and more correct estimating in the light of the instances cited in paragraph 7 and especially in paragraph 8 of the Auditor General's letter.

ANNEXURE TO APPENDIX XVIII.

Statement showing briefly the action taken on the several recommendations of the Second Innes Committee and the savings effected.

Item No.	Para-graph No.	Recommendations.	Action taken or opinion expressed by Branches.	Orders of His Excellency the Army Member.	Annual savings in permanent establishment.
1	7	Temporary G. S. O.-2 for War Book to be abolished on the completion of the temporary work on which employed.	Accepted. Appointment abolished	Agreed to ..	No recurring saving.
2	10 & 13	G. S. O.-3 Education to be abolished..	GENERAL STAFF BRANCH. Accepted. Appointment abolished	..	No recurring saving.
3	9	G. S. O.-3 attached to the Staff Duties Directorate for cipher work to be abolished.	Accepted and the appointment abolished, but additional G. S. O.-3 added to M. T.-1.	H. E. accepted the recommendation.	Rs. 13,980.
4	11	M. T.-3 to be transferred to S. D. ..	Retention sanctioned by the Government of India.	..	No recurring saving.
5	12	Adviser in Languages. Transfer of examinations to Public Service Commission and abolition of appointment.	M. T.-3 reports direct to C. G. S. at present	Agreed to by His Excellency.	Nil. (The Secretary of State has since sanctioned as G. S.O.-1 for this post.)
6	15	Temporary attached officer Signals to be abolished.	Not accepted ..	Not accepted	Nil.
7	18	M. G. Cavalry and his Staff Officer to be abolished.	Accepted. Appointment abolished	Agreed to ..	No recurring saving.
			Accepted. Appointments abolished. The new arrangement is shown in A. I. (L.) B.-241 of 1927.	Agreed to ..	Rs. 48,260.

Item No.	Para-graph No.	Recommendations.	Action taken or opinion expressed by Branches.	Orders of His Excellency the Army Member.	Annual savings in permanent establishment.
8	19	Colonel-on-Staff R. E. and Staff Officer to be abolished.	Both proposed to be retained permanently	Not accepted.	Nil.
9	20	3 Superintendents of P. T. attached to Commands to be abolished.	Accepted by the C. G. S. ADJUTANT GENERAL'S BRANCH.	Both retained. Agreed to	Rs. 54,000.
10	21	War Arrears Section to be abolished . .	Accepted, and the section abolished . .	Accepted	No recurring savings.
11	22	Staff Captain R. E. to be reduced . .	Accepted. Appointment abolished . .	Accepted	Rs. 14,460.
12	23	2 D. A. A. Gs. to be replaced by 1 O. S.	Accepted in a modified form. Two D. A. A. Gs. abolished and two civilian D. A. D., P. and P. sanctioned in lieu.	Accepted by H. E. in a modified form.	Rs. 9,720.
13	28	Transfer medical pay and pension duties to P. and P. Dt.	Accepted. Necessary adjustments in establishments effected in Mr. Macdonald's review of A. H. Q. establishments.	Accepted by H. E.	Rs. 4,000 (estimated by the Committee).
14	27	Amalgamation of registries—Main and Medical—and Establishment Sections—Abolition of officer supervisor when accomplished.	Not feasible. . . . .	. . . . .	. . . . .
15	33	Reduction of one D. A. D. of T.	QUARTERMASTER GENERAL'S BRANCH. Q. M. G. unwilling . . . . .	. . . . .	Nil.
16	34/36	Directorate of E. and O. S. to be relieved of all work not properly belonging to it.	Acceptable to the Q. M. G.'s Branch and carried out.	Agreed with the Q.M.G. Agreed to	Nil.
17	36	Transfer from Directorate of E. and O. S. of work properly pertaining to M. G. O.	MASTER GENERAL OF ORDNANCE BRANCH. Carried out. Result has been extra expenditure of Rs. 9,528 p. a. for increased clerical establishments.	Agreed to	Nil.

18	Abolition of one Assistant Civil Engineer Adviser.	Appointment abolished	Accepted	Savings devoted to the extra expenditure against 18 above.
37	One A. M. S. to be reduced and one O. S. added in his place.	MILITARY SECRETARY'S BRANCH. Accepted	Accepted	Rs. 6,500.
20	One D. P. M. O. (R. A. F.) to be replaced by a less expensive officer.	ROYAL AIR FORCE HEADQUARTERS. Not acceptable	Agrees with A. O. C.	Nil.
21	Abolition of one A. F. A. (M. F. B.)	MILITARY FINANCE BRANCH AND M. A. G.'S OFFICE. Not acceptable to the F. A. Three stenographers and one 2nd Division clerk abolished instead at an equivalent saving.	..	Rs. 13,500 (Civil Estimates).
22	Possible reductions due to recommendations concerning the cost accounting system.	Orders regarding the abolition of the cost accounting system in consuming units with effect from the accounts for September 1926 were promulgated in A. I. I. A.-20 of 1927. The effect of the modification in accounts and centralisation of audit in Commands has resulted in an actual reduction of about 140 temporary clerks whose actual cost was about Rs. 90,000 p. a. The potential saving is about double the amount. As regards M. A. G.'s own office a reduction of 5 clerks has been carried out in consequence of the modification of the cost accounting system. The change in the System of Accounts having caused additional work, further reduction has not been possible as yet and until matters are quite established a D. A. M. A. G. will be needed. A further amount of additional	..	..

Item No.	Paragraph No.	Recommendations.	Action taken or opinion expressed by Branches.	Orders of His Excellency the Army Member.	Annual savings in permanent establishment.
23	62 (a)	Definite responsibility to be placed on Command Controllers to promote the full use of financial powers vested in Army Commanders and other subordinate military authorities.	<p>work is being taken over by the M. A. G.'s office from Controllers' offices which will result in a reduction of 6 clerks in those offices and an addition of one clerk in the M. A. G.'s office, thus bringing the total reduction in that office to 4.</p> <p>Under the scheme for the centralisation of audit in Commands which was introduced in 1926, the Command Controllers are free to devote far greater attention to rendering financial advice to the Military authorities by visiting the Command and District Headquarters more frequently.</p>	..	..
24	62 (d)	Posting of an officer who has been a D. F. A. to a Command Controller's office as a supplement to item 26.	<p>The suggestion has been noted. As matters now stand, the M. F. B. have a large number of officers of the Military Accounts Department who have held the appointments of Deputy Financial Advisers from time to time. This number will increase every year. Each Command Controller will therefore automatically have, under him, an officer who has been a D. F. A.</p> <p>There will be more than one such officer in certain Commands.</p> <p style="text-align: center;">GENERAL.</p>	..	..
25	48 to 61	Clerical establishment generally. Appointment of an expert to examine the working of establishments of A. B. Q.	<p>Expert appointed. His recommendations resulted in a maximum annual saving of Rs. 3,37,540.</p>		..

APPENDIX XIX.

Instructions issued or proposed to be issued to Railway Authorities and Audit and Accounts Officers in connection with Mr. P. B. Rau's Report on the control of expenditure and the prevention of irregularities on Indian Railways.

LETTER FROM THE DIRECTOR OF RAILWAY AUDIT, NEW DELHI, TO ALL RAILWAY AUDIT OFFICERS, No. 172-ADMN.30|206-REP., DATED THE 9TH MAY 1930.

I have the honour to forward herewith———copies of Mr. P. B. Rau's report on the control of expenditure and the prevention of irregularities on Indian Railways.

2. The sentiments expressed in Part I of the report dealing with irregularities are unexceptionable and indeed many of the concrete proposals made are already in operation in one railway statutory audit office or another.

3. Detailed instructions on the points raised in the report will be included in Part I of the Railway Audit Code now nearing completion. You should, however, in anticipation of the issue of that Code act upon the suggestions made in Part I of this report, bringing to my notice any point in which they are in conflict or incompatible with orders already in existence.

4. Paragraphs 11—15, 17 and 18 of the report are specially important. It is one of your main functions to decide what irregularities and objections are important and require special treatment, and what are purely routine. The manner of dealing with important and unimportant objections should be that suggested in the report. Another proposal of special value which the Auditor General desires you to adopt in every case where this is possible, is that contained in the first sentence of paragraph 14. He is most emphatic that the procedure described in the penultimate sentence of the same paragraph must never be permitted. Your attention is also specially directed to paragraphs 17 and 18; it is believed that if you follow the procedure suggested there, the settlement of objections will be carried through not only more expeditiously but with much less trouble and friction than would otherwise be experienced.

