

1. REPORT OF THE PAC ON THE ACCOUNTS OF THE FEDERAL GOVERNMENT FOR THE YEAR, 1947-48.

Preliminary Remarks.—We were called to meet in Karachi on Friday the 5th September, 1952 for examining the Appropriation Accounts for 1947-48 and 1948-49. We met continuously for a fortnight during the course of which we examined the accounts of both the years, and adjourned on 19th September, 1952. We again met on the 25th and 26th November, 1952 to finalise the Reports. In all 14 sittings were held.

2. The present Report is confined to our findings and recommendations regarding the Appropriation Accounts for 1947-48 and the Audit Report thereon. We append extracts from the minutes of our proceedings dealing with our examination of accounts for the year 1947-48 which we desire to be regarded as part of our Report. In scrutinising the Appropriation Accounts and the Auditor-General's Reports thereon we have kept in view the instructions contained in Rule 52 of the Constituent Assembly (Legislature) Rules of Procedure as reproduced below :—

" 52. *Control of Committee on Public Accounts.*—(1) In scrutinising the Appropriation Accounts of the Government of Pakistan and report of the Auditor-General thereon, it shall be the duty of the Public Accounts Committee to satisfy itself.—

- (a) that the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged ;
- (b) that the expenditure conforms to the authority which governs it ; and
- (c) that every re-appropriation has been made in accordance with such rules as may be prescribed by the Finance Ministry.

(2) It shall also be the duty of the Public Accounts Committee :—

- (a) to examine such trading, manufacturing and profit and loss accounts and balance sheets as the Governor-General may have required to be prepared, and the Auditor-General's report thereon ; and
- (b) to consider the report of the Auditor-General in cases where the Governor-General may have required him to conduct an audit of any receipts or to examine the accounts of stores and stock. "

3. In the course of our examination of the Appropriation Accounts we were throughout assisted by the Auditor-General and his officers. The departmental representatives were also called in to explain matters pertaining to the grants for which they were responsible. Whereas the evidence given by some of the departmental representatives helped us to form our conclusions we regret to note that in a number of cases the departmental representatives were not fully prepared to answer the queries arising out of the Appropriation Accounts and the Audit Reports. Some of them evinced complete lack of procedural and factual knowledge. In certain cases the Secretaries of the Ministries concerned did not attend the meetings for one reason or the other. We had a general feeling that some of the Ministries did not attach the same importance to the deliberations of the Committee as should have been done by virtue of its being a Committee of the Legislature. We recommend that in future the departments should as far as possible be represented by Secretaries|Joint Secretaries in administrative charge of the Ministries concerned, and that they should come to the meetings fully briefed with details of their cases.

4. **Difficulties in the preparation of Budget Estimates.**—Before proceeding to examine the financial results of the year we would like to mention in brief the special circumstances under which the Budget Estimates for the year 1947-48 were prepared. The period under review covers $7\frac{1}{2}$ months *i.e.*, from 15th August, 1947 to 31st March, 1948. This was the first Budget of the Government of Pakistan and the estimates were voted towards the close of the financial year to which they related. This in itself is a peculiarity but there was no other alternative in the circumstances to which we have just referred. The position was regularised by proviso to sub-section 3 of section 35 of the Government of India Act (1935) as adapted in Pakistan. The abnormal circumstances brought about by widespread disturbances that followed immediately in the wake of Partition and the complete absence of any supporting data are the two main factors which are to be kept in view in examining the Budget Estimates and Appropriation Accounts of the year under review. Added to this was the general paucity of staff conversant with budgetary and financial matters which greatly augmented the difficulties of the estimating authorities in observing proper procedure and thereby arriving at correct estimates.

5. **Difficulties in the preparation of Accounts.**—We would also at this stage like to mention the delay that has occurred in compiling the Appropriation Accounts of the year and calling a meeting of the Committee to examine them. We are conscious of the extraordinary difficulties facing the Audit in the immediate post-partition period and in order to make the point clear we would like to reproduce an extract from paragraph 2 Chapter I of the Audit Report on the Appropriation Accounts (Civil) for 1947-48.

" 2. The accounts for the period from 15th August, 1947 to 31st March, 1948 have been prepared under very difficult conditions. The main difficulties that the Pakistan Audit Department had to face on the partition of the Indo-Pakistan sub-continent may be summarised as under :—

- (i) Lack of trained staff.
- (ii) Delay in the submission and incomplete and incorrect preparation of accounts by the disbursing officers, e.g., treasuries.
- (iii) Difficulty in getting adequate and suitable office accommodation.
- (iv) Lack of reference books, accounting machines, forms, registers and furniture.
- (v) Discontentment amongst the staff on account of pay-scales and residential accommodation.
- (vi) Confused state and arrears in which many accounts were left by the pre-partition staff.

Accounts is a technical and highly specialised branch of Government service. The intricacies of the Government system of accounts are learnt after years of practical application of the principles and orders contained in Codes and Manuals. While "audit" of expenditure offers a reasonable scope for the application of common sense, the compilation of accounts requires detailed knowledge of the instructions laid down for Government book-keeping and the strict application of that knowledge without any latitude. In the undivided India Muslims formed an insignificant proportion of the staff employed in the Accounts Offices, and such Muslim staff as came over to Pakistan after partition had largely been recruited during the war year. Consequently, after partition the work in the Accounts Offices heavily suffered on account of paucity of trained and experienced gazetted and non-gazetted staff. The other factors enumerated above further worsened the situation."

