

3. REPORT OF THE PAC ON THE ACCOUNTS OF THE FEDERAL GOVERNMENT FOR THE YEAR 1949-50.

PRELIMINARY REMARKS

We were called to meet in Karachi on Monday the 3rd August, 1953, for examining the Appropriation Accounts for the year 1949-50 and the Auditor-General's Report thereon. We remained in session up to 11th August, 1953, during the course of which we examined the accounts of the year under report. We again met on the 28th October, 1953, to finalize the report. In all ten sittings were held.

2. We append the minutes of the proceedings dealing with the Appropriation Accounts and the Auditor-General's report and we desire that in accordance with the established convention these minutes may be regarded as part of our report. In scrutinizing the Appropriation Accounts and the Audit Reports we have kept in view the instructions contained in Rule 52 of the Constituent Assembly (Legislature) Rules of Procedure which define our scope of inquiry and which for convenience of reference we reproduce below :

" 52. Control of Committee on Public Accounts :—

1. In scrutinizing the Appropriation Accounts of the Government of Pakistan and the 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 examining the Appropriation Accounts and the Audit Reports we were throughout assisted by the Auditor-General and his officers. We also sent for Departmental representatives with a view to obtaining further elaborate explanations of matters pertaining to the grants for which they were responsible. We received considerable assistance from the departmental witnesses in examining the Appropriation Accounts.

4. **Difficulties in the preparation of Budget Estimates.**—The Public Accounts Committee have, in their reports on the accounts for 1947-48 and 1948-49, mentioned special difficulties facing the Executive in the preparation of Budget Estimates of those years. These difficulties were to a considerable extent removed by the time the preparation of the Budget Estimates of the year under report were taken in hand and normal conditions were restored to a large degree. Nevertheless, one important handicap besetting the preparation of the Budget Estimates for the year 1949-50 was that the actuals for the past three years which constitute a vital data in preparation of the Budget Estimates were not available. We, however, notice certain important defects in the system of budgeting, namely (1) in the first place, the administrative Ministries do not make a proper assessment of all the aspects of their new schemes for which they seek budget provision. At the time of actual implementation of schemes a number of issues crop up which should have been settled before the budget provision was made. This delays the actual implementation of the schemes and results in savings in the original budget; (2) certain bottlenecks are sometimes created in the departments which are responsible for procuring supplies or undertaking construction (e.g., Department of Supply and Development and the Public Works Department). There is an apparent lack of co-ordination between these departments and the administrative departments concerned, with the result that budget provisions are made or even supplementary grants are obtained on the basis of inadequate or wrong data; (3) there is an unusual time-lag between the raising and acceptance of debits between various departments. This also vitally affects the accuracy of Budget Estimates.

We would strongly recommend that steps should be taken for the immediate removal of all these defects. In future, budget provisions should be made on a proper and realistic assessment of the supply position and other factors relevant to the implementation of the schemes. On no account should the administrative Ministries sponsor or the Ministry of Finance accept half-backed or half-thought-out schemes, the financial implications of which may not have been clarified.

5. **Difficulties in the preparation of accounts.**—It has been mentioned in para 2 of the Audit Report on the Civil Appropriation Accounts that the conditions under which the accounts of the previous two years were prepared continued to exist more or less during the period covered by the present accounts. The main difficulty regarding the lack of trained staff, office accommodation and books of reference, delays in the submission of accounts and their incomplete and incorrect preparation by drawing and disbursing officers still persisted. The audit note further adds that as a result of the steps already taken, some improvement was visible but in view of the magnitude of the task it would take some time to reach normal standards of efficiency. It is further stated that in the circumstances and because of the desirability of avoiding further delay in the submission of the accounts to the Legislature, certain mistakes in classification have remained unrectified. We are perturbed to note this state of affairs and we strongly recommend that immediate steps should be taken to improve the conditions prevailing in the Accounts offices. Even at present the work of preparation of accounts is in heavy arrears. Whereas by now the accounts for 1951-52 should have been published, the accounts for even the year 1950-51 have not so far been closed. This shows that the state of affairs in the Accounts offices is still far from satisfactory.

6. **Compliance Reports.**—We had asked the administrative Ministries to submit to us the compliance reports in respect of the various points raised by the Public Accounts Committee in their reports on the accounts for 1947-48 and 1948-49. We took special pains to examine the compliance reports with the assistance of the departmental witnesses and to see whether adequate action had been taken to comply with the various issues raised by the Committee. The reports have been discussed in detail in the minutes of proceedings and where any item has not been properly complied with, we have indicated the further action required to be taken in this behalf. In the report as well, we have, where necessary, drawn attention to the recommendations made by the Committee in the previous years and the action taken in compliance thereof.

7. We now proceed to examine the Appropriation Accounts of the year under review :

OVERALL POSITION

The following table indicates the overall result of the appropriation audit of the year 1949-50 :

	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure (+)	Savings (-) Excess (+)	Percentage
1	2	3	4	5	6
<i>(In Lakhs of rupees)</i>					
Voted					
Expenditure met from Revenue :					
Civil	17,20	20,55	18,74	-1,81	8.8
Defence	47,22	47,22	62,53	+15,31	32.4
Railways	29,64	29,64	29,01	-63	2.1
Posts and Telegraphs	4,20	4,87	5,03	+16	3.2
	<u>98,26</u>	<u>1,02,28</u>	<u>1,15,31</u>	<u>13,03</u>	<u>12.7</u>
Expenditure met from Capital :					
Civil	12,12	70,71	66,09	-4,62	6.5
Defence	27,13	27,13	12,67	-14,46	53.2
Railways	1,69	2,39	4,59	+2,20	92.05
Posts and Telegraphs	29	49	47	-2	4
	<u>41,23</u>	<u>1,00,72</u>	<u>83,82</u>	<u>+16,90</u>	<u>16.7</u>
Disbursement of Loans and Advances:	16,77	16,77	2,25	-14,52	86.05
Total Voted	<u>1,56,26</u>	<u>2,19,77</u>	<u>2,01,38</u>	<u>-18,39</u>	<u>8.3</u>
Non-Voted :					
Expenditure met from Revenue :					
Civil	4,88	5,05	4,36	-69	13.6
Railways	3,87	3,90	3,89	-1	.2
Posts and Telegraphs	20	17	18	+1	5.8
	<u>8,95</u>	<u>9,12</u>	<u>8,43</u>	<u>-69</u>	<u>7.5</u>