5. Paragraph 16 admittedly raises a very contentious point. It is the view of the Auditor General that generally it is not only infructuous but occasionally harmful to pursue at great length and comment upon irregularities which have taken place long ago. For one thing, audit tends to stultify itself if the age of the irregularity precludes any deterrent or remedial action, and may provoke the criticism that audit itself has failed in not detecting the irregularity earlier. At the same time, it is realised that if the object is to prove proneness of an administration to a particular fault, or the unsatisfactoriness of a particular arrangement

or practice, it may be necessary to dwell upon old irregularities where admittedly no useful result can be expected from the consideration of each irregularity in itself.

6. In dealing with the question raised in paragraph 23, Mr. Rau has probably represented Mr. Kaula's view as more emphatic than it actually is. Undoubtedly, it is dangerous for a statutory auditor to be too free with advice, in that there is a possibility of his compromising the independence of statutory audit and assuming for it a responsibility which is not appropriate or desirable. On the other hand, it is inconceivable that statutory audit should stand aside to see an obvious mistake being committed without advising how the mistake should be avoided. I am desired by the Auditor General to say that he cannot lay down any general rules on the issue raised but must leave it to the discretion of his representative on the spot to take such action as is in the best interest of good administration. This action must frequently involve the giving of advice.

7. Your attention is specially directed also to paragraphs 24—28. These paragraphs contain a great deal of what already appears in the Auditor General's instructions for the preparation of Appropriation Accounts and reports thereon. I am desired to say, however, that the Auditor General definitely accepts the principle that an agreed statement of fact should be the basis of the report of any irregularity in an Appropriation Report. He accepts the proposal made in paragraph 28 that the paragraph reporting the irregularity should contain—(1) the agreed statement of facts, (2) the explanation of the circumstances by the administration in their own words, and (3) the audit comment. He differs from the opinion expressed in this paragraph, in that he considers that it is only fair to the administration that an audit officer should in addition to and separately from the bald statement of the fact of the irregularity, indicate his inferences from and opinion of, these facts, so that the full extent of the charge may be known. Necessarily, of course, the audit officer will always have to take great care that his inferences are justifiable inferences supported concretely by the facts.

8. An important point of procedure is discussed in paragraph 40. The suggestions in that paragraph leave altogether out of consideration the Director of Railway Audit. It is true that the Railway Board in many cases will consult the Director of Railway Audit before they pass orders on the Agent's reference. On the other hand, this prior consultation cannot be demanded. Again cases will occur in which the Director of Railway Audit would not support the view taken by the Subordinate Statutory Auditor. In such cases, it would be a waste of the time of the Railway Administration and of the Railway Board for the Agent to make a representation against the view of the Statutory Auditor. Further, if the case does eventually go to the Railway Board, it may save their time if the view not only of the Chief Auditor but also of the Director of Railway Audit is before them. Even then, it will always be open to the Railway Board to place other considerations before the Director of Railway Audit and to ask him to reconsider his view. In cases, therefore, where the Statutory Auditor subordinate to the Director of Railway Audit is made aware of the intention of the Agent to refer the dispute between them to the Railway Board, a suitable course of action would be for him to ask the Agent to defer his reference until he (the Statutory Auditor) has been given an opportunity of referring to the Director of

Railway Audit. In cases where this is not done and orders conflicting with the view taken by the Statutory Auditor are issued, it will be the duty of the latter to bring the case at that stage to the notice of the Director of Railway Audit. ...

9. Any instructions which may be necessary with reference to Part II of the report "Control of Expenditure" will be issued subsequently after detailed examination of the proposals and of any orders that may be issued on these proposals.

LETTER PROPOSED TO BE ISSUED BY THE RAILWAY DEPARTMENT (RAILWAY BOARD) TO THE AGENTS, ETC., OF RAILWAYS.

I am directed to say that the Railway Board agree generally with the views expressed by Mr. Rau in Part I of his Report on the control of expenditure and the prevention of irregularities, copies of which have already been forwarded to you, and desire that necessary steps should be taken to adopt the suggestions made therein. The Board would further draw your special attention to the particular paragraphs of the report mentioned below and to the observations made thereon :—

Paragraph 6.—The remarks in the concluding portion of this paragraph deserve special attention. Steps should be taken to impress on all officers and subordinates that serious action will be taken against those who are found to have made any mis-statement of facts. The Board consider it necessary that exemplary punishment should be meted out whenever cases of this nature come to notice.

Paragraph 7.—A criminal prosecution of the individuals responsible for frauds has undoubtedly a greater deterrent effect than any disciplinary action taken departmentally ; and the Board are of opinion that, in cases of any importance involving fraud, it should ordinarily be the practice of Railway Administrations, instead of being content to dispense with the services of the employee concerned to take competent legal advice whether a prosecution is likely to be successful. Such advice should also ordinarily be followed.

Paragraph 8.—In their circular letter No. 4953-F., dated the 10th March 1930, the Railway Board have already ruled that the reference to pension in paragraphs 6 and 7 of the Government of India, Finance Department circular, regarding the recovery of losses, apply *mutatis mutandis* to Provident Fund bonuses and gratuity. These orders should be carefully borne in mind when disciplinary action for financial irregularities is considered. The Chief Accounts Officer|Chief Auditor, in his role of financial adviser to the administration, should always be consulted in such cases.

Paragraph 9.—The Railway Board entirely agree with Mr. Rau in holding that a number of irregularities are as often the result of ignorance of the rules as of a deliberate desire to contravene them. A short and simple manual should be prepared, as suggested by him, to acquaint Engineers with their special duties and responsibilities in accounts matters. The Board desire that this should be taken in hand at once and a copy of the manual furnished to this office as soon as it is ready.

Paragraph 22.—The Board desire to impress upon you strongly one important function of the Chief Accounts Officer|Chief Auditor and that is his function as your financial adviser. In this capacity, he should be freely consulted whenever any

scheme, or proposal, involving financial implications, is considered. The Board consider that the proposal made in this paragraph is an important one and desire that it should be given effect to at once. When a scheme or proposal involving financial implications is submitted to the Railway Board, it should be accompanied by a *verbatim* copy of the Chief Accounts Officer's|Chief Auditor's opinion on its financial aspects.

Paragraph 23.—The advice of the Statutory Auditor should be sought when any doubt exists as to the interpretation of a rule or financial sanction. The Railway Administration should not act against the advice given in such circumstances by the Statutory Auditor, without reference to the Railway Board, except in cases of emergency.

Paragraph 29.—Recently a case was brought to the notice of the Railway Board in which the true facts of the case were not brought to the notice of the Statutory Auditor till long after the irregularity was published in the Director of Railway Audit's Appropriation Report. This, the Railway Board view with displeasure. Considerable trouble all round can be saved if Railway Administrations take prompt action on matters referred to them by the Statutory Auditor. As stated by Mr. Rau, an opportunity of going through the statement of facts and getting inaccuracies remedied should never be lost but utilised to the fullest extent.

Paragraph 34.—The Railway Board entirely endorse Mr. Rau's view of the importance of maintaining cordial relations and a spirit of co-operation between Audit and the Administration.

Paragraphs 38 and 39.—The Railway Board agree that the Chief Auditor of the Company will be the ordinary channel of communication between the Government Examiner and the Administration. This, however, does not preclude any other arrangements which may be arrived at between the Government Examiner and the Railway Administration. The Railway Board also agree that the Government Examiner should be given free access to all papers which will enable him to ascertain the exact facts in financial cases which, as auditor, it is his duty to investigate. This applies also to all objection books, inspection reports and other collective records of the results of the internal check carried out by the Chief Auditor.

Paragraph 40.—It has been arranged that, in cases where an Auditor, subordinate to the Director of Railway Audit, disputes the action proposed to be taken by you, he should refer the matter to the Director of Railway Audit before he finally demands a reference to be made to the Railway Board.

LETTER PROPOSED TO BE ISSUED BY THE CONTROLLER OF RAILWAY ACCOUNTS
TO ALL CHIEF ACCOUNTS OFFICERS AND CHIEF AUDITORS OF COMPANY-
MANAGED RAILWAYS.

I have the honour to forward herewith——copies of Mr. P. R. Rau's report on the prevention of irregularities on Indian Railways and on the control of expenditure.

2. The detailed instructions on the points raised in the report will be included in the Railway Account Code now under compilation. You should, however, in anticipation of issue of that code act upon the suggestions made in Part I of the report and bring to my notice any points in which they are in conflict or incompatible with the orders already in existence.

3. The following paragraphs of the report require special attention by you :—

Paragraphs 6, 7 and 8.—Agents are being instructed by the Railway Board to consult the Chief Accounts Officers in all important cases in the matter of disciplinary action to be taken with a view to preventing irregularities. It should be the duty of the Chief Accounts Officer to see not only that he is consulted in all such cases, but that the action proposed to be taken is sufficiently deterrent. The responsibility of the supervising staff should be enforced in all cases ; and the Agent addressed whenever there is reason to think that this point is being overlooked. If it is found that action taken by the Agent is not sufficient, the matter should be promptly brought to the notice of the Financial Commissioner through the Controller of Railway Accounts. In the case of frauds, etc., the Chief Accounts Officer should see that the Administration takes competent legal advice in all important cases before deciding that a criminal prosecution should not be instituted. If in any case in which such competent legal advice has not been taken the Chief Accounts Officer thinks that a prosecution should be instituted he should bring the matter to the notice of the Agent.