We have been informed that steps have been taken to train the required staff and improve their conditions of service so as to introduce an element of contentment. We are, however, not satisfied with the progress made so far in the procurement of office accommodation and would recommend that Government should give greater attention to get over this difficulty especially as it is considerably hampering the orderly discharge of work.

6. **Conclusion.**—In conclusion we wish to record our general feeling that it should have been possible for the Auditor-General to present the accounts and for the Government to call a meeting of the Public Accounts Committee considerably earlier than has been the case. We were assured by the Auditor-General that the work regarding the preparation of appropriation accounts is being brought up-to-date. We are therefore, hopeful that it would be possible to call regular meetings of the Public Accounts Committee in future.

We would now proceed to examine the Appropriation Accounts for the year under review.

7. **Overall position.**—The following table indicates the overall result of the appropriation audit of the year 1947-48 :—

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure
<i>Voted—</i>			
Expenditure met from Revenue :			
Civil	8,15	8,15	6,68
Defence	34,24	34,24	15,38
Railways	17,35	17,35	13,59
Posts and Telegraphs	2,36	2,36	2,08
Total ..	62,10	62,10	37,73
Expenditure met from Capital :			
Civil	3,10	3,10	3,82
Defence	1,40	1,40	3
Railways	73	73	—89
Posts & Telegraphs	16	16	12
Total ..	5,39	5,39	3,08
Disbursements of Loans & Advances	9,76	9,76	71
Total Voted ..	77,25	77,25	41,52
<i>Non-Voted :</i>			
Expenditure met from Revenue :			
Civil	1,67	1,66	1,57
Railways	2,35	2,35	2,33
Posts & Telegraphs	8	8	9
Total ..	4,10	4,09	3,99

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure
Disbursements of Loans & Advance	8,57
Total— <i>Non-Voted</i>	4,10	4,09	12,56
Total Expenditure met from Revenue	66,20	66,19	41,72
Total Expenditure met from Capital	5,39	5,39	3,08
Total Disbursements of Loans and Advances	9,76	9,76	9,28
GRAND TOTAL	81,35	81,34	54,08

The overall saving in the final grant amounted to Rs. 27.26 crores or 33.51 per cent of the final grant. If, however, the surrenders amounting to Rs. 2,38 lakhs, made during the year, are taken into account the saving works out to 31.51 per cent of the unsurrendered grant.

8. The following table gives the analysis of savings by Departments :—

(a) Without making allowance for the amounts surrendered.

	Grant	Expenditure	Savings	% of savings
Civil	22,67	21,35	1,32	5.82
Defence	35,64	15,41	20,23	56.76
Railways	20,43	15,03	5,40	26.43
Posts & Telegraphs	2,60	2,29	31	11.92
Total	81,34	54,08	27,26	33.51

(b) After making allowance for the amounts surrendered.

	Grant	Expenditure	Savings	% of Savings
Civil	21,34	21,35	(—)1*	(—)05*
Defence	35,64	15,41	20,23	56.76
Railways	19,38	15,03	4,35	22,44
Posts & Telegraphs	2,60	2,29	31	11.92
Total	78,96	54,08	24,88	31,51

* (—) Saving Indicates excess.

9. The following table further analyses the savings/excesses separately under Revenue, Capital and Loan expenditure by various Departments :

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expendi- ture	Saving(-) Excess(+)	Percentage
CIVIL					
Expenditure met from Revenue :					
Voted	8,15	8,15	6,68	(-)-147	18
Non-Voted	1,67	1,66	1,57	(-)-9	5.4
Total	9,82	9,81	8,25	(-)-1,56	15.9
Expenditure met from Capital :					
Voted	3,10	3,10	3,82	(+)-72	23.2
Disbursement of loans and advances :					
Voted	9,76	9,76	71	(-)-905	92.7
Non-Voted	8,57	(+)-857	100
Total	9,76	9,76	9,28	(-)-48	4.91
Grand Total	22,68	22,67	21,35	(-)-1,32	5.82
DEFENCE					
Expenditure met from Revenue :					
Voted	34,24	34,24	15,23	(-)-18,86	55.08
Expenditure met from Capital :					
Voted	1,40	1,40	3	(-)-1,37	97.85
Grand Total	35,64	35,64	15,41	(-)-20,23	56.76
RAILWAYS					
Expenditure met from Revenue :					
Voted	17,35	17,35	13,59	(-)-376	21.6
Non-Voted	2,35	2,35	2,33	(-)-2	(-).8
Total	19,70	19,70	15,92	(-)-3,78	19.18
Expenditure met from Capital :					
Voted	73	73	(-)-89	(+)-1,62	221.91
Grand Total	20,43	20,43	15,03	(-)-5,40	26.43
POSTS AND TELEGRAPHS					
Expenditure met from Revenue :					
Voted	2,36	2,36	2,08	(-)-28	11.8
Non-Voted	8	8	9	(+)	12.5
Total	2,44	2,44	2,17	(-)-27	11.5