	1	2	3	4	5	6
Disbursement of Loans and Advances		—	6,61	19,76	+13,15	198.7
<i>Total Non-Voted</i>		8,95	15,73	28,19	+12,46	79.1
Total expenditure met from Revenue.	107,21	1,11,40	1,23,74	+12,34	11.08	
Total Expenditure met from Capital ..	41,23	1,00,72	83,82	—16,90	16.7	
Total disbursement of Loans and Advances	16,77	23,38	22,01	—1,37	5.8	
GRAND TOTAL ..	1,65,21	2,35,50	2,29,57	—5,93	2.5	

The following table gives the analysis of savings and excesses by Departments :

(a) Without taking into account the surrenders made :

	Grant	Expenditure	Saving(—) Excess(+)	Percentage
	(Lakhs of rupees)			
Civil	1,19,69	1,11,20	—8,49	7.09
Defence	74,35	75,20	+85	1.15
Railways	35,93	37,49	+1,56	4.31
Posts and Telegraphs	5,53	5,68	+15	2.7
	2,35,50	2,29,57	—5,93	3.5

(b) After taking into account surrenders made :

Civil	1,13,61	1,11,20	—2,41	2.15
Defence	71,92	75,20	+3,28	4.57
Railways	35,93	37,49	+1,56	4.31
Posts and Telegraphs	5,50	5,68	+18	3.27
	2,26,95	2,29,59	+2,61	1.15

The following table further analyses the savings and excesses separately under Revenue, Capital and Loan expenditure by various Department :

	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure	Savings(-) Excess(+)	Percentage
1	2	3	4	5	6
CIVIL					
Expenditure met from Revenue :					
Voted	17.20	20.55	18.74	-1.81	8.8
Non-Voted	4.88	5.05	4.36	-.69	13.6
Total	22.08	25.60	23.10	-2.50	97.6
Expenditure met from Capital :					
Voted	12.12	70.71	66.09	-4.62	6.5
Disbursement of Loans and Advances :					
Voted	16.77	16.77	2.25	-14.52	86.05
Non-Voted	—	6.61	19.76	+13.15	198.7
Total	16.77	23.38	22.01	-1.37	5.85
GRAND TOTAL	50.97	1,19.69	1,11.20	-8.49	7.09
DEFENCE					
Expenditure met from Revenue :					
Voted	47.22	47.22	62.53	+15.31	32.4
Expenditure met from Capital					
.. .. .	27.13	27.13	12.67	-14.46	53.2
Total	74.35	74.35	75.20	+.85	1.14
RAILWAYS					
Expenditure met from Revenue :					
Voted	29.64	29.64	29.01	-0.63	3.1
Non-Voted	3.87	3.90	3.89	-.01	.2
Total	33.51	33.54	32.90	-.62	1.01

	1	2	3	4	5	6
Expenditure met from Capital ..						
Voted		1.69	2.39	4.59	+2.20	92.05
GRAND TOTAL ..		35.20	35.93	37.49	+1.56	4.34

POSTS AND TELEGRAPHS

Expenditure met from Revenue :

Voted	4.20	4.87	5.03	+16	3.2
Non-Voted .. .. .	.02	.17	.18	+ .01	5.8
Total ..	4.40	5.04	5.21	+ .17	3.37

Expenditure met from Capital :

Voted .. .. .	.29	.49	.47	— .02	.4
GRAND TOTAL ..	4.69	5.53	5.68	+ .15	2.7

GENERAL REMARKS

8. The overall savings in the final grant amount to Rs. 5.93 crores or 2.5 per cent of the aggregate amount of final grants and appropriations. If, however, the surrenders amounting to Rs. 851 crores made during the year are taken into consideration, there would be an excess of Rs. 2.61 crores or 1.15 per cent of the total amount of final grants and appropriations. The overall savings during the year 1948-49 amounted to 10.08 per cent. There is thus an improvement during the year under report as compared with the previous year. As suggested by us last year, the Appropriation Accounts this year include a statement indicating the results of appropriation audit after taking into account the amount surrendered before the close of the year. Similar results have, however, not been worked out in the case of appropriation accounts of each grant. We suggest that these should also be furnished in future.

UNCOVERED EXPENDITURE REQUIRING REGULARIZATION

9. Statement in Annexure gives the particulars of all Voted grants, non-voted appropriations for the year 1949-50, the expenditure incurred against them, and the variation between the two. In certain cases the actual expendi-

ture has exceeded the final grant or appropriation as indicated in the statement below :—

PART I

Statement showing the excess over the Voted Grants which require the vote of the Legislature

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess requiring the vote of Legislature
1		2	3	4
		Rs.	Rs.	Rs.
1. 3—	Taxes on Income including Corporation tax ..	26,96,000	27,78,420	82,420
2. 6—	Stamps	1,000	24,258	23,258
3. 11—	Cabinet	20,80,000	21,05,444	25,444
4. 13—	Ministry of Interior	23,47,000	24,98,616	1,51,616
5. 15—	Ministry of Foreign Affairs and Commonwealth Relations	17,01,000	18,05,203	1,04,203
6. 16—	A Ministry of Health and Works	5,09,000	5,16,668	7,668
7. 17—	Ministry of Finance	21,56,000	22,24,632	68,632
8. 18—	Ministry of Commerce and Education	20,10,000	20,83,133	73,133
9. 21—	Ministry of Defence	8,41,000	8,51,320	10,320
10. 28—	Police	10,23,000	10,52,789	29,789
11. 31—	Tribal Areas	5,34,59,000	5,39,11,168	4,52,168
12. 49—	Miscellaneous Departments	27,43,000	29,73,721	2,30,721
13. 50—	Currency	13,16,000	14,43,335	1,27,335
14. 55—	Miscellaneous	17,14,000	39,02,758	21,88,758
15. 59—	Baluchistan	1,10,26,000	1,12,46,073	2,20,073
16. 76—	Capital Outlay on Currency	54,00,00,000	54,29,05,000	29,05,000
17. 72—	Capital Outlay on Schemes of State Trading ..	4,76,92,000	6,80,91,327	2,03,99,327
18. 10—	Pakistan Posts and Telegraphs Department ..	4,86,94,000	5,02,84,557	15,90,557
19. 52—	Capital Outlay on Pakistan Railways	2,39,38,000	4,58,73,599	2,19,35,599
20. 53—	Defence Services—Effective	45,97,00,000	59,59,69,000	13,62,69,000
21. 59—	Defence Services—Non-effective	1,25,00,000	2,94,00,000	1,69,00,000