Paragraph 9.—The Chief Accounts Officer should render all help that may be required of him in the compilation of a short and simple instrument of instructions for the guidance of the Executive and Assistant Engineers in the matter of accounts.

Paragraph 10.—The duties that are expected of the Chief Accounts Officer in his capacity of Financial Adviser to the Agent are also expected of the Divisional Accounts Officers in their relations with the Divisional Superintendents. This should be impressed upon all Divisional Accounts Officers.

Paragraphs 11 to 14.—The instructions in these paragraphs although they primarily relate to Audit apply *mutatis mutandis* to accounts. The Chief Accounts Officer should see that at all inspections of divisional and other offices, Expenditure as well as Traffic, the officer in charge of the inspection party discusses personally on the spot with the officer representing

the executive, all cases of formal irregularities with a view to reducing their number to a minimum. The notes of inspections should be in two parts, Part I to record matters of real importance and Part II to record matters of comparatively minor importance. A list should be made or a register opened to record all items of important irregularities, whether discovered at inspections as above or detected in the course of ordinary internal check or brought to notice by Statutory Audit. This list should be put up before the Chief Accounts Officer once a week. He should see that it is posted promptly and up to date as soon as irregularities have come to notice, that it contains nothing but really important items, and that all important items have been promptly brought to the notice of the Agent and of the Heads of Departments concerned. The Chief Accounts Officer should personally watch through this list or register that no delay is allowed to occur in the action proposed to be taken on each item, whether by the Agent or by the subordinate authorities under him.

Paragraphs 20 and 21.—Any doubt in the minds of the Chief Accounts Officers as to their functions in the matter of Higher Audit should now be effectively removed.

Paragraph 22.—Agents have been asked by the Railway Board to consult the Chief Accounts Officers about the financial aspect of each scheme, before operation on it is actually commenced. The Chief Accounts Officer should see that he is so consulted and should devote special attention to his functions as a financial adviser to the Agent. An intelligent scrutiny of the details of the scheme may avoid much expenditure which may eventually prove to be unremunerative or wasteful.

Paragraph 23.—The Auditor General recognises the position that the Statutory Auditor should not stand aside to see obvious mistakes being committed without advising how the mistake should be avoided. Without however, laying down any general rules on the subject, he leaves it to the discretion of his representatives on the spot to take such action as is in the best interests of good administration, which action, he expects, must frequently involve the giving of advice. The Chief Accounts Officer should attend with promptitude and care to any advice given to him by the Audit Officer. In all doubtful cases of importance, he should try to obtain such advice.

Paragraphs 24 to 29.—On receipt of the statements of facts, it will be the duty of the Chief Accounts Officer not only to verify the statements, so far as the facts stated therein are within his knowledge, but also to see, in every case, that the heads of Departments concerned and the Agent personally has an opportunity of going through the statement of facts, of getting inaccuracies remedied and of including other relevant facts of importance in it at the time. The audit authorities are arranging that inferences and comments on a case should

be indicated by the local statutory auditor in the statement sent to the Chief Accounts Officer, so that the full extent of the charge may be known to the Administration. This will give the Administration an opportunity to examine the inferences and the comments of the Auditor and to offer such further explanations thereon as they may feel competent to do.

Paragraphs 38 and 39.—In the case of Company-managed lines, instructions are being issued by the Railway Board that the Government Auditor should be given ready access to the files of the railway administration, and that except when otherwise agreed to between the Government Examiner and the administration, the Chief Auditor is to be the natural channel of communication between the administration and the Government Examiner. It is also being explained that it will be to the advantage of the Company and will avoid a lot of unnecessary correspondence and trouble later, if things are set right at the earliest opportunity. The Chief Auditor will no doubt take prompt action on matters referred to him by the Government Examiner. It may be that some of the irregularities brought out in the Government Examiner's report are taken from the Chief Auditor's own objection books, Inspection Reports and other collective records of the results of internal check to which the Government Examiner has access. In such cases it will be as well for the Chief Auditor to bring to the notice of the Government Examiner that the item had already been taken up by him, and to suggest that this may be mentioned in his report, so that the report may not give the impression that the irregularity had been overlooked by the Chief Auditor.

Paragraph 40.—When the Chief Accounts Officer (or the Chief Auditor of a Company-managed Railway) finds himself unable to come to an agreement with the Government Auditor and is informed that the latter is referring the matter to the Director of Railway Audit, he should await the result of that reference before taking the matter up with the Railway Board through the Agent.

Paragraphs 42 and 43.—It has been arranged that copies of the reports on Appropriation Accounts will be sent by the Director of Railway Audit to the Chief Auditors of the Company-managed lines, the Chief Accounts Officers of State-managed lines and to the Agents direct. The procedure suggested in paragraph 43 is recommended for adoption by the Chief Accounts Officers and the Chief Auditors.

4. Any instructions which may be necessary with regard to Part II of the report (control of expenditure) will be issued after detailed examination of the proposals.

5. The instructions contained in this letter for the guidance of Chief Accounts Officers are recommended for general adoption by Chief Auditors of Company-managed Railways.

APPENDIX XX.

Note, dated the 3rd July 1930, furnished by the Central Board of Revenue, regarding the stocks of opium maintained at Ghazipur.

The Public Accounts Committee has asked for certain further information as to the stocks of opium maintained at Ghazipur. The principal reason why stocks are necessarily large compared with issues is the seasonal nature of the whole enterprise. The season for the poppy crop is such that raw opium does not begin to arrive at the factory much before April. As manufacture cannot be carried out during the monsoon, none of the raw opium received during an account year (October—September) can be used during that year. It has also to be remembered that the manufacturing process itself includes a period of from 6 to 8 months for maturing. Consequently stocks on October 1st must include—

- (a) all the raw opium received during the year,
- (b) all the reserve of raw opium carried over from the previous year.
This is necessarily considerable in order to guard against crop-failures,
- (c) all the provision opium required for issue during the year *plus* a reasonable reserve,
- (d) all the excise opium required for issue during the year *plus* a reasonable reserve.

the total stocks held on October 1st must include a complete year's issues of manufactured opium *plus* an equivalent quantity of raw opium *plus* reserves, *i.e.*, certainly not less than the equivalent of three years' issues.

The stock in hand on 30th September 1927 was 62,547 maunds (1 chest = 140 lbs).

The issues of provision and excise opium were 20,677 maunds.

Elaborate programmes for the reduction of cultivation and manufacture have been prepared. These include a gradual reduction of stocks in hand. In fact this process has gone so far that the Opium Agent has quite recently expressed alarm at the inadequacy of the stocks held. The opening balance on October 1st 1928 was 30,111 maunds and the closing balance on 30th September 1929, 20,349 maunds. This was due to a comparative failure of the crop, only 8,392 maunds of raw opium being received against issues of 18,154 maunds.

APPENDIX XXI.

Note furnished by Mr. A. L. Hoyle, Commissioner, Northern India Salt Revenue, on the 4th July 1930, regarding the increased cost of production at Sambhar in the year 1928-29.

The Public Accounts Committee took notice of the increase exhibited in the Appendix to the Appropriation Accounts for the year 1928-29 in the cost per maund of Sambhar salt to 5 annas 2.49 pies as against 4 annas 7.29 pies in the year 1927-28.

2. As stated in paragraph 94 at page 59 of the Appendix, the increase here referred to occurred mainly in Royalties and Compensation, Interest on Capital and net expenditure on Stores and Workshop Establishment. The details are as under—

(i) *Royalties and Compensation.*—Royalties are payable in each year at 40 per cent. of the selling price of all salt cleared from Sambhar Lake in excess of 17,25,000 maunds in the preceding year. Clearances in the year 1926-27 amounted to 71,29,864 maunds, and the royalty payable thereon in the year 1927-28 was Rs. 5,40,486. In the year 1927-28 clearances increased to 84,85,506 maunds, and the royalty payable in 1928-29 was accordingly increased. The increase in royalty was more than proportionate to the increase in clearances, because the selling price of Sambhar salt was increased from 4 annas per maund to 4 annas 3 pies per maund with effect from the 7th June 1927, which involved the payment of royalty at a higher rate per maund cleared in respect of clearances from the 7th June 1927. to the 31st March 1928. The total royalty payable in 1928-29 was Rs. 7,10,889-11-0, an increase by Rs. 1,70,403-11-0 over the previous year's figure. A deduction has to be made from this difference on account of treaty payment. These, under standing orders, are calculated on the quantity of salt cleared from the source concerned not, as in the case of royalties, during the previous year but during the year for which the cost sheet is prepared. The treaty payments debited to Sambhar in the year 1927-28 were Rs. 2,75,350, and in 1928-29 Rs. 2,62,825, a decrease of Rs. 12,525. Subtracting this from the excess of Rs. 1,70,403-11-0 under royalties, the net excess for the year 1928-29 is Rs. 1,57,878-11-0.