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Savings(-) Excess(+)	Percentage
Expenditure met from Capital :					
Voted	16	16	12	(-) ⁴	.25
Grand Total ..	2,60	2,60	2,29	(-) 31	11.92

General Remarks

10. The overall savings work out to 33.51 per cent of the final grant (or 31.51 per cent of the unsurrendered amount). While we shall revert to the savings under the various accounts (Civil, Defence, Railways and P. & T.) in the course of our examination of the particular account, we have generally to remark that the savings are abnormally high which lead to the conclusion that full use has not been made of the amounts voted by the Legislature. At the same time we may point out that the circumstances leading to these savings were equally abnormal. The governmental set up was in a fluid state during the period under review and it was difficult if not impossible to gauge with any degree of accuracy the estimated expenditure of the year. Besides as the original estimates were voted towards the close of the year, there was no opportunity of surrendering the unwanted funds. The statement in the Annexure gives the particulars of all voted grants, non-voted appropriations for the year 1947-48, the expenditure incurred against them, and the variations between the two. In certain cases the actual expenditure had exceeded the voted amount or non-voted appropriation as indicated in the statement below :—

PART I

Statement showing the Excesses over the Voted Grants

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess requiring the vote of the Legislature
1	2	3	4	5
1. 9.—Cabinet		2,33,000	2,48,960	15,960
2. 17.—Ministry of Defence		3,15,000	3,26,290	11,290
3. 18.—Ministry of Refugees		1,50,000	1,64,566	14,566
4. 21.—Administration of Justice		6,000	11,258	5,258
5. 22.—Police		3,43,000	4,60,787	1,17,787

1	2	3	4	5
6. 25.—Ecclesiastical		1,36,000	6,14,189	4,78,189
7. 27.—Foreign Affairs and States		31,65,000	37,30,886	5,65,885
8. 42.-A.—Currency		—	6,09,842	6,09,842
9. 47.—Miscellaneous		51,77,000	52,49,249	72,249
10. 51.—Capital Outlay on Salt		—	5,366	5,366
11. 61.—Capital Outlay on Schemes of State Trading.		37,91,000	2,21,47,560	1,83,56,560

PART II

Statement Showing the Excesses over the Non-Voted Appropriations

Item No.	Name of Appropriation	Final Appropriation	Actual Expenditure	Excess requiring the sanction of the Government of Pakistan
1. 20.—Audit		—	26,310	26,310
2. Interest on Debt and other Obligations		88,28,000	90,28,693	2,00,693
3. Staff Household and Allowances of the Governor General		7,19,000	9,90,284	2,71,284
4. 8.—Pakistan Posts and Telegraphs Department		8,29,000	9,14,927	85,927

11. The excesses were the result of inevitable expenditure and we recommend that the excesses over voted grants may be regularised by a vote of the Legislature under section 36 read with sections 34 and 35 of the Government of India Act (as adapted in Pakistan).

Civil Appropriation Accounts

12. The position of the Civil Appropriation Accounts is as follows:—

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Saving (—) Excess (+)	Percentage
	1	2	3	4	5
Expenditure met from Revenue :					
Voted	8,15	8,15	6,68	(—)147	18.04
Non-Voted	1,67	1,66	1,57	(—)9	5.4
Total	9,82	9,81	8,25	(—)1,56	15.9

	1	2	3	4	5
Expenditure met from Capital :					
Voted	3,10	3,10	3,82	(+) 72	23.2
Disbursement of loans and advances :					
Voted	9,76	9,76	71	(-) 905	92.7
Non-Voted	—	—	8,57	(+) 857	100
Total	9,76	9,76	9,28	(-) 48	4.91
Grand Total	22,68	22,67	21,35	(-) 1,32	5.82

Accuracy of Budgeting

13. The overall savings work out to 5.82 per cent of the final grant which we do not regard as excessive. Savings have, however, occurred in 46 out of 57 grants and 6 out of 10 non-voted appropriations. Excesses have occurred in case of 11 voted grants and 3 non-voted appropriations. No supplementary grant could be obtained in respect of the period under review because the original budget itself was voted towards the close of the financial year. The peculiar circumstances of the year under review were mainly responsible for the slight inaccuracy of the budget estimates on the Civil side. We, however, recommend that in future the Administrative Ministries should pay greater heed to the accuracy of budgeting.

14. It has been pointed out in the Audit Report that the following two grants were not presented to and voted by the Legislature viz.

42-A Currency.

51 Capital Outlay on Salt.

The expenditure booked under Grant No. 42-A Currency pertains to the printing of currency notes on behalf of the State Bank of Pakistan. We are told that the expenditure incurred has been subsequently recovered from the State Bank. The correct procedure should have been to charge the expenditure to a suspense head rather than to Revenue Account. The amount booked under Grant No. 51-Capital Outlay on Salt is only Rs. 5366 and is the result of omission to provide funds in time. As no supplementary grants were voted for the year under review the position could not be regularised in due course.