PART II

Statement showing the excess over Non-voted Appropriations which require the sanction of the Government of Pakistan, Ministry of Finance

Item No.	Name of Appropriation	Final	Actual	Excess requiring the sanction of the Government of Pakistan
		Appropriation	expenditure	
		Rs.	Rs.	Rs.
1. 11—Cabinet	3,84,000	6,20,669	2,36,669
2. 26—Audit	43,734	43,763	29
3. 59—Baluchistan	55,800	58,028	2,228
4. Staff Household and Allowances of the Governor-General	7,87,679	8,85,225	97,546
5. Pakistan Public Service Commission	3,98,000	4,11,529	13,529
6. 74— Interest-free, Interest-bearing advances	6,61,00,000	19,76,00,000	13,15,00,000
7. 10— Pakistan Posts and Telegraphs Department	17,18,000	17,59,123	41,123

The excesses were the result of inevitable expenditure and we recommend that the excesses over voted grants may be regularized 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

10. 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	6
(Crores of rupees)					
Expenditure met from Revenue :					
Voted	17.20	20.55	18.74	—1.81	8.8
Non-Voted	4.88	5.05	4.36	— .69	13.6
Total	22.08	25.60	23.10	—2.50	97.6

	1	2	3	4	5	6
Expenditure met from Capital :						
Voted		12.12	70.71	66.09	-4.62	6.5
Disbursement of Loans and Advances :						
Voted		16.77	16.77	2.25	-14.52	86.05
Non-Voted		—	6.61	19.76	+13.15	1,98.7
Total ..		16.77	23.38	22.01	-1.37	5.85
GRAND TOTAL ..		50.97	119.69	1,11.20	-8.49	7.09

The overall savings work out to 7.09 per cent of the final grant. However, if the amounts surrendered before the close of the year are taken into account, there is a saving of 2.15 per cent only against the unsurrendered amount. Savings have occurred in 52 out of 71 grants and 5 out of 12 non-voted appropriations. In 17 cases, the individual grants have been exceeded and require regularization by a vote of the Legislature. In 6 cases the expenditure under non-voted appropriations has exceeded the final modified appropriations. So far as the percentage of variations is concerned, the position exhibits an improvement over the Civil Appropriation Accounts for 1948-49.

11. Supplementary Grants.—Thirty-two supplementary demands for grants aggregating Rs. 61.94 crores were moved in the Constituent Assembly (Legislature) during March, 1950, and voted by that body. We have to note that in some of the cases the supplementary demands proved unnecessary and in some other cases the excess expenditure was left uncovered and was not regularized by obtaining a supplementary grant. To cite an example under Grant No. 51-A—Central Road Fund, the whole of the amount obtained through a supplementary grant for meeting the expenditure on the establishment of the fund remained unutilized. In the last year's report the Committee had pointed out that the departmental representatives generally did not understand the implications of the supplementary grants and were not able to explain why the funds put to the vote of the Legislature at the close of the year were not determined in relation to actual expenditure. We are constrained to remark that the position in respect of the year 1949-50 is in no way better.

In our view the supplementary demands are a weak feature of the budget and an index of improper budgetary control. We have a feeling that administrative Ministries are inclined to take for granted the consent of the Legislature for the provision of funds. They, therefore, do not hesitate in incurring expenditure in anticipation of the vote of the Legislature. We strongly deprecate this

tendency. In cases where the supplementary grants proved unnecessary the position is to be regarded as still worse because in such cases the administrative Ministries not only waste their own time and that of the Legislature must also ask the Legislature to raise funds which are really not required. We, therefore, recommend that the administrative Ministries should make the budget provision on a realistic assessment of the requirements and with a clear object of avoiding supplementary grants at a later stage. Heads of Departments should be made personally responsible for any excesses that might occur in the demands under their control. In future the supplementary demands should also be placed before the Standing Finance Committee before they are presented to the Legislature.

CONTROL OVER EXPENDITURE

12. **Control over expenditure.**—The Audit Report has mentioned important cases of defective control noticed during the year.

These are :—

- (1) *Unnecessary supplementary grants.*—In 6 cases, namely Grant No. 2—Central Excise, 23—Ministry of Refugees and Rehabilitation, 39—Education, 53—Superannuation Allowances and Pensions, 65—Capital Outlay on Civil Aviation, supplementary demands presented to the Legislature proved wholly unnecessary. Similarly the additional appropriation under “Interest on Debt and other obligations” also remained unutilized.
- (2) *Irregular re-appropriations.*—In a number of cases the re-appropriations and modifications under individual sub-heads had the effect of increasing the final variations under them. Some examples are : Grant No. 2—Central Excise, 3—Taxes on Income including Corporation Tax, 14—Ministry of Law and Labour, 31—Tribal Areas, 34—Geological Survey, 59—Baluchistan, 60—Karachi, 65—Capital Outlay on Civil Aviation, and “Interest on Debt and Other Obligations”.
- (3) *Surrenders made in excess of total savings in Voted Grants.*—There are four instances, namely, Grant No. 16—Ministry of Food and Agriculture, 22—Ministry of State and Frontier Regions, 38—Zoological Survey, 73—Capital Outlay on Development, in which the amounts surrendered exceed the savings.
- (4) *Surrenders made even though the net result was an excess.*—In two cases, namely, 21—Ministry of Defence, 59—Baluchistan, surrenders have been made although the net result was an excess.

- (5) *Utilization of unanticipated credits.*—In the following cases the unanticipated credits under Voted Grants have been utilized for additional expenditure :

No. and name of Grant	Amount
	Rs.
2—Central Excise and Salt	3,29,990
3—Taxes on Income including Corporation Tax	2,36,192
17—Ministry of Defence	18,560
33—Survey of Pakistan	4,30,756
49—Miscellaneous Departments	3,36,500

13. The Public Accounts Committee had expressed a view in the previous years' reports that the machinery of control over expenditure and the reconciliation of audit and departmental figures did not function properly during the years 1947-48 and 1948-49. We were disappointed to note that the conditions were in no way better during the year 1949-50. We discussed this question with the Departmental representatives individually who appeared before us and have tried to impress on them the fundamental importance of proper maintenance of departmental accounts and their periodical reconciliation. We were assured that in a majority of cases the departments were now taking suitable action in this regard. The Auditor-General also explained that a new procedure had been evolved under which the Accountant-General, Pakistan Revenues, would report month after month his figures of expenditure to the departmental controlling officers for acceptance or comments. He hoped that with the introduction of the new system the monthly reconciliation of accounts would be greatly facilitated. The Ministry of Finance have also issued exhaustive instructions in this respect in compliance with the directive given by the Public Accounts Committee in their reports on the accounts for 1947-48 and 1948-49. We are, however, of the feeling that a real success in this matter can only be achieved by a diligent observance of the prescribed procedure by the administrative Ministries. We, therefore, recommend that the Secretaries incharge of administrative Ministries and the heads of departments under them should consider it their personal responsibility to ensure that the departmental accounts are properly maintained and periodically reconciled. Without this essential condition being fulfilled, there can be no hope of either exercising effective budgetary control or of eliminating unnecessary supplementary grants.