(ii) *Interest on Capital.*—Under this head there was an increase in the year concerned of Rs. 84,268. The principal item contributing to this increase was the interest on stocks of salt held on the 1st April 1928. This was a new charge ordered in Finance Department (Central Revenues) letter R. Dis. No. 256-Salt/28, dated the 13th October 1928. The value of the stock on the 1st April 1928, was Rs. 14,04,183, and the interest thereon calculated at the sanctioned rate of 5.63 per

cent. amounted to Rs. 79,055-7-0. Under standing orders interest on capital outlay is calculated on the value of assets on the 1st April 1924, at 4½ per cent. and on subsequent outlay up to the year preceding that for which the cost sheet is prepared *plus* half of the capital outlay of the year for which the cost sheet is prepared at the sanctioned average rate of interest. Accordingly in the cost sheet for 1927-28 interest was calculated on the outlay up to the year 1926-27 *plus* half of the capital outlay for 1927-28, and in the cost sheet for 1928-29 interest was calculated on the outlay up to 1927-28 *plus* half of the outlay for 1928-29. Since the total of all capital outlay inevitably increases year by year, the total in the accounts for 1928-29 necessarily exceeded the total in the accounts for 1927-28, the actual excess being Rs. 58,898-4-11 excluding the value of the stock of salt on the 1st April 1928. Further, the sanctioned average rate of interest for 1928-29 was 5.63 per cent. as compared with 5.38 per cent. for 1927-28.

- (iii) *Net expenditure on Stores and Workshop Establishment.*—There was an increase in expenditure of Rs. 21,016-12-8. This increase is explained by a change in the sanctioned method of treating recoveries from private persons or bodies. Formerly such recoveries were treated as a deduction from expenditure, but under the rules issued by the Auditor General, communicated under Finance Department letter No. F. 22-XV-Ex. II| 27, dated the 5th November 1927, which were in force with effect from the accounts for 1928-29, such recoveries are now treated as Revenue. Thus in the accounts for 1927-28 recoveries to the extent of about Rs. 20,000 on account of the supply of electric energy to the Bombay, Baroda and Central India Railway and to the Sambhar Electric Supply Company were deducted from the expenditure, whereas in the accounts for 1928-29 an approximately similar recovery on the same account was treated as Miscellaneous Receipts.

APPENDIX XXII.

Statement showing the action already taken or proposed to be taken on the Report on the System of preparing Revised and Budget Estimates of Receipts and Charges on State Railways worked by State, by Mr. B. D. Puri.

No.	Recommendations or observations in the Report.	Reference to Report.	Financial Commissioner's remarks.
1	The Chief Commercial Managers should be held responsible for preparing estimates of earnings.	Para. 11	Proposal accepted—railway administrations will be advised accordingly.
2	Estimates for suspense heads of gross traffic receipts should be prepared by Chief Accounts Officers who are in the best position to estimate the likely outstandings.	Para. 12	Proposal accepted—railway administrations will be advised accordingly. Taking all railways together, however, it may generally be expected that the debits and credits will more or less balance, and in the absence of any special circumstances, it is probably most convenient in the consolidated budget for all railways prepared by the Railway Board to take the estimate as <i>nil</i> .
3	Estimates for goods receipts should be prepared on the basis of the anticipated ton miles to be carried of the commodities most usually transported, earnings from other commodities being assessed in a <i>lump sum</i> figure based on the trend of events.	Para. 13	Proposal accepted—railway administrations will be advised accordingly.
4	Estimates of Coaching receipts should be prepared on the basis of passenger miles and fares per passenger per mile for upper and lower classes separately—Parcels traffic being estimated according to ton miles in the same way as goods traffic. Other Coaching earnings may be estimated in a ratio to the earnings from ordinary coaching traffic to be determined with reference to previous experience.	Para. 14	Proposal accepted—railway administrations will be advised accordingly.

No.	Recommendations or observations in the Report.	Reference to Report.	Financial Commissioner's remarks.
5	The net result of transactions relating to worked lines should be adjusted on the expenditure side instead of the present practice of deducting the earnings and working expenses relating to worked lines from receipts and expenditure respectively.	Paras. 16-18, 35 & 82 & 84 (29).	This proposal is one of considerable importance, having also been made by Sir Arthur Dickinson. While I may say that I am generally in favour of the main principle, <i>viz.</i> , that the payments to worked lines should be shown separately, and that our receipts and working expenses should include all lines worked by railway administrations included in the budget, the detailed proposals will require careful consideration, in consultation with the Auditor General. In their present form they involve an alteration of the form of the Finance and Revenue Accounts and probably require the sanction of the Secretary of State. It will probably be not possible to introduce them in connection with the budget of next year.
6	Uniformity in classification of charges debitable to Working Expenses—Administration on railways is required.	Paras. 21—26.	A great deal has already been done during recent years to secure uniformity in the classification of administration charges, <i>vide</i> Mr. Puri's concluding remarks in paragraph 86. Circular instructions have issued to Railway Administrations detailing the various charges that should be classified under the prescribed headings while a watch is maintained to set right differences disclosed in the appropriation accounts and establishment rolls. But till a uniform system of organisation is adopted on all railways, differences in detail will continue between railways with the departmental system and those on which the Divisional system has been recently introduced. In the case of the latter, Railway Administrations will be asked to report the exact method followed by each in the apportionment of the charges referred to by Mr. Puri, with a view to securing uniformity of practice.

No.	Recommendations or observations in the Report.	Reference to Report.	Financial Commissioner's remarks.
7	On Railways working on a Divisional system a new abstract supplementary to the present Abstract E to be styled "Expenses of Transportation Department" should be introduced.	Paras. 27 (i), 27 (a) & 28.	The separate Abstract will be introduced, as with the separation of the Commercial and Transportation Departments, separate abstracts recording the expenditure of each has become necessary, as has already been done in the case of the Electric Service Department.
8	Contribution to the Provident Fund and payments for gratuities form part of the cost of staff and should be adjusted in the accounts under minor heads against which the pay and allowances of the staff are charged.	Paras. 27 (ii) & 27 (a).	I agree that it is important to have information regarding Provident Fund and Gratuities of staff charged under "Operation" separately—and Railway Administrations will be instructed to give it separately. There are, however, certain advantages in showing the total cost of these charges in one place, as at present, under Demand No. 4. The question whether this should be split up under Demands Nos. 4 and 5 will be considered when the Budget is being prepared.
9	Leave allowances payable in England and the cost of passages granted under the Superior Civil Service Rules, 1924, should not be adjusted in the accounts in lump sum as is the practice on some railways but should be accounted for, distributed over the Departments concerned of the railway.	Para. 27 (iii).	The procedure proposed is already being followed.
10	Expenses connected with railway schools for the training of employees should be shown under a separate sub-head.	Paras. 27 (iv) & 27 (a).	A separate sub-head for training schools will be introduced in abstract G, but I am not sure that the total expenditure is at present of such moment as to call for separate exhibition under Demand No. 4. This will be considered when the budget is being prepared when the actual figures are available.
11	Charges relating to "Publicity Expenses" should be shown under a distinct heading in the demand for grant for working expenses "Administration" instead of being, as at present, merged in "Other Expenses".	Paras. 27 (v) & 27 (a).	A separate heading will be introduced in Demand No. 4—Administration, as larger expenditure is now involved with the increasing activities and extended operations of the Publicity Department.

No.	Recommendations or observations in the Report.	Reference to Report.	Financial Commissioner's remarks.
12	The working expenses of strategic lines should be deducted in a lump sum from the total expenditure of the main line system instead of being distributed under the main headings of Working Expenses.	Paras. 29 & 49.	I do not see any advantage in this recommendation. I consider that the present method under which the expenditure on strategic lines is shown separately, under Demand No. 14, distributed under the main heads of working expenses gives more information and is not more difficult to work.
13	Suggestions for better estimation of expenditure under "General Administration".	Paras. 30—33.	The suggestions are, it is believed, more or less generally observed by Railway Administrations. Their attention will, however, be invited to them.
14	Grant required for repayments of overcharges of freight should be obtained through an independent demand.	Para. 36.	It is true that the grant for refunds has little direct connection with Operation, but the amount at present is trifling—only 15 lakhs. The question of modifying the number and ambit of the Demands in general can be considered after the Separation Convention Committee has reported and when the proposals finally accepted are being brought into force.
15	Suggestion for uniform classification of expenditure on "repairs and maintenance" and revision of the Form of Demand.	Paras. 37—40.	Estimates of 'Running repairs' and 'Workshop repairs' are even now being obtained separately. Railway administrations are being asked to give separately the credits to revenue on account of materials returned from works, which very often tend to make a comparison of expenditure with previous years difficult. I agree that machinery, tools and plant should be separated from other Miscellaneous Charges. These will be shown separately in the Demand. The sub-head "Payments on account of damages to and deficiencies in interchanged stock" will probably be given up in the demand, as under the new procedure we intend to adopt of asking railways to show all transactions under this head, instead of only when the net figure is an expenditure item, the transactions for all railways taken together should more or less cancel one another.