15. **Control of Expenditure.**—The Audit Report has mentioned the following typical defects in the control of expenditure during the year :—

(i) *Irregular re-appropriations.*—There were some cases of re-appropriations under individual sub-heads which had the effect of increasing the final variations under them *e.g.*, Grants Nos. 1-Customs ; 15-Ministry of Commerce ; Industries and Works ; 26-Tribal Areas ; 27-Foreign Affairs and States ; 34-Medical Services ; 42-Miscellaneous Departments ; 44-Civil Works, 47-Miscellaneous and 50-Baluchistan.

(ii) *Surrenders made in excess of total savings in voted grants.*

	Amount of Savings	Amount Surrendered
13.—Ministry of Food, Agriculture and Health	2,92,898	3,75,100
34.—Medical Services	1,49,294	1,77,442
54.—Capital Outlay on Civil Works	37,31,614	71,45,971

(iii) *In the following case surrender of funds was made even though the net result was an excess.*

No. and name of Grant	Amount of Excess	Amount Surrendered
	Rs.	Rs.
Grant No. 61.—Capital outlay on Schemes of State Trading.	1,83,56,560	1,99,000

16. **Recommendations regarding control of expenditure and accuracy of budgeting.**—It has come to our notice that during the year under review, no satisfactory arrangements existed for the maintenance of accounts by departmental officers and for reconciling their figures with the audit department figures. This was partly due to the prevailing difficulties and partly to the ignorance of the prescribed procedure on the part of the Controlling officers. We have to make the following specific recommendations regarding accuracy of budgeting and control of expenditure :—

(1) The administrative ministries should take special care to ensure that the original budget estimates conform to the actual requirements thereby obviating the necessity of obtaining supplementary Grants or surrendering unspent amounts.

- (2) Expenditure not provided for in the budget should not be incurred as far as possible. It is not in order for the executive to take the approval of the Legislature for granted in the matter of provision of funds.
- (3) Efforts should be made to utilise fully the amounts voted by the Legislature and savings should not particularly be allowed to occur under nation-building departments *e.g.* education, medical, public health etc.
- (4) The departmental accounts should be maintained strictly in accordance with the prescribed procedure and the reconciliation of audit and departmental figures should without fail be made on monthly basis.
- (5) Every Ministry should review the position of the expenditure incurred against the relevant grant on the prescribed dates towards the close of the year. The review should be realistic so as to enable the ministries to regularise the position either by reappropriation or by obtaining supplementary grants or by surrendering unwanted funds.

17. Detailed rules on the subject are contained in Chapter V of the General Financial Rules Volume I. We understand that the Ministry of Finance have issued a number of circulars explaining the implications of these rules and enjoining upon the administrative ministries to observe them. From our examination of the Appropriation Accounts we feel that the rules have not been properly observed and we accordingly recommend that renewed instructions should be issued with a view to making the Heads of Departments feel their responsibility in this regard.

18. We would in this connection also like to remark that the state of accounts in the Accounts Offices requires considerable improvement. In the course of examination of the accounts a number of instances of obvious misclassifications, wrong adjustments and wrong booking of the account office figures came to our notice. In certain cases the departmental figures were recognized to be correct by the Accountant-General, Pakistan Revenues. All this points out that one of the major difficulties in the way of reconciliation of accounts emanates from the wrong accounting in the Accounts Offices. We hope that adequate steps would be taken to improve this state of affair.

19. **Secret Service Expenditure.**—Para 16 Chapter IV of the Audit Report mentions that two audit certificates in respect of secret service expenditure had not been received. We have been informed that these certificates have since been received in audit.

20. Works.—The following table indicates the variations of expenditure on major works from the budget provisions for 1947-48 under various grants.

(Figures in thousands of Rupees)

S. No.	No. and name of Grant	Budget provision	Actual Expenditure	Saving	Excess
1.	7.—Irrigation	1,70	1,46	24	—
2.	26.—Tribal Area:	47	64	—	17
3.	44.—Civil Works	5,64	2,23	3,41	—
4.	50.—Baluchistan	3,76	1,04	2,72	—
5.	54.—Capital Outlay on Civil Works	1,32,06	1,15,74	16,32	—
6.	55.—Capital Outlay on Civil Aviation	3,50	3,34	16	—
7.	56.—Capital Outlay on Broadcasting	2,00	—	2,00	—
	Total	1,49,13	1,24,45	24,85	17
	Net Saving	—	—	24,68	—
	Percentage of net saving to budget provision	—	—	16.48	—

The savings indicate that either the estimates were not realistically framed or the departmental staff did not observe proper care in completing the execution of works in time.

21. It has come to our notice that in a number of cases the execution of works has been taken up without the preparation and sanctioning of the detailed estimates. In certain cases the detailed estimates have not been sanctioned even up-to-date and payments have been made to contractors without complying with the technicalities of preparing detailed estimates.

22. We have given the fullest opportunity to the departmental representatives to explain the position but they failed to offer any explanation although they were given sufficient opportunity to do so. We regard that the state of affairs in the Works Division is in a complete mess and recommend that adequate steps should be taken to remove the irregularities pointed out in the Audit Report and to submit a compliance report to the Public Accounts Committee in their next meeting. Particular care should be taken to avoid such irregularities in future.