14. In the Report on the Accounts of 1948-49, the Public Accounts Committee have drawn attention to a number of instances of misclassification or wrong booking in the accounts offices. The position has to some extent improved in the accounts of 1949-50 but nevertheless there were certain cases in which the figures booked in the accounts were admitted by the Accountant-General, Pakistan Revenues, to be incorrect. We were told by the Auditor-General that exhaustive instructions had been issued to all Accountants-General to enforce strictly the responsibility of the auditorial and supervisory staff in the matter of detailed check of classification of various transactions. We were further assured that quarterly reports of the enforcement of instructions mentioned above were being obtained and examined by the Auditor-General. We hope that with these steps and with the introduction of the new system of reconciliation of accounts, the position would substantially improve.

15. **Secret Service Expenditure.**—Para 21 of Chapter IV of the Audit Report mentions that the certificates of secret service expenditure were still awaited from two administrative officers and in the case of another five officers the certificates were returned for reconciliation of the figures adopted therein with the accounts office figures. We would urge that in future steps should be taken for timely reconciliation of these figures and submission of certificates on due dates.

16. **Charges in England.**—The Public Accounts Committee in their Report on the Accounts for 1948-49 had pointed out the serious omission or failure to provide funds on a proper basis under the sub-head "Charges in England". We regret to note that this irregularity was conspicuously present in the accounts for 1949-50 as well. Under almost all the grants large variations were due to the omission to provide funds under this sub-head even at the time of obtaining supplementary grants. This omission is one of the important contributory factors leading to improper budgeting and laxity in the control of expenditure. We would, therefore, suggest that Government should take proper action to bring home the importance of this matter to the High Commissioner in U.K. The Accounts Branch of his office should in future take steps to submit budget estimates in time and also to furnish requisite information for regularizing saving and excesses towards the close of the year.

17. **Supply Organization.**—Most of the administrative departments complained that they could not exercise effective control over their budget due to uncertainty of the supply position. They were in some cases not aware as to when they would receive the actual supplies intended by them or when debit would be raised against them. In most of the cases, therefore, the amounts provided in the budget lapsed whereas in subsequent years excesses occurred due to unforeseen payments. We discussed the position with the representatives of the

Ministry of Industries who maintained that the uncertainty really arose from the back of control in U.K. and Washington where the bulk of the purchases were effected. He considered that the position could improve with the upgrading of the posts of supply officers in these two countries. We had asked for detailed justification of this proposal which has not been furnished. We would, therefore, suggest that this question should be examined by Government in all its aspects. What it of importance is that a suitable procedure should be evolved with a view to ensuring better cooperation between the indenting Ministries and the Director-General, Supply and Development, so as to achieve proper budgetary and expenditure control.

18. **Saving under Nation-building Activities.**—The following figures indicate that during the year under report most of the savings occurred under nation-building activities :

Name of Grant	Percentage of savings to the Final Grant
	Rs.
39—Education	22.51
44—Industries	83.85
46—Broadcasting Services	9.98
66.—Capital Outlay on Broadcasting Service	51.87
73—Capital Outlay on Development	67.73

We regard this as an unhealthy tendency and would urge that in view of the wide scope of work to be done in the sphere of nation-building activities the funds provided for by the Legislature for this purpose should be suitably utilised and should not be allowed to lapse for one reason or the other.

19. **Grant No. 1.—Customs—Proforma account of receipts and expenditure relating to overtime and holiday fees.**—We understand that the penalty fee previously levied on ship-owners for doing work on Sundays and closed holidays has since been suspended. If this is correct then items III and V of the *proforma* account become redundant. Similarly in view of the fact that no contribution is being made to the Seamen and Customs Welfare Institutions, item VI also appears to be unnecessary. The *proforma* should therefore, be suitably revised by the administrative Ministry in consultation with the Accounts Officer. A memorandum should also be added under the Appropriation Account of the Grant concerned linking the items in the *proforma* account with those in the

Appropriation Account. The Report of the Public Accounts Committee for the year 1948-49 had also referred to this fact but no action appears to have been taken so far. The position should, therefore, be rectified with effect from the Appropriation Account for 1950-51.

20. Grant No. 9—Irrigation and Navigation Embankments and Drainage work.—The Departmental representative stated in evidence that the expenditure on the works provided for under this Grant was incurred by the Military Engineering Service who rendered accounts to the Baluchistan Administration. He, therefore, stressed that the Ministry of Industries were not in a position to exercise effective control over this expenditure and that the Baluchistan Administration should be held responsible for it. In this connection we want to clarify the basic fact that the funds are voted by the Legislature in the names of the various Ministries and it is, therefore, the administrative Ministry concerned which must account for the expenditure before the Legislature. It is for the Government to devise suitable measures to ensure that the expenditure is properly incurred by the subordinate authorities and that accounts are rendered in accordance with the prescribed procedure.

21. Audit note 4 on page 47 indicates that the stock returns for the year 1947-48 have not so far been furnished by the Garrison Engineer due to non-availability of records. The departmental representative related certain difficulties which we have been mentioned in the minutes of our meeting, dated the 10th August, 1953. We are, however, of the view that the matter has been very much delayed and that urgent steps should be taken to settle the case.

22. Grant No. 32—Foreign Affairs.—Audit note 4 indicates certain financial irregularities in the office of the High Commissioner for Pakistan in U.K. We have examined all these cases and have recorded our findings in the proceedings of our meeting, dated the 10th August, 1953. We have a general impression that the financial affairs of the office of the High Commissioner were not properly managed during the year under report. There were a number of irregularities; account returns were not submitted in time to the authorities in Pakistan with the result that the budgetary control over almost every Grant was defective in so far as the expenditure booked under the sub-head "Charges in England" was concerned.

23. Grant No. 33—Survey of Pakistan.—The Department has not so far fixed responsibility in respect of the shortage in the stock of maps which was pointed out by the Audit Report on the Appropriation Accounts for 1947-48 and 1948-49. We regard this as unsatisfactory and suggest that the matter should be expedited.