No.	Recommendations or observations in the Report.	Reference to Report.	Financial Commissioner's remarks.
16	Hints for preparing the estimates of expenditure on "repairs and maintenance".	Paras. 41-42.	<p>As regards paragraph 41, estimates are being received already in greater detail from Railway Administrations, prepared in modified forms which cover the suggestions, and further modifications have been introduced in the forms this year which were found to be required when dealing with the Budget Estimates of the current year.</p> <p>As regards paragraph 42, steps are being taken for the separate exhibition of the figures relating to non-wasting assets, not chargeable to the Depreciation Fund, and those of credits for returned materials. The attention of Railway Administrations will be drawn to these remarks.</p>
17	Suggestions for uniform classification of expenditure under "Operation" and revision of the form of the demand.	Paras. 43-46.	I agree that the more we split up a large head like the present head 'Miscellaneous' which is responsible for a total of over two crores the more accurate will our estimates be. I propose to obtain figures from Railway Administrations in the form suggested except that 'Electric Power' is already shown separately under 'Fuel' in Demand No. 5, and after looking at the figures shall see which items are important enough to justify being included as a separate item under the Demand.
18	Points to which attention should be paid in preparing the estimates for expenditure on "Operation".	Para. 47	The suggestions it is believed are more or less observed by Railway Administrations. Their attention will be invited to the suggestions.
19	Estimates for transactions relating to Suspense heads under Working Expenses should be prepared by Chief Auditors or Chief Accounts Officers.	Para. 48	See remarks against para. 2.

No.	Recommendations or observations in the Report.	Reference to Report.	Financial Commissioner's remarks.
20	No provision should be made either in the budget or the revised estimate, for any project which has not been advanced to a stage when it appears likely that expenditure may be incurred on them within the six months following the submission of the estimates to the Railway Board.	Paras. 53 and 57 (i).	The aim of the Railway Board in recent years has been to include in the Budget as far as possible, only works already sanctioned or practically certain to be commenced during the year. A suggestion has, however, been recently made in order to avoid the formal irregularity of starting the construction of new lines which are taken as 'New Services' before the formal appropriation of funds for the purpose by the Legislative Assembly, to have a larger number of works included in the Budget with a token figure against each. This proposal requires careful consideration.
21	<p>The amount provided in the estimates should be subdivided under the following heads :—</p> <p>(1) Preliminary expenses.</p> <p>(2) Land.</p> <p>(3) Structural Works.</p> <p>(4) Rolling Stocks.</p> <p>(5) General charges.</p> <p>(6) Suspense.</p> <p>The details of the charge to be classified under each of the above sub-heads is given in the latter portion of paragraph 57 (ii).</p>	Para. 57 (i), (ii) and (iv).	Railway Administrations will be asked to submit their estimates in this form.
22	Suggestions for improving the accuracy of estimates of expenditure on Open Line Works in England and India and Suspense transactions and for controlling such expenditure.	Paras. 59 to 74.	I understand the procedure on Railways already includes many, if not all, of the suggestions made. But the attention of all Railways will be invited to all of them.
23	A form of register of works is suggested to facilitate the calculations of amounts to be credited to the Depreciation Fund.	Para. 76	Railway Administrations' attention will be drawn to these suggestions.

No.	Recommendations or observations in the Report.	Reference to Report.	Financial Commissioner's remarks.
24	A modification is suggested in Rule 4 of the Rules governing the allocation of expenditure to capital, to the Depreciation Fund and to Revenue.	Para. 77	I agree with this suggestion. It is obvious that there will be no double payments if the contribution continues to be paid till the end of the normal life of an asset which is retired prematurely, as such contributions pay for money already withdrawn from the Fund, while the fresh contributions in respect of the replaced asset are to provide the money which will be required when the <i>latter</i> is replaced in the future.
25	The method by which expenditure should be adjusted against the Depreciation Fund is shown.	Para. 80	The principle suggested is what is now being followed. Railway Administrations' attention will be drawn to the detailed procedure suggested in the observance of the rule.
26	Suggestions for more accurate estimates of Survey expenditure.	Para. 83	I understand that these suggestions are being more or less observed by Railway Administrations. Their attention will, however, be invited to the suggestions.

APPENDIX XXIII.

Memorandum, dated the 7th July 1930, furnished by the Director General of Posts and Telegraphs, regarding measures for the reduction of working expenses and improvement of revenue of the Indian Posts and Telegraphs Department.

The Public Accounts Committee at their meeting of the 28th June 1930 asked to be furnished with a statement showing how far the financial position of the Posts and Telegraphs Department might be improved in the near future if certain measures referred to by the Director-General in his evidence before them, designed either to reduce the working expenses or to improve the revenues of the department, were carried into effect. In particular the Committee desired to have a rough estimate of the additional revenue that would be secured by the introduction of the following measures specifically alluded to by the Director-General :—

1. Development of telephone facilities particularly trunk telephony on commercial lines.
 2. Levy of a charge for the intrinsic value of embossed envelopes.
 3. Enhancement of the parcel postage rates to the limits permitted under the Finance Act.
 4. Revision of the tariff for Press telegrams.
 5. Increase in the postage rates for registered newspapers.
 6. Introduction of "Greetings" telegrams.
2. Dealing first with the increases in revenue that might be secured from the adoption of the measures specifically mentioned the following remarks are offered :—

Item 1.—As explained to the Committee in my evidence it is not possible to forecast the amount of additional revenue that is likely to accrue from the development of the activities of the Telephone branch on proper commercial lines. The recommendations of the Telephone Committee appointed by me to examine the subject will require careful consideration and whatever practicable steps are possible to improve the financial position of this branch of the department will certainly be taken without delay.

Item 2.—The additional revenue that would be secured if the public were charged for the embossed envelopes on a scale representing approximately the actual cost of manufacturing those envelopes would amount to approximately Rs. 5 lakhs per annum assuming that the present scale of consumption were not materially reduced as a result of the charge ; on the other hand if the consumption were reduced there would be a corresponding reduction in cost of manufacture

Item 3.—The enhancement of the rates of postage on parcels up to the limit permissible under the Finance Act would it is

estimated produce an additional revenue amounting approximately to Rs. 18 lakhs per annum after allowing for an appreciable reduction in the volume of traffic that might be expected to result from such enhancement of the rates.

Item 4.—It is not possible to forecast the additional revenue derivable from the enhancement of the charges for Press telegrams in the absence of certain statistical data which are not at present available in my office. The nature of the data required would depend to some extent on the nature of the enhancement of the charges proposed. In this connexion it may be explained that in addition to the low rate charged for Press telegrams ($\frac{1}{6}$ th of the rate for private telegrams) the address of a Press telegram is transmitted free and further that a multiple Press telegram addressed to different places and persons is charged for as one telegram, a small copying fee being levied for each repetition.

Item 5.—In this case too it is obviously impossible to work out any estimate without making certain arbitrary assumptions regarding the extent to which Government would be prepared to increase the existing postage rates for registered newspapers. The existing initial rate of postage for registered newspapers is $\frac{1}{4}$ anna for a weight not exceeding 8 tolas and was introduced in 1908. If the minimum postage on this class of matter were raised to $\frac{1}{2}$ anna for a weight not exceeding 20 tolas it is estimated that even making a liberal allowance for a falling off in the volume of traffic an additional revenue amounting to approximately Rs. 10 lakhs per annum might be anticipated.

Item 6.—The introduction of “Greetings” telegrams would probably not bring in any substantial increase of revenue to the department in the immediate future but should the idea catch the public fancy and traffic in this class of telegram grow to any size it might have some appreciable effect on the telegraph revenue of the department. It is estimated that a net additional revenue of approximately Rs. 20,000 would accrue from every 100,000 messages of this category despatched.

8. Possibilities of reducing working expenses in the near future arise in the following directions :—

- (1) Adjustments with other departments on account of services rendered ; and
- (2) Retrenchment and economies in general.