23. Grant No. 7:—Irrigation, Navigation and Embankment works.

Audit note No. 4 under the appropriation account of the Grant points out that the accounts of two Irrigation Divisions in Baluchistan were in arrears and therefore could not be audited. We hope that in future proper action would be taken to keep the accounts up-to-date.

Grant 10 :—Constituent Assembly of Pakistan.

As against the final appropriation of 6,08,000 the expenditure incurred amounted to only 3,05,576 thereby indicating a saving of 3,02,424. The main reason for this huge saving is that provision was made for daily allowances of the members of the Constituent Assembly for a period longer than the actual period for which the Assembly remained in session during the year. We are of the opinion that in 1947-48 there should have been more frequent sittings of the Assembly ; although we are perfectly conscious of the fact that this remark will not help the situation now.

Grant No. 28 :—Survey of Pakistan.

24. The Deputy Director, Map Publications, Survey of Pakistan Murree who was responsible for the preparation of the accounts in respect of (a) Map Records and Issue Office ; (b) Karachi Litho Office and (c) Store Office has not prepared these accounts. We were informed that prepartition records were not wholly available and whatever records were available were destroyed by fire on 13th November, 1950. We are not satisfied with the explanation given and would recommend that the stores accounts should now be reconstructed forthwith. A compliance report should be submitted in the next meeting of the Committee.

Grant No. 41 :—Commercial Intelligence and Statistics.

25. An amount of Rs. 7,478 lapsed on account of the department failing to take timely action for the payment of bills. This tendency is to be discouraged in future.

Grant No. 61 :—Capital Outlay on Schemes of State Trading.

26. It has come to our notice that the departmental accounts have not been properly maintained and physical verification of stocks purchased by Government has not been carried out. We have examined the position in greater details in connection with the accounts for 1948-49 which has revealed other serious irregularities as well. We have dealt with this matter fully in our Report on the Appropriation Accounts for 1948-49. It may be added that the Secretary, Ministry of Industries did not appear before the Committee and the departmental representative who attended the meeting completely failed to elucidate the position.

Sub Head F. Government's share in Pakistan Finance Corporation Limited.

27. An amount of Rs. 32 lakhs was provided for Government's share in the Pakistan Finance Corporation Limited. Actually however an amount of

Rs. 26 lakhs only was paid. We were informed that the amount was subsequently recovered with the exception of Rs. 6,286-11-0 which was treated as loss on the transactions of the corporation.

Grant No. 63 :—Interest free and interest bearing advances.

28. Sub Head A indicates interest free advances. We called for the details of these advances from the A. G. P. R. and we are satisfied that these advances were restricted to departmental officers for various administrative purposes.

Financial Irregularities, Losses, etc.

29. The Audit Report observes that during the course of the year under review no cases of serious irregularities, losses etc., came to light in the audit of civil accounts. The following cases of losses, remissions, write offs, *ex-gratia* payments etc., have however been noticed in the Appropriation Accounts.

Nature of Loss	Department concerned	Amount
		<i>Rs.</i>
(i) Customs - Remission of revenue and abandonment of claims to revenue.	Central Board of Revenue	12,548
(ii) Central Excise and Salt - Refunds of revenue and write offs etc.	Central Board of Revenue	2,29,284
(iii) Taxes on Income (arrears of Income Tax written off).	Central Board of Revenue	2,064

We recommend that every case of loss and remission of revenue should in future be promptly investigated and proper action taken to prevent recurrence of such losses and to recover the amount involved if it is found that loss or remission is due to negligence of some officer.

Stationery and Printing

30. An amount of Rs 4 lakhs provided for printing at private presses has lapsed. It appears that although some work was done at private presses steps were not taken for the timely payment of bills. We are not satisfied regarding the reasons given for the lapse of funds, and would recommend that steps should be taken to prevent such recurrences in future.

An amount of Rs. 15,30,000 was provided in the budget on account of recoveries from the paying departments but in actual practice no recoveries have been effected. This exhibits laxity of control in the Stationery and Printing Department. We recommend that the existing procedure regarding effecting recoveries should be carefully examined and defects in any, should be removed forthwith. Arrangements should be made to prevent laxity in the observance of rules.

**COMMERCIAL APPENDIX TO THE APPROPRIATION ACCOUNTS
(CIVIL).**

31. It is observed in the Audit Report that the proforma Commercial Accounts of the following institutions could not be included in the Commercial Appendix on account of the reasons indicated below :—

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|--|---|--|
| <ul style="list-style-type: none"> (i) Light Houses and Light Ships Departments (ii) Radio Pakistan. (iii) Central Publication Branch. (iv) Saran Salt Depot. | } | On account of non-preparation of Proforma Accounts by the Departments concerned. |
| <ul style="list-style-type: none"> (v) Sulphur Operations Koh-i-Sultan. (vi) Bureau of Laboratories (vii) Coal Briquetting Plant, Quetta. (viii) Malaria Institute of Pakistan, Karachi. | } | Due to non-recognition of their activities as Commercial. |

We recommend that in the case of departments of first category immediate steps should be taken by them to prepare their proforma Commercial accounts and efforts should be made to include these accounts in the Commercial Appendix to the Appropriation Accounts for 1949-50 and 1950-51.