24. No accounts have so far been furnished regarding Karachi Litho Office and Stores Office. These accounts should be incorporated in the Appropriation Accounts for 1950-51.

25. It also appears from the Audit Note that physical verification had not been carried out on a cent per cent basis. In our view a cent per cent verification seems desirable to eliminate the possibility of any discrepancy between the actual stock and that shown in the stock book.

26. **Works Expenditure.**—The table below shows the variations of expenditure on majory works from the budget provision (including the supplementary grants) under the various demands for grant :

Serial No.	No. and name of Grant	Budget provision including supplementary grant	Actual expenditure	Savings	Excesses
	1	2	3	4	5
<i>(In Lakhs of rupees)</i>					
1.	9—Irrigation	1.98	0.58	1.40	—
2.	31—Tribal Areas .. .. .	.50	3.21	—	2.71
3.	52—Civil Works	5.50	4.76	.74	—
4.	59—Baluchistan .. .. .	.65	.16	.49	—
5.	64—Capital Outlay on Civil Works	2,83.43	2,36.58	46.85	—
6.	65—Capital Outlay on Civil Aviation	26.66	7.23	19.43	—
7.	66—Capital Outlay on Broadcasting	20.01	8.67	11.34	—
8.	70—Capital Outlay on Printing Presses	33.12	1.13	31.99	—
	Total	<u>3,71.85</u>	<u>2,62.32</u>	<u>1,12.24</u>	<u>2.71</u>
	Net saving	—	—	1,09.53	—
	Percentage of net saving to budget provision	—	29.46	—	—

The results of the year disclose a net saving of 29.46 per cent over the consolidated provision for works expenditure under all the grants taken together; the principal variations being under the Grants 64—Capital Outlay on Civil Works, 65—Capital Outlay on Civil Aviation, 66—Capital Outlay on Broadcasting and 70—Capital Outlay on Printing Presses. During the years 1947-48 and 1948-49 the net savings amounted to 16.48 and 57.46 per cent respectively of the consolidated provision for works expenditure compared with

29.46 per cent during the year under report. The high percentage of savings points out that the budget estimates are not realistically framed and large amounts are allowed to lapse due to improper control over the progress of expenditure.

27. The Reports of the Public Accounts Committee on the Accounts for 1947-48 and 1948-49 pointed out certain serious irregularities in the matter of works expenditure. The administrative Ministry have submitted a detailed compliance report which we have examined at some length and our findings are incorporated in the minutes of our meeting, dated the 8th August, 1953. We have, however, to make the following general remarks :—

- (1) In the year under report as well, a number of instances came to our notice in which works had been started without complying with the preliminary condition of sanctioning detailed estimates. We were informed that instructions had since been issued to discontinue this practice but we would like this matter to be verified in audit.
- (2) It has been mentioned in audit note on page 15 of the Civil Appropriation Accounts that in three Public Works Divisions the accounts records were not kept properly up-to-date and a large number of accounts returns due for submission to audit were outstanding. As would appear from the minutes of our meeting, dated 8th August we have examined the position further and consider it highly unsatisfactory. We recommend that the Accountant-General, Pakistan Revenues, and the Chief Engineer should personally meet to devise steps with a view to redressing the existing state of affairs. Steps should also be taken to train the staff and officers of the Public Works Department in the accounts routine. A compliance report to this effect should be submitted in the next session.
- (3) The lack of control over works expenditure is mainly attributed to non-reconciliation of departmental and accounts figures. We therefore, suggest that a Standing Committee consisting of an Accounts Officer and a P.W.D. officer should be constituted to effect continuous reconciliation of figures. The details should be settled between the Accountant-General, Pakistan Revenues and the Chief Engineer.

28. **Schemes of State Trading.**—The report of the Public Accounts Committee for the year 1948-49 pointed out certain serious irregularities in respect of the working of the schemes of state trading, both under the control of the Ministry of Food and the Ministry of Industries. Both these Ministries have submitted their compliance reports which we have examined fully with the assistance of the Departmental representatives. Our findings on the various points raised therein have been incorporated in the proceedings of our meetings.

dated the 8th and 10th of August, respectively. We have indicated in these minutes the further action that has to be taken by the administrative Ministries and the Audit Office in respect of the various points and it will serve no useful purpose to repeat those findings here. We have, however, the following general remarks to make :—

- (1) A very serious irregularity which has been noticed by us both in respect of scheme of state trading and in other cases where the departmental officers have to handle stocks, is that no proper care is being taken for the physical verification of these stocks. This in our view is highly undesirable and greatly detrimental to the interests of Government. We would, therefore, suggest that in future every department handling stocks should be required to give an annual certificate of verification of stocks. The Accountant-General, Pakistan Revenues, should draw up a statement indicating the various departments who were required to give the certificate and also indicating the fact whether the required certificate had been obtained. This statement should be included in the Appropriation Accounts with effect from the year 1950-51.
- (2) It has been reported by audit that as a result of non-availability of complete ship-wise accounts of sugar and other foodstuffs in the proper form, the correctness or otherwise of the said accounts could not be verified at the time of local audit. The departmental representative explained that a procedure for maintenance of accounts had since been prescribed by the Ministry of Finance and it was being adopted with effect from 1st of April, 1952. We suggest that this statement should be verified by audit and reported to by them in the Appropriation Accounts for 1950-51.
- (3) The Audit Report mentions that no periodical stock accounts were sent to audit by the Director-General, Supply and Development. This is very undesirable and the position should be rectified with immediate effect.
- (4) Account of jute bags purchased by the Ministry of Food, valuing Rs. 40 lakhs was not rendered to the Audit Officer in proper form and is not, therefore, susceptible to audit check. The departmental representatives explained that a revised *proforma* had been prepared in consultation with the Audit Officer and that the accounts would be submitted in accordance with this *proforma*. We would suggest that the Auditor-General should incorporate a report on this case in the Appropriation Accounts for 1950-51.