With regard to (1) it is anticipated that the enhancement of rentals for telegraph and telephone wires leased to Railways and the settlement of certain other outstanding questions involving minor adjustments with various departments to which special services are rendered by the Posts and Telegraphs Department are likely to result in an additional net recovery of approximately Rs. 10 lakhs per annum. It is not possible to say how far the finances of the department may secure relief from the final settlement of the question relating to the pensionary liability of the

department or to the amount credited to Civil Departments as their share of the sale proceeds of unified stamps. The indications at present are that no appreciable reduction in the amount of pensionary liability can be counted upon. Whether any reduction in the amount of the contribution on account of unified stamps is permissible must await the completion of the calculations now in progress.

4. With regard to 'Retrenchment and economies in general' I would point out that the working of the Posts and Telegraphs Department has been subject to a very close scrutiny during recent years. Two important committees surveyed the whole field of the activities of the department and recommended reductions in expenditure wherever such were found possible. The first of these was Lord Inchcape's Committee and the second a Committee appointed by the Government of India in 1924. In addition to the action taken on the recommendations of these Committees various measures designed to secure economy have been introduced during the last few years. Amongst these may be instanced the creation of a lower division of clerks by promotion from the lower subordinate ranks of the department, to take the place on the ordinary time-scale clerks for the performance of the more routine classes of duties in post offices, etc. The amount of the saving likely to result from this measure cannot readily be estimated as I have not yet sufficient data on which to work. Substantial economies have also been effected in the staff of my own office as a result of re-organisation and these will eventually amount to approximately Rs. 1 lakh per annum. Every endeavour is being made to foster a spirit of economy amongst all classes of employees in the department and suggestions for further reductions in expenditure consistent with the maintenance of efficiency have been invited from all Heads of Circles. In addition the budget grants for certain items of fluctuating charges such as contingencies and travelling allowances have been arbitrarily reduced with a view to forcing spending officers to cut down expenses under these heads. It is probable too that the amount charged to working expenses on account of the writing down and disposal of surplus stores will be less than heretofore with the exhaustion of surplus stocks though such losses can never be altogether eliminated in a large store-using department like this. It would not be unreasonable to expect a reduction of Rs. 2 lakhs per annum in working expenses in future under this head.

5. I may add that in preparing the forecast of the future financial results of the department submitted to the Committee at their meeting on the 26th June 1930, the Financial Adviser, Posts and Telegraphs, made due allowance for the probable effects of the developments and measures referred to in paragraphs 3 and 4 of this note.

APPENDIX XXIV.

Memorandum dated the 9th July 1930, furnished by the Director General of Posts and Telegraphs, regarding the regulation of expenditure on residential and other buildings.

At their meeting on the 28th June 1930 the Public Accounts Committee asked to be furnished with a note indicating the practice now followed in the Indian Posts and Telegraphs Department in the matter of regulating expenditure on residential and other buildings and what changes, if any, in that practice are in contemplation having regard to the charges of extravagance in respect of this class of expenditure that had been levelled against the Department.

2. Proposals for construction of buildings required for residential or office accommodation in the Department are usually received from Heads of Circles and after examination in the Directorate are referred to the Consulting Engineer to the Government of India for technical scrutiny. Should the proposals appear to involve unnecessary expenditure or to be defective in technical or any other respect the officers submitting them are called upon to modify them.

3. As regards residential accommodation it may be mentioned that prior to the year 1928 no definite scales of accommodation had been laid down for officials of the Postal Branch of the Department although such scales had been fixed many years previously for officers of the Telegraph Branch. In that year scales of accommodation for various classes of officials of the Postal Branch were sanctioned by the Government of India with due regard to the scales of accommodation allowed by local Governments to their own officers of similar status and also to the scales in force for officials of the Telegraph Branch of the Department. A copy of the orders issued in this connexion is attached (Annexure).

4. Standards of accommodation for post offices and administrative offices based on the strength of the staff employed and probable expansion in the near future have been in existence for a considerable time in the department. Model plans for the smaller post offices have also been prescribed and these are adhered to as far as possible.

5. The building projects as finally approved by the Director-General are referred to the Government of India for administrative sanction and thereafter are laid before the Standing Finance Committee at the sittings of that Committee in connexion with the budget estimates for the year in which it is proposed to include provision for the projects.

6. With a view to exercising a closer check over the costs of buildings of this nature it has been decided that in future, officers submitting proposals for the construction of residential buildings in this department will be required to obtain from the local Government concerned and to furnish with their proposals, information regarding the actual cost of residences constructed by them for their own officers of similar status. It is hoped that as a result of this precaution cases of the nature to which attention was drawn by the Accountant

General, Posts and Telegraphs in paragraph 48 of his Report on the Appropriation Accounts of the Posts and Telegraphs Department for 1928-29 will no longer be possible.

7. During the course of my examination before the Committee on this subject I was asked to consider the suggestion that model buildings and fixed costs of construction might be prescribed in this connexion. As regards the prescription of model buildings I am afraid that owing to the variations in climate and other local conditions throughout India and Burma it is quite impracticable to lay down a model plan of building for general adoption. As a general rule the practice of the local Government is followed in this respect.

8. The question of fixing monetary limits to the outlay on residential buildings was examined by the Government of India in 1928 but in view of the fact that such outlay would be subject to very considerable variations in different localities and at different times and also because it was thought that the fixation of a maximum limit of expenditure in these cases would probably result in that limit being invariably worked up to, it was considered both impracticable and inadvisable to fix such limits.

ANNEXURE TO APPENDIX XXIV.

LETTER FROM THE DIRECTOR GENERAL OF POSTS AND TELEGRAPHS TO ALL HEADS OF POSTAL CIRCLES, No. 176-BII/26/MISC., DATED NEW DELHI, THE 26TH SEPTEMBER 1928, REGARDING THE SCALE OF RESIDENTIAL ACCOMMODATION FOR P. O. OFFICERS AND STAFF.

With reference to the correspondence ending with your reply to this office letter No. 176-BII/26, dated the 14th December 1926, I am directed to say that a standard scale of residential accommodation for postal officers and staff has now been fixed by the Government and the following standards should be adopted by this Department when residential accommodation is provided for the different classes of postal officials:—

For Superintendent and 1st class postmasters.

1 room measuring	15' × 18' = 270 sq. ft.
2 rooms each measuring	15' × 15' = 450 sq. ft.
1 room measuring	15' × 12' = 180 sq. ft.

With 3 bathrooms, 1 pantry, 1 store room, 1 kitchen, 1 garage or stable and verandahs suitable sizes, 2 units of servants' quarters measuring 12' × 10' = 120 sq. ft. each and one common latrine 5' × 5'.

For Selection Grade Staff.

3 rooms each measuring	220 sq. ft.
1 kitchen measuring	10' × 8' = 80 sq. ft.
1 bathroom	8' × 8' = 64 sq. ft.
1 latrine measuring	8' × 8' = 64 sq. ft.
1 storeroom measuring	8' × 8' = 64 sq. ft.

With suitable verandahs 5' wide on two sides and a courtyard where possible and 1 servant's quarters 12' × 10' and a latrine 5' × 5'.

For ordinary time-scale staff.

2 rooms each measuring 220 sq. ft. or 3 rooms covering the same area	= 440 sq. ft.
1 kitchen measuring	10' × 8' = 80 sq. ft.
1 bathroom measuring	8' × 8' = 64 sq. ft.
1 store room measuring	8' × 8' = 64 sq. ft.
1 latrine measuring	8' × 8' = 64 sq. ft.

With a verandah 5' wide and a courtyard where possible and 1 servant's quarters 10' × 10' with a latrine 5' × 5'.

For lower grade staff including postmen.

1 room measuring	12' × 12'
with a verandah	4' wide = 144 sq. ft.
1 small cookshed	8' × 5' = 40 sq. ft.
1 latrine	5' × 5' = 25 sq. ft.

and a courtyard wherever possible with 'pukka' bathing platform 5' × 5' properly drained.

At places where there are several quarters for the lower grade staff there should be common latrines, separate units situated at a reasonable distance apart being provided for males and females calculated at one seat for every six adults housed. When consideration of space forbids separate units of quarters it will be desirable to have properly screened bathing places at separate points for men and women with water taps, etc., where a piped water supply is available.

2. The above specifications indicate only the general outline of the accommodation which should be provided. Minor departures may be made according to the area and dimensions of available sites within the discretion of the head of the Circle provided the plinth area in any particular classification is not exceeded.

APPENDIX XXV.

Statements showing estimates and actuals relating to Railways.

(i) Transactions for 1928-29.

(In thousands of rupees.)