In the case departments of second category, the decision regarding the commercial nature of their activities should be expedited.

32. **Central Excise and Salt Department, Lahore.**—It has been indicated that the department worked to a loss of Rs. 2,28,448. The departmental representative however pointed out that the calculation had not taken into account the additional charges of ~~3|6|~~ per maund recovered for meeting establishment expenses and if these charges were accounted for the loss of Rs. 2,28,448 would be converted into a profit of Rs. 1,15,800. The wrong exhibition of the results is due to proper care not having been exercised in the Central Board of Revenue.

33. **Central Stationery offices.**—Para 54 of the Audit Report indicates that certain minor irregularities were noticed in the purchase of stores etc., during the course of local audit of the accounts of Karachi office which have been brought to the notice of Government for necessary action. The information has been further supplemented by the Audit Office and the details of irregularities noticed by them is indicated below :—

1. *Non-inviting of tenders and accepting quotations other than the lowest tender.*
 - (a) From 1947-48 to 1949-50 tenders were never found to have been invited in newspapers except on one occasion. In all other cases negotiations were limited to a certain firm or firms and no approved list of contractors was maintained, nor any agreements were entered into with the suppliers.

(b) An order for 3,600 wooden blotters was placed with Messrs Stock and Co. @ -|10|- each whereas another firm of S. M. Majid & Bros. had quoted As. -|8|9 each. No reasons were assigned for rejecting the lower tender.

2. *Purchases in excess of estimated requirements.*—Paper and other stationery articles were found to have been purchased much in excess of the annual requirements. The following are a few instances.

Name of Articles	Quantity Purchased		Average Annual Consumption	Balance Estimated to last
	Reams	Sheets	Reams	Years
(i) Paper Cartridge 30 × 40—10 lb. ..	431	176	12	36
(ii) Semi Bleached White	1,503	—	16	94
(iii) Drawing Cartridge	511	—	21	24

4. *Overpayments*—A sum of Rs. 570|7|6 was paid in excess to a firm of printers. This amount was recovered at a later date.

5. *Demurrage charges.*—Demurrage charges amounting to Rs. 9,289|-|6 were found to have been paid due to the neglect on the part of transit section or the cartage contractor.

We feel that the irregularities are not minor and that they should be carefully investigated and the result reported to the Committee in their next meeting. Steps should also be taken to prevent the recurrence of such irregularities in future.

APPROPRIATION ACCOUNTS DEFENCE SERVICES

34. The position of the Defence expenditure incurred during 1947-48 as compared with the original and final grants is as follows :—

	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure	Saving (—) Excess (+)	Percentage
<i>(In Lakhs of rupees)</i>					
Expenditure met from Revenue :					
Voted	34,24	34,24	15,38	(—) 18,86	55.08%
Expenditure met from Capital :					
Voted	1,40	1,40	3	(—) 1,37	97.85%
GRAND TOTAL	35,64	35,64	15,41	(—) 20,23	56.76%

Accuracy of Budgeting.—As compared with the final grant the saving in the Revenue Account works out to 55.08 per cent and in the Capital Account to 97.85 per cent, the overall saving being 56.76 per cent. No surrender of unwanted funds has been made during the year under review. In our opinion the amount of savings is disproportionately high. The reasons indicated for the huge savings are :—

- (i) The statistics on which the estimates are usually based were not available on account of the non-existence of relevant records in the units and formations and dislocation of work in the accounts offices.
- (ii) In the case of expenditure on Joint Defence Council a reliance had to be made on certain estimates prepared by the Government of India. Due to the premature termination of the Joint Defence Council these estimates were not realised.

We appreciate these difficulties, but we would nevertheless suggest that in future more attention should be paid towards the preparation of correct estimates.

35. Irregularities noted in M.A.G's report.—The Military Accountant General's certificate brings out the following points :—

- (i) The unauthorised use of Government transport during the period 15th August, 1947 to 31st March, 1948 by Naval Pool Transport Office, Karachi.
- (ii) In a number of cases consignees of the Defence Department Stores had not, in practice, linked the goods actually received by them against the particular consignments having been despatched to them, and it was not, as a result, possible for internal check to satisfy that such consignments had satisfactorily been brought to account by the consignees.
- (iii) In certain cases the stores accounts were either incomplete or were not maintained at all; and in certain other cases physical verification of stores was not carried out by the executive authorities, or the stock-taking disclosed considerable differences between the ground stock and ledger balances.
- (iv) The cost of certain stores issued on payment to other Government Departments|Pakistan States could not be debited|recovered for want of receipted vouchers and|or treasury receipts.

Regarding (i) above, we are informed that a Board of Enquiry was constituted and that as a result of the action taken on the findings of the Board the position has now been set right.

Regarding the other points raised above certain difficulties peculiar to the immediate post-partition period were listed out. Although in view of the circumstances prevailing at that time the difficulties may be genuine, we hope that steps would be taken to prevent the recurrence of these irregularities in future.