- (5) Audit Report further points out that the losses on certain food transactions had not so far been written off by Government. The departmental representative explained that this was due to the fact that the Ministry of Food were still trying to recover the losses from the shipping companies. It was explained that such losses were partly a normal feature of the transportation of foodgrains.
- (6) 13 ships of sugar were received during the year 1949-50. There has been a total loss of 314 tons amounting to 271 lakhs on account of shortage which has neither been recovered from any party nor has the loss been written off by Government. We recommend that this matter should be further examined in audit and a report should be included in the Appropriation Accounts for 1950-51 indicating whether the percentage of losses incurred on the import of sugar is within normal margins recognized by trade. They should also report on losses in transit and on trade practices in general.
- (7) Government have purchased through the Pakistan Embassy in USA jute baling presses for East Pakistan for half a million dollars for sale to private parties. Major portion of the capital invested by Government still remains unrecovered due to the fact that full sale value has not been paid by the parties to whom these presses have been allocated. Neither the detailed heads of account to which expenditure and receipts are to be booked have yet been communicated nor any proper account of its sale and recoveries has so far been rendered to audit. This is very unsatisfactory and immediate steps should be taken by the administrative Ministry to redress the position.
- (8) *Iron and steel purchases.*—The audit note mentions that (i) periodical stock accounts were not rendered to Audit Officer by the controlling officers, and (ii) stocks taken from the undivided Government of India at the time of partition were not verified by the Iron and Steel Controller. As regards (i) arrangements may be made immediately by the administrative Ministry to furnish periodical stock account. As regards (ii) the position may be explained by the administrative Ministry during the next meeting of the Public Accounts Committee. It has also come to our notice that at the time of taking a decision regarding the stock-piling of iron and steel in East Bengal, the question of specification of requirements was not properly examined. The matter should be enquired into by the administrative Ministry and a report indicating the factual position submitted to us in our next meeting. The report

should *inter alia* state what loss, if any, would be suffered by Government as a result of the undertaking of stock-piling without the determination of specifications.

- (9) We have noticed that the Food Directorate, Baluchistan, Quetta, had 40 lorries at the time of partition but as the scheme did not prove to be of much use, the lorries were made over to the transport contractor. We were informed by the departmental representative that a decision had been taken to recover the cost of lorries but no information was forthcoming regarding actual recovery. As the amount involved is substantial the administrative Ministries should take special steps to recover the amounts due particularly because these amounts have now been outstanding for a very long time. A compliance report about this matter should be submitted to the Committee in their next meeting.

FINANCIAL IRREGULARITIES, LOSSES, ETC.

29. Para 17 of the Audit Report indicates that during the year under review cases of serious irregularities, losses, etc. came to light in the course of audit. The following cases of losses, remissions, write-offs, *ex-gratia* payments etc. have, however, been pointed out in the audit notes to the appropriation accounts of the various Grants :

Grant or Appropriation and Description of the Loss	Name of the Department	Amount
1	2	3
		Rs.
1. Customs—Remission of revenue and abandonment of claims to revenue in 28 cases.	Central Board of Revenue..	61,766
2. Central Excise—Refunds of revenue, write-offs and abatement of duty, etc.	Ditto.	1,16,886
3. Taxes on Income—Remission of revenue and abandonment of claims to revenue.	Ditto.	306
4. Ministry of F.A. and C.R.—Loss incurred on account of fraudulent payment made on bills with forged signatures.	Ministry of F.A. and C.R. . .	35,500
5. Ministry of Commerce and Education—Loss incurred on account of theft of Government money from the Government cash chest.	Ministry of Commerce and Education (Commerce Division).	5,000

1	2	3
		<i>Rs.</i>
6. Civil Works—Loss of a lorry with spare parts and accessories from an air field.	Ministry of Health and Works (Works Division).	7,849
7. Stationery and Printing—Misappropriation of the sale proceeds and subscriptions of Government publications.	Ministry of Industries ..	30,890
8. Baluchistan—Losses incurred on account of misappropriation of stocks and stores, over-payments and unauthorised expenditure.	Ministry of States and Frontier Regions.	4,45,000
9. Karachi—Loss on account of misappropriation and absconding with Government money.	Ministry of Interior ..	3,078
10. Capital outlay on Printing Presses—Loss incurred on account of purchase of obsolete plant and machinery and excess payment on account of rent of building coccupied by the Press.	Ministry of Industries ..	7,86,777

During the course of our examination of the various departmental representatives we have gone into some details in the cases mentioned above. Our findings on the various cases have been incorporated in the minutes of our meetings. Some of these cases are sufficiently serious and we would make the following general recommendations to prevent such cases in future :—

- (i) Most of the losses have occurred due to non-observance of Code Rules. This is a serious aspect of the matters and in future, in all such cases where the Code Rules are not observed by the drawing and disbursing officers, strict disciplinary action should be taken against them.
- (ii) There is a tendency to take an inordinately long time over the investigation of cases involving losses, etc. The delay gives rise to unnecessary complications and in certain cases valuable evidence is destroyed. It is not, therefore, possible to settle these cases satisfactorily after lapse of years. We would, therefore, suggest that in future all such cases should be promptly and vigorously investigated and the defaulter brought to book without loss of time.
- (iii) In all such cases, efforts should be made to fix responsibility and to recover the amount of loss as far as possible from the person at fault.

COMMERCIAL APPENDIX TO THE APPROPRIATION ACCOUNTS
(CIVIL) 1949-50

30. The Government of Pakistan have declared 20 institutions as being of the nature of commercial undertakings out of which two institutions came into existence during 1950-51, and the accounts of 7 institutions have been included in the Commercial Appendix. The accounts of the remaining 11 institutions detailed below have either not been prepared at all by the department concerned or have been compiled in the prescribed *proforma* and have not, therefore, been included in the Commercial Appendix :—

1. Opium Factory, Lahore.
2. Lighthouses and Lightships.
3. Mechanical Cultivation Scheme in Baluchistan.
4. Schemes for exploitation of Ephedra and Asafoetida Plants in Baluchistan.
5. Stations of Radio Pakistan including High Power Transmitter Central News Organisation, Maintenance Department and Radio Journals.
6. Makerwal Colliery in the Punjab.
7. Pakistan Animal Husbandry Research Institute, Peshawar and its sub-station at Comilla.
8. Cattle Farm, Malir.
9. Dairy Development Section.
10. Government Sales Depots including display centres, show rooms, etc.
11. Poultry Farm, Landhi.

The Report of the Public Accounts Committee on the account for 1948-49 had also pointed out to the necessity of maintenance of *proforma* accounts of the commercial institutions. We reiterate the recommendations made therein and recommend that immediate steps should be taken to prepare the *proforma* accounts of 11 institutions mentioned above and also of the 2 other institutions, namely, Sharigh Mines in Baluchistan and Coal Briquetting Plant, Quetta, and that these accounts should be included in the Commercial Appendix to the Appropriation Accounts, 1950-51.