	Original Estimate or Grant.	Revised Estimate or Final Grant.	Actual Receipts or Expenditure.	Excess + or Deficit — over Revised Estimate or Grant.	Percentage of Excess or Deficit to Revised Estimate or Final Grant.
Gross Receipts	1,03,25,00	1,05,75,00	1,04,33,74	—1,41,26	..
Working expenses (Voted):					
Administration	12,62,00	13,33,00	13,45,04	+12,04	.90
Repair and Maintenance	16,83,70	17,08,92	17,56,89	+47,97	2.22
Operation excluding Fuel	16,61,30	17,15,48	17,32,69	+17,21	1.00
Fuel	7,83,00	8,24,25	8,43,08	+18,83	2.28
Miscellaneous	—3,04,50	—3,03,65	—3,81,79	—78,14	25.73
Total	50,85,50	52,78,00	52,95,91	17,91	.34
Working Expenses (Non-voted)	45,00	43,35	41,50	—1,85	4.27
Grand Total—Working Expenses	51,30,50	53,21,35	53,37,41	16,06	.30

(ii) Transactions for 1926-27 to 1930-31.

(In thousands of rupees.)

	1926-27.	1927-28.	1928-29.	Revised Estimates, 1929-30.	Budget Estimates, 1930-31.
Gross Receipts	99,03,98	1,04,23,72	1,04,33,74	1,04,50,00	1,07,75,00
Net gain	7,49,66	10,84,91	7,80,94	5,25,56	6,07,52
Total payments to General revenues. (Based, each year, on the actuals of the second preceding year)	6,01,13	6,27,83	5,23,20	6,11,86	5,73,57
Appropriation to Reserve Fund	1,48,53	4,57,08	2,57,74	—86,30	33,95

(iii) Closing balances of the Railway Depreciation and Reserve Funds for 1926-27 to 1930-31.

(In thousands of rupees.)

	1926-27.	1927-28.	1928-29.	Revised Estimates, 1929-30.	Budget Estimates, 1930-31.
Railway Depreciation Fund.	8,58,40	9,00,88	11,40,97	12,50,97	17,25,97
Railway Reserve Fund (including investment)	11,27,62	15,84,70	18,42,43	17,56,13	17,90,08

(iv) Analysis of net payments from Railway revenues to General revenues for 1924-25 to 1930-31.

(In lakhs of rupees.)

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	Revised Estimates, 1929-30.	Budget Estimates, 1930-31.
Fixed contribution at 1 per cent. of capital at charge—commercial lines	540	540	581	601	630	662	694
Total contribution to General Revenues	799	670	760	774	687	781	746
Deduct loss on strategic lines borne by General Revenues	121	121	159	146	164	169	172
Net payment to General revenues	678	549	601	628	523	612	574
Transfer to (+) or from (—) the Railway Reserve Fund	+638	+379	+149	+457	+258	—86	+34
Net transfer to (+) or from (—) the Railway Depreciation Fund	+306	+266	+284	+42	+240	+110	+478

APPENDIX XXVI.

S tatement furnished by the Chief Controller of Stores, Indian Stores Department showing the numbers of orders of different denominations placed by the Department during the years 1927-28, 28-29 and 29-30.

Value of orders.	1927-28. Numbers.	1928-29. Numbers.	1929-30. Numbers.
(a) Less than Rs. 25	2,774	3,121	3,203
(b) From Rs. 25 to 49	2,681	2,865	3,146
(c) From Rs. 50 to Rs. 99	3,291	3,810	4,267
(d) From Rs. 100 to Rs. 249	4,153	4,272	4,639
(e) Rs. 250 and above	8,022	7,205	8,416
Total	20,921	21,273	23,671

Note 1.—These figures exclude requisitions placed against rate and running contracts by indenting officers direct by special arrangements.

Note 2.—The figures are based on actual records of the Headquarters office and the Bombay and Karachi Purchase Circles, and on an estimated distribution of the orders placed by the Calcutta Purchase Circle, the actual figures for which have not been received up to date.

Cost of purchase and inspection.

It is not possible to indicate the departmental cost for purchase and inspection of orders of different denominations as classified by Mr. Das, but the cost of these operations per Rs. 100 worth of stores dealt with is given below :—

	Purchase.	Inspection.
	Rs.	Rs.
1927-28	2.1	1.2
1928-29	2.2	1.6
1929-30	1.8	1.2

APPENDIX XXVII.

Note, dated the 18th July 1930, furnished by the Chief Controller of Stores, Indian Stores Department, regarding the loss to the Railway Department due to the irregular passing of material by the former Department, referred to in paragraph 185 on page 85 of the Director of Railway Audit's Report on the Railway Appropriation Accounts for the year 1928-29.

It is understood from the Railway Department that the case refers to the supply of three spans of 80 ft. girders for Leh Bridge ordered from Messrs. Burn and Company, Howrah, by the North Western Railway in 1922. The material was inspected by the Calcutta Inspection Circle of the Indian Stores Department, but its files for the period in question have been destroyed. The North Western Railway were asked to furnish copies of any correspondence on the subject which had passed between them and this Department in connection with the irregular passing of the material, more particularly the name of the officer responsible for the faulty inspection and a copy of his explanation if available. The Agent of the Railway has intimated that correspondence with this Department on the subject was conducted by demi-official communications, copies of which are not available.

2. The undersigned personally has no recollection of the case having been brought to his notice and regrets that in the circumstances it is not possible to furnish any further information on the subject at this distant date.

APPENDIX XXVIII.

Note furnished by the Financial Commissioner of Railways on the question of the items to be included in the overhead charges for collieries, workshops, general stores, etc.

In their meeting of the 30th June 1930, the Public Accounts Committee desired to have a note showing the exact position, at present, in which the consideration of the question of the items to be included in the overhead charges for collieries, workshops, general stores, etc., stands. The points which have arisen for consideration are :—

- (1) Whether the charges for the headquarters supervisory and administrative staff should be included as overhead charges, forming part of the cost of the jobs undertaken in workshops ;
- (2) Whether such charges should be taken into account for fixing the issue price of stores and of coal raised in railway collieries ;
- (3) Whether the issue price of stores should include a charge for other administration and clerical expenses, as recommended by Sir Arthur Dickinson ; and
- (4) Whether the issue price of coal raised from railway collieries, and stores, and the cost of the jobs undertaken in railway workshops should include a charge for interest on the fixed as well as floating capital invested in these concerns.

2. The first three questions have been settled, but the last turns out to be a most thorny and controversial one, on which accounts authorities differ considerably. Sir Arthur Dickinson has, in his report, strongly opposed the inclusion of interest in overhead charges of workshops. This view he holds apparently on the ground that interest on capital is of the nature of an appropriation from profit and not of a charge against profit. With this view, it is understood, the present Director of Railway Audit agrees, and also the practice in force in the workshops of the Telegraph Department, whose accounts, it may be mentioned, are also, like railway accounts, maintained on a commercial system. The Railway Board are, however, inclined to think that without the inclusion of the element of interest in the cost no useful comparison can be made between the actual cost per unit of a particular article on one railway and the cost per unit of the same article on another, and again between the railway cost and the prevailing market rate. But it can again be contended that, for such a comparison, it is not essential that the interest should be included in the main working expenses of the concern, and that some suitable addition to represent interest can easily be made to the actual cost, whenever such comparisons are desired. The question is thus a difficult one to settle and must take some time. But the Board expect to be able to settle it before long in consultation with the Director of Railway Audit, and, if necessary, with the Director of Commercial Audit and the Auditor General.

APPENDIX XXIX.

Note furnished by the Financial Commissioner of Railways on the working of the piece-work and bonus system on the North Western Railway.

This note is submitted in response to the desire expressed by the Public Accounts Committee in their meeting of 30th June 1930, to have fuller information regarding the working of the piece work and bonus system, introduced on the North Western Railway.

2. The State Railway Workshops Committee, which visited the shops in 1926, commented adversely on the bonus system, which was in vogue on the North Western Railway and recommended its immediate replacement by a more scientific system based on accurate timings of individual operations carefully carried out by a skilled rate-fixer with considerable experience. As soon as fair progress had been made in the direction of introducing modern methods of planning, progressing and scheduling, attention was given to the investigation of the shortcomings of the bonus system and it was decided to introduce the piece work system detailed in paragraph 419 of the Railway Workshops Committee's Report. Under this system the men are required to do a certain amount of work for their daily pay which is guaranteed. Any work done in excess of this amount entitles the men to a profit (bonus). In cases where a man fails to perform the work within the required time, a proportionate deduction is made from any profits which may have been earned by him in the same month, and the man is paid the difference. The method by which the amount of work to be done daily by a man in order to earn his daily pay is fixed, is based on English practice. To the basic time is added 33 per cent. and if a man does the work in this time but no quicker, he gets no profit, and before a man becomes entitled to any profit, he must reasonably exert himself, with ultimate saving to the Railway.