Appendix 'B' to the Appropriation Accounts (Defence Services).

36. The amount of total loss shown in the Appendix is Rs. 5,07,014. Out of this an amount of Rs. 52,000 pertains to prepartition period. The actual loss relating to the period under review therefore comes to Rs. 4,55,014. We view the amount of loss with concern and do hope that effective measures would be taken to prevent the recurrence of such losses in future. We also recommend that every case of loss should be promptly investigated and proper action taken against the defaulter. The amount lost should be recovered from the person at fault, if it is found that the loss is due to his negligence.

37. **Irregularities pointed out in the Audit Report.**—The Audit Report has pointed out irregularities in all the branches of the Defence Services. Most of these irregularities are of a serious nature and we were informed that some of them had been regularised by obtaining competent sanction or the recovery of the amounts due. We recommend that in future all such irregularities should be promptly investigated, outstanding matters settled and a compliance report submitted to the Public Accounts Committee simultaneously with the accounts of that particular year.

38. **Stores Accounts.**—The Stores Accounts of the three Armed Forces have in particular been found to be unsatisfactory. We, therefore, recommend that—

- (i) effective steps should be taken to prevent recurrence of irregularities leading to loss of stores, and
- (ii) necessary personnel should be trained for the purpose of keeping stores accounts.

39. **System of accounts in Defence Services.**—It has been mentioned in para 23 of the Audit Report that the Government is considering whether the Pay Accounts of the Royal Pakistan Naval and Air Force Personnel should not be maintained by the Military Accounts Department as in the case of Army Personnel. We were given to understand that so far as Naval accounts were concerned a new procedure ensuring greater cooperation between Military Accounts Department and R. P. N. Pay Office was being tried. In the case of Air Force the existing procedure which has been inherited from the pre-partition period and is in line with the procedure obtaining in U. K. is regarded by the Defence Ministry as more suitable to the requirements of Air Force. We, however recommend that the suggestion made by Audit should be considered by Government in all its aspects and an early decision taken thereon.

Commercial Appendix to the Appropriation Accounts (Defence Services).

40. The following important points have been made out in the Audit Report :—

- (i) In the Balance-sheet of the Military Farms Department as on 31st March, 1948, an amount of Rs. 38,06,475 is outstanding against sundry debtors. This includes an amount of approximately Rs. 7 lakhs outstanding against the units and personnel who left for India at the time of partition.
- (ii) It has been indicated in the Profit and Loss Account of the Military Farms that amounts to the extent of Rs. 40,377|13|2 and Rs. 3,810|4|5 were written off on account of losses of stores on charge and in transit respectively.

Regarding (i) we have to observe that although it was difficult to recover the amount of Rs. 7 lakhs from parties in India no serious attempt appears to have been made for recovering the balance as well, which is due from parties in Pakistan. Immediate steps should now be taken to this effect. The Government of India should also be approached for assistance in recovering the amounts due from parties in India.

No satisfactory reasons have been given for losses mentioned in (ii) above. The articles involved were of a perishable nature, and the losses are not extraordinary, but we should suggest that greater care should be taken in future.

APPROPRIATION ACCOUNTS (RAILWAYS)

41. The position of the expenditure incurred on Railways as compared with the original and final grants during 1947-48 is as follows :—

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Saving (—) Excess (+)	Percentage
(In Lakhs of rupees)					
Expenditure met from Revenue :					
Voted	17,35	17,35	13,59	—376	21.7
Non-Voted	2,35	2,35	2,33	—2	.8
	19,70	19,70	15,92	(—) 3,78	19.18
Expenditure met from Capital :					
Voted	73	73	(—)89	(—) 1,62	221.91
GRAND TOTAL ..	20,43	20,43	15,03	(—) 5,40	26.43

Accuracy of Budgeting.—The overall saving as compared with the final Grant works out to 26.43 per cent, although the saving on account of expenditure met from current revenues is 19.18 per cent. The minus expenditure under Capital account is due to adjustment under stores suspense. Paras 8 and 9 of the Audit Report mention a number of cases indicating that proper care was not taken in the preparation of the Budget Estimates. We are conscious of the difficult circumstances prevailing at the time of preparation of the budget but would suggest that in future more care should be exercised in the preparation of estimates.

42. **Exhibition of correct figures.**—The loss on the working of the railways for the period under review has been indicated in the Financial Adviser's Review to be Rs. 67 lakhs. This figure is not correct. The actual loss comes to Rs. 129 lakhs and the mistake is due to the over-statement of the gross receipts of the two railways. It was explained that the employment of inexperienced staff had led to this state of affairs. The mistake is rather serious and we do hope that effective steps would be taken to present correct figures in accounts in future.

43. **Allocation of funds in excess of the Voted amount.**—It has come to our notice that the final allotment made to N. W. R. under Grants No. 52—Capital Outlay on Pakistan Railways—was Rs. 11.92 lakhs, but the General Manager made a distribution of Rs. 12.72 lakhs to the various spending units. No reasons have been assigned for this irregularity. We feel that greater care should be exercised by Railway Authorities in such matters.