FINANCIAL RESULT

31. The following statement compares the profit and loss of the institutions during the year 1948-49 and 1949-50 :—

Name of concern	Loss(—)	Profit(+)
	1948-49	1949-50
	Rs.	Rs.
(1) Central Excise and Salt Department, Lahore	(—)6,50,165*	17,269
(2) Government-owned salt stores at Saran	5,341	4,641
(3) Medical Stores Department	3,06,665	8,351
(4) Jute Board	—	(—)2,65,035

*This does not include the additional departmental charges of 3 annas, 6 pies per maund which have been included in the accounts for 1949-50. These charges, if included in the accounts for 1948-49, would convert the loss into a profit of Rs. 4,34,555.

The Government of Pakistan Presses, Central Stationery Offices, and Central Publication Branch renders free services to the Service Departments and do not work to profit.

Jute Board, Narayanganj

32. We do not feel satisfied with the arrangements made for the verification of stocks of the Jute Board. Even through the amount involved during the year under report is small in later years much larger transactions have taken place and it is essential that a satisfactory procedure should be evolved which should ensure elimination of all chances of frauds or wrong payments. The measures taken by Government in this respect should be referred to the Committee for their information.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

33. The position of the Defence expenditure incurred during 1949-50 as compared with the original and final grants is as follows :—

	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure	Saving(—) Excess(+)	Percentage
1	2	3	4	5	6
<i>(In Crores of rupees)</i>					
Expenditure met from Revenue:					
Voted	47.22	47.22	62.53	+15.31	32.4
Expenditure met from Capital :	27.13	27.13	12.67	—14.46	53.2
Total	74.35	74.35	75.20	+ .85	1.14

34. There is an excess of 15.31 crores under Revenue Account and a saving of 14.46 crores under Capital Account. One major reason for the variations under the two accounts is an *ad hoc* transfer of Rs. 9 crores from Capital to Revenue decision regarding which was taken after the close of the year. This was done in view of the improved revenue position and also in accordance with the principle that the purchase of stores should as far as possible be charged to Revenue. Apart from this factor the actual expenditure on Revenue Account exceeded the final appropriation by Rs. 6.31 crores for which no supplementary grant was obtained in proper time. We were told that the failure to obtain the supplementary vote was due to an omission. This reason is, however, far from satisfactory and we are at a loss to appreciate how the administrative Ministry could have omitted to regularize the excess of such a substantial amount.

35. There are wide variations between the actual expenditure and the final appropriation under the different main heads—for example, under main head 10—R. P. A. F. the original grant was reduced from Rs. 2.59 crores to 2.43 crores whereas the actual expenditure amounted to 2.76 crores; under major head 86—Stores, the original appropriation for acquisition of capital stores was increased from Rs. 20.79 crores to Rs. 21.17 crores whereas the actual expenditure amounted only to Rs. 18.62 crores. This indicates that no effective control was exercised over the budget or the progress of the expenditure with the consequence that in cases where supplementary grant was required funds were surrendered and on the other hand where it was necessary to surrender the unwanted funds additional funds were obtained. We do hope that in future the Ministry of Defence would take good care to regularize excesses and savings before the close of the year. This can only be possible if the accounts are properly maintained and an effective watch is kept over the progress expenditure.

36. **Compliance Report.**—The Reports of the Public Accounts Committee on the accounts for 1947-48 and 1948-49 point out a number of irregularities in the Defence compilations of those years directing action to be taken on the lines indicated therein. The Ministry of Defence has submitted a detailed compliance report on these points. We have examined this report in detail and our findings are recorded in the minutes of our meeting, dated the 6th August, 1953. We have indicated therein further action to be taken by the Ministry of Defence and have also pointed out the cases where the compliance report was not satisfactory or no compliance report was submitted. We would urge that the Ministry of Defence should take further action on the lines indicated in our minutes referred to above.

37. Financial Irregularities.—The Military Accountant-General's certificate points out the following irregularities involving over Rs. 5,000 in each case in the accounts of the year :—

	Rs.
(1) Construction of a metalled road from Grand Trunk Road to Chishtian..	2,74,293
(2) Issue of clothing and necessaries in excess of the prescribed scales to the cadets at Pre-cadet Training School, Quetta	72,300
(3) Overpayment to Messrs Burma Oil Co., on account of maintenance cost of tankage at Chittagong	76,451
(4) Expenditure on water supply, electricity, purchase of stores, etc. was incurred by Garrison Engineer, Abbottabad, in excess of the Original Appropriation	1,47,525

38. Similar instances came to notice in the accounts for 1947-48 and 1948-49 and we are perturbed to note the continuance of these irregularities from year to year. We would recommend that immediate steps should be taken to regularize these cases and to prevent the recurrence of such irregularities in future.

39. "Non-linking" of goods with the invoices.—In accordance with the prescribed procedure a packing account is received along with the stores purchased from UK and USA. In addition to this a separate invoice is received direct from the High Commissioner's/Ambassador's Office. The Military Accountant-General is then required to like the two and to send the invoice back to the High Commissioner's/Ambassador for claiming any shortages which may have been discovered as a result of this linking from the supplying firms. As it has been explained in the accounts for 1947-48, 1948-49 and 1949-50 cases continue to occur in which the consignees of these stores had not in practice linked the goods actually received by them against the particular consignments as having been despatched to them. The result is that it is not possible for the internal check to satisfy that such consignments have been satisfactorily brought to account by the consignees. We were given to understand that the number of cases outstanding in which linking has not been completed is nearly 900. Naturally we view the state of affairs with great concern. We were informed by the Financial Adviser that a new procedure was being evolved under which the vouchers issued by the High Commissioner would be serially numbered and would thus facilitate linking. We would recommend that Government should give serious consideration to this matter and that a new procedure which might ensure linking should be finalised without any further delay so as to increase the efficacy of the internal check.

40. **Stores Accounts.**—The Military Accountant-General's certificate further points out that the stores accounts were incomplete or not maintained at all or the existence of stocks was not verified by the executive authorities in due time or the stock taking disclosed considerable differences between the counted stock and the ledger balances. We were informed that such cases were on the decrease but nevertheless we feel that effective and immediate steps should be taken to rectify the position. It would facilitate matters if all such cases are reported individually by the Military Accounts Department to the Ministry of Defence with a view to enable them to take necessary action.

41. **Losses of Cash—Overpayment, etc.**—Appendix A to the Appropriation Accounts indicates that cases pertaining to the loss of Rs. 1,15,818 on account of losses of cash, overpayment, etc. were dealt with finally during the year 1949-50. We would suggest that effective steps should be taken for prevention of such losses in future.