3. The beginning was made in November 1927, and it took 10 months to bring the men to a state of efficiency that enabled them to earn the profits. At the commencement there was a loss to the men but at the end of a period of 16 months a gain of over 20 per cent was shown—a decrease in the output time of 61·04 per cent for which the men received 20·34 per cent extra wages only. A report recently received from the North Western Railway shows that the labour charges have been considerably reduced on the North Western Railway in comparison with the amount of work done. On broad lines, the work done by the railway as regards the maintenance of power is the number of engine miles run. The cost of doing this work is the total labour charges in all Locomotive, Mechanical and Transportation Workshops and includes all ordinary time, overtime bonus and piece work profits. The Labour charges have been decreased from 71 lacs in 1926-27 to 66 lacs in 1929-30 and the engine miles run have increased from 30 millions to 35 millions during the same period. The labour cost per engine mile has, therefore, been reduced from 3·79 annas per engine mile in 1926-27 to 3·01 annas per engine mile in 1929-30. This alone shows a saving in labour cost of ·78 annas per engine mile on the additional five million engine miles run, or a saving of Rs. 2,44,000 per annum. Still greater saving will be found to have been effected if the engine miles are converted into equated engine miles, which takes into account

the larger and heavier engines now employed. The saving arrived at by this method works out to Rs. 4,15,000 per annum. The whole of the saving is not entirely attributable to the introduction of the piece work system. The re-organisation of the workshops, the concentration of work at Moghulpura and Sukkur, and the introduction of better methods of work of which the piece work system forms only a part, are other important contributory factors.

APPENDIX XXX.

Note furnished by the Financial Commissioner of Railways, containing an analysis of certain variations between the actuals and estimates for 1928-29.

At the meeting of the Public Accounts Committee on the 30th June 1930, I undertook to have an analysis made of the figures under the head "Miscellaneous" in the statement given under paragraph 9 (e) (i) of the Auditor General's letter and to explain the reasons for the increase in General Administration charges in 1928-29 over those of 1927-28. I have since examined the position and give the result below.

2. A reference to page 63 of the Appropriation Accounts of 1928-29 will show that what the Auditor General characterises as "Miscellaneous" is comprised of the following heads, viz. :—

Refunds of Revenue:

Suspense.

Worked Lines.

The reasons for the savings under these heads will be found fully explained at pages 86—89 of the Appropriation Accounts for 1928-29. Briefly, erroneous provision by the East Indian Railway for remissions of earnings not collected (see also paragraph 69 of the Report) and an over-estimate of Refunds of Revenue on the B. B. & C. I. and North Western Railways accounted for a saving of about 11 lakhs under refunds.

The saving in "Suspense" is mostly due to what is called "Demands payable" the operation of which will be found explained in the glossary of technical terms appended to the Appropriation Accounts.

The saving under "Worked Lines" is due to a larger share of working expenses being realised from the branch lines worked by us, owing to an increase in their earnings; while it was expected to realise about 330 lakhs, the actual realisation was over 363 lakhs giving about 34 lakhs more than was anticipated. The increase was marked on the North Western Railway and the B. B. & C. I. Railway. Partly, the extensions on the South Indian Railway in respect of which separate accounts were necessary during their construction and till they were finally opened for traffic, accounted for an increase of 6·24 lakhs in the share of working expenses recoverable from them, for which provision was not made in the original budget.

3. Coming to the increase of 76 lakhs in General Administration charges, I append a statement (Annexure) showing the charges incurred in 1927-28 and 1928-29. This gives the figures of commercial and strategic lines including non-voted expenditure. It is to be noted that a part of the increase is borne by the branch lines worked by us. I have already stated that to the extent of about 35 lakhs, the increase was due to the extra gratuities given to the staff brought under reduction on the South Indian and B. B. & C. I. Railways, owing to the transfer of their workshops. Normal increases in establishment charges due to increments to staff, etc., and the opening of 1,025 miles of new railways accounted for another 22 lakhs. For the rest about 19 lakhs, there were special

causes, which are explained below, and it will be found on analysis that they are mostly such as are not susceptible of accurate estimation.

(Figures are in thousands of rupees.)

Bombay, Baroda and Central India Railway.—Early return of Agent from leave (35) and increase in Electric Service Department (47).

Burma Railways.—Other expenses—publicity, etc. (151).

Eastern Bengal Railway.—Heavier debits raised by the Clearing Accounts Office (107) and larger payments of compensation claims, contributions, publicity expenses, etc. (184), also heavier payments of leave allowances paid in England.

East Indian Railway.—Other expenses (law charges, publicity expenses, strike bonus, rents, etc.) accounted for an increase of 743. Reorganisation of the Stores Department resulted in an increase of 164.

Great Indian Peninsula Railway.—Heavier payments for publicity, rents and taxes and legal expenses (99), increased expenditure on Audit and Accounts due partly to larger debits from Clearing Accounts Office (104).

North Western Railway.—Reorganisation of Medical Department. Write-back as a charge against strategic lines of the expenditure on the Mirjawa-Duzdap Section which was originally debited to His Majesty's Government (90).

South Indian Railway.—Increased rates and taxes and law charges (67), formation of a Central Hospital at Golden Rock, increase in Agency Department (34).

ANNEXURE TO APPENDIX XXX.

Administration Charges.

(Figures in thousands of Rs.)

Railways.	1927-28.	1928-29.	Difference More +, Less —
Assam Bengal	31,31	32,36	+ 1,05
Bengal Nagpur	1,26,53	1,25,18	—1,35
Bengal & North Western	31,91	32,42	+ 51
Bombay, Baroda & Central India	1,57,37	1,66,72	+ 9,35
Burma	65,99	70,76	+ 4,77
Eastern Bengal	1,01,07	1,08,56	+ 7,49
East Indian	2,47,80	2,57,68	+ 9,88
Great Indian Peninsula	1,79,12	1,84,21	+ 5,09
Jodhpur	3,66	3,74	+ 8
Madras and Southern Mahratta	93,61	95,20	+ 1,59
North Western (Commercial)	1,97,22	2,00,60	+ 3,38
North Western (Strategic)	32,50	34,05	+ 1,55
Rohilkund & Kumaon	8,51	8,35	—16
South Indian	67,25	99,53	+ 32,28
Aden (Strategic)	32	44	+ 12
Aden (Commercial)	9	12	+ 3
Total	13,44,26	*14,19,92	+ 75,66
*Commercial Lines—			
Voted	12,69,93	*13,45,04	+ 75,11
Non-voted	41,51	40,39	—1,12
Strategic Lines (Voted and Non-voted)	32,82	34,49	+ 1,67
Total	13,44,26	14,19,92	+ 75,66

APPENDIX XXXI.

Note furnished by the Financial Commissioner of Railways, setting forth the position as regards the disposal of the recommendations in the Report of Sir Arthur Dickinson.

The position as regards the disposal of the recommendations in the report of Sir Arthur Dickinson under the various heads referred to in paragraph 45 (c) of the report on the Appropriation Accounts of Railways in India for the year 1928-29 by the Director of Railway Audit, is summarised in the table below :—

Subject to which the recommendation relates.	Progress made in the consideration of the recommendation.
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|--|--|
| (1) Remodelling of expenditure abstracts. | The recommendations on this subject are being taken into account in the preparation of the Railway Account Code. |
| (2) Capital and Income accounts including balance sheet. | Considerable progress has been made in the revision of the forms of Capital and Income Accounts to avoid the duplication commented upon by Sir Arthur Dickinson and also to meet his general comments. It is expected that the conclusions reached in the matter will shortly be put in the form of a draft memorandum for the Standing Finance Committee which will be sent to the Director of Railway Audit for his comments before submission to the Committee. As regards the form of balance sheet the matter is still under consideration. |
| (3) Statistics | A draft memorandum for the Standing Finance Committee dealing with the recommendations of Sir Arthur Dickinson relating to statistics, has been prepared by the Controller of Railway Accounts and is at present under the consideration of the Railway Board. |

Subject to which the recommendation relates. Progress made in the consideration of the recommendation.

- (4) Depreciation The recommendation of Sir Arthur Dickinson relating to Depreciation will, if accepted, involve considerable increase in the charge to the revenue account of Railways and a corresponding decrease or increase in the annual gain or loss from railways, affecting to a large extent the contribution which railways are required to make to General revenues under the present convention. The subject has, therefore, to be considered in conjunction with the review of the convention, which is based on the existing rules of allocation.
- (5) Railway Budget .. The consideration of a general revision of the form of the railway Budget has been deferred till a decision is reached as regards the changes which may be made in the terms of the existing convention governing the separation of railway from general finances.
- (6) Mechanised Accounting .. This subject has already been dealt with in the memorandum recently placed before the Standing Finance Committee on the general principles to be observed in the system of accounting, on organisation for the accounting and statistical department and for the Government Audit and on mechanised accounting. (The consideration of this memorandum has been postponed by the Standing Finance Committee). The extension of the methods of mechanised accounting is, however, at present under experiment by Mr. W. H. Scott.