44. **Expenditure without proper sanction.**—Annexure A (i) to Part II of the Appropriation Accounts (Railways) lists a number of cases involving Rs. 25 thousands and above in which expenditure has been incurred without obtaining competent sanction. We view this tendency with grave concern and recommend that all the outstanding cases should be regularised by obtaining competent sanction and a compliance report submitted to the Public Accounts Committee in their next meeting.

As a matter of principle the Railway Administration should not incur expenditure without obtaining prior competent sanction. In extremely rare cases where the works have to be executed in the interest of Government as an emergency measure, the matter should be regularised by obtaining competent sanction as early thereafter as possible.

45. **Undercharges.**—Annexure B to Part II of the Appropriation Accounts (Railways) gives a list of under-charges discovered in audit. Although the percentage of the under charges to the total revenues is not substantial, a total

amount of Rs. 4,02,024 is involved and no indication is available whether the amount or any portion of it has been recovered from the persons responsible for the default. A detailed report regarding this should be submitted to the Public Accounts Committee in their next meeting.

46. **Remission and abandonment of claims to Revenue.**—Annexure C to Part II of the Appropriation Accounts gives a list of remissions and abandonment of claims to revenue during the period under review. Sufficient justification regarding these remissions etc. is also not available and should be furnished to the Public Accounts Committee in their next meeting.

47. **Form of the Demand for Grant.**—It has been pointed out in para 5 of the Audit Report that in the undivided India the estimates of ordinary working expenses comprised of six different Demands whereas in Pakistan they have been included in one Demand only. This has tended to reduce the measure of parliamentary control over ordinary working expenses by different heads that obtained in undivided India. Although rule 44 of the Rules of Procedure and Standing Orders of the Legislature gives full powers to the Finance Minister to prescribe the form of the Demands for grants, we would commend the audit suggestion for the consideration of the Government.

48. **Cases involving embezzlement, defalcation, losses, etc.**—We would in particular refer to paras 10 and 11 of the Audit Report and would observe that proper care is not being taken in the investigation of cases involving embezzlements, defalcations and losses, etc. Inordinate delays have occurred in the investigation of these cases and in bringing the culprits to book. We view the matter with grave concern and suggest that the Railway Administration should submit to the Public Accounts Committee in their next meeting a detailed note indicating :—

- (i) the exact circumstances leading to the various instances,
- (ii) action taken against the defaulters,
- (iii) reasons for delay in settling the cases,
- (iv) efforts made to make good the amounts lost, and
- (v) precautions taken to prevent future recurrence of such instances.

POSTS AND TELEGRAPHS

49. The position of the expenditure on P & T Department incurred during 1947-48 as compared with the original and final grant is as follows :—

	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure	Saving (—) Excess (+)	Percentage
(In Lakhs of rupees)					
Expenditure met from Revenue :					
Voted	2,36	2,36	2,08	—28	11.9
Non-Voted	8	8	9	+1	12.5
	2,44	2,44	2,17	(—) 27	11.06%
Expenditure met from Capital :					
Voted	16	16	12	(—) 4	25%
GRAND TOTAL ..	2,60	2,60	2,29	(—) 31	11.92%

CONTROL OVER EXPENDITURE

Some important instances of defective control over expenditure during 1947-48 as mentioned in the Audit Report are indicated below :—

- (i) Re-appropriations have been made which were unnecessary or were in excess of requirements or had caused excesses over allotments.
- (ii) Savings under certain heads have not been surrendered.
- (iii) Under certain heads excesses have been left uncovered.

All these instances point towards laxity of proper control over expenditure which should be forthwith remedied.

50. **Claims of Posts and Telegraphs Department against Civil Departments.**—In the course of examination of the Civil Appropriation Accounts we noted that savings under some of the Grants against provisions made for payments to the Posts and Telegraphs Department were attributed to non-receipt of necessary debits from this Department. We were assured that the state of affairs has now improved and that regular debits against the departments concerned were being raised. We do hope that the Posts and Telegraphs Department makes suitable arrangements for the timely and regular recovery of the amounts due to it.

51. **Earnings of the Radio Branch.**—It has come to our notice that up to the year 1949-50 the recoveries on account of the Radio Branch of the Posts and Telegraphs Department have been credited to the Telegraph and Telephone branches with the result that the percentage of working expenses to the revenue earned by the Radio Branch worked to 4,560 during 1947-48. We were informed that the position has been rectified with effect from the year 1950-51.

52. **Cases of defalcation and loss of public money.**—During the year under review 137 cases of defalcations or loss of public money came to light. The amount involved was Rs. 64,461. In 52 cases the responsibility could not be fixed; in 26 cases the departmental officers were responsible for the loss; in seven cases persons unconnected with the department were held responsible for the losses whereas in the rest of the 52 cases the losses were attributed to the post-partition disturbances. We feel that the number of cases in which responsibility has not been fixed is by far too large. In future suitable measures should be taken for the prompt investigation of such cases and for fixing the responsibility wherever possible.

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JANENDRA CHANDRA MAJUMDAR
NUR AHMAD

NASIM AHMAD KHAN,
Secretary.

The 26th November, 1952.