42. **Losses on account of stores in transit.**—Appendix B to the Appropriation Accounts points out that the total amount of store losses dealt with finally during the year 1949-50 amounts to Rs. 28,34,496. The corresponding figures for the years 1948-49 and 1947-48 were Rs. 9,66,491 and Rs. 4,55,014. This shows that the amount is progressively on an increase. It was explained by the departmental representatives that this was not due to any increase in the amount of losses but was the result of the settlement of pre-partition cases which were now being cleared up. We take note of it and would remark that in accordance with this explanation the amount of losses to be dealt with during 1950-51 should show appreciable decline. Annexure to Appendix B indicates details of more important losses mentioned in that Appendix. We have gone through all these cases with the assistance of departmental representatives and our findings on some of the cases which appeared to us comparatively more important have been incorporated in our minutes, dated the 6th August, 1953. We would urge further action to be taken on the lines suggested therein.

43. **Audit Report on the Appropriation Accounts, 1948-49.**—Section II of the Audit Report gives important and typical financial irregularities. We have examined these irregularities generally with particular reference to the more important ones reported in paragraphs 8, 9, 11, 14, 17 and 18. Our findings and recommendations on all these cases have been incorporated in the minutes of our proceedings, dated the 6th August, 1953. We would generally remark that there is a persistent tendency towards the continuance of these irregularities from year to year and the matter can only be set right if effective and firm action is taken by the Ministry of Defence.

COMMERCIAL APPENDIX TO THE APPROPRIATION ACCOUNT
(DEFENCE SERVICES)

44. **Military Farms Department.**—The balance outstanding under the head “Sundry Debtors” decreased from Rs. 42.28 lakhs at the end of 1948-49 to Rs. 35.41 lakhs at the end of 1949-50. Of this an amount of Rs. 10.88 lakhs relates to the post-Partition period and the balance to the pre-Partition period. We appreciate that there might be some difficulties in making recoveries in respect of the amounts relating to the pre-Partition period but so fail to see why action should not be taken to recover the amounts relating to post-Partition period. We would urge that early action should be taken in this direction.

45. **Canteen Stores Department.**—The accounts of the Canteen Stores Department are maintained on the basis of trade practices and usage and although it is being run as a Government department its transactions do not enter into Government accounts. The Report of the Public Accounts Committee on the accounts of 1948-49 had also drawn attention to this fact and had suggested that Government should take a decision regarding the question maintaining these accounts on the basis of Government commercial organizations. We were surprised to find that no decision had so far been taken on this account. Since at present the transactions do not enter into Government account, they have not been audited by the Audit Department. We regard this state of affairs as unsatisfactory and would suggest that early action should be taken to put the matter in order.

APPROPRIATION ACCOUNTS (RAILWAYS)

46. The position of the expenditure incurred as compared with the Original and Final Grants during the year 1949-50 is as follows:—

	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure	Saving(—) Excess(+)	Per- centage
1	2	3	4	5	6
<i>(In Crores of rupees)</i>					
Expenditure met from Revenue :					
Voted	29.64	29.64	29.01	— .63	3.1
Non-Voted	3.87	3.90	3.89	— .01	.2
Total	33.51	33.54	32.90	— .64	1.01
Expenditure met from Capital :					
Voted	1.69	2.39	4.59	+2.20	92.05
GRAND TOTAL	35.20	35.93	37.49	+1.56	4.34

47. **Accuracy of budgeting and control on expenditure.**—In the Revenue section of the accounts there is a saving of 1.01 per cent, which may be favourably compared with the corresponding figure of 2.54 per cent for the year 1948-49. In the Capital section, however, the original grant of Rs. 1.69 crores was increased to Rs. 2.39 crores but it still fell short of the actual expenditure by a huge amount of Rs. 2.20 crores. The uncovered excess under Capital Account, therefore, works out to 92.05 crores of the final grant. This, in our view, is extremely unsatisfactory. This excess which has taken place mainly in the stores suspense of the NWR was ascribed to the following reasons :—

- (1) More payments had been made by the High Commissioner in London in the latter portion of the year and adjusted by NWR in the account of March, 1950.
- (2) Debits for purchase of miscellaneous stores have not been received and adjusted in March, 1950 accounts contrary to the original expectations
- (3) Transactions under Suspense Account have been omitted in the estimates of Rationing Accounts Branch.
- (4) Adjustments of more debits under the head "Stock Adjustment Account".

48. We are not satisfied with the reasons given. In our view the omission to regularize such a huge excess is the result of complete lack of control over expenditure by the Railway Administration. There is no reason why the Railways could not ascertain at least at the time of obtaining the supplementary grant that they had made payment in excess of the voted amounts and take action to regularize these excesses. We feel that a closer liaison should be maintained between the Railway Administration and the Purchase Organization in the Office of High Commissioner in London. We hope that steps will be taken to avoid the recurrence of such irregularities in future.

49. The Audit Report mentioned typical cases of defective control over expenditure. Some of them are :—

- (i) excessive supplementary appropriations,
- (ii) inadequate supplementary grant,
- (iii) reduction in the final estimates at the close of the year although the actual expenditure exceeded even the amounts originally provided.

50. We feel that in the case of big establishments like the Railways, it was of utmost importance that the accounts should be maintained up-to-date and correctly and that the control over expenditure should be effective. We hope that proper steps would be taken by the Railway Administration to secure this objective.

51. The Audit Report recommends that as in undivided India the way Administration should intimate to the two Railways the amount fixed in their Revised Estimates for Revenue Grant by the middle of January each year. We have examined the position and suggest that these Estimates should be communicated as early in February as possible.

52. **Forms of demand for grant.**—The Audit Report has been pointing out for the last three years that in order to achieve the objective of exercising better legislative control over expenditure the demand for grant in respect of the working expenses of the Railways should be divided into six demands instead of being presented as one demand as at present. No action has been taken on this suggestion so far although the Public Accounts Committee had drawn attention to it in their Reports on the accounts of the last two years. We would suggest that the matter should be examined by Government urgently and a decision taken thereon.

53. **Rise in the working expenses.**—We have noticed that the working expenses of the Railways have risen at an accelerated pace from year to year. Some of the reasons are understandable, namely, the implementation of the Pay Commission's recommendations, rise in the cost of fuel and operation charges, etc. We are firmly of the view that the rise in the working expenses has been so steep that it must give room for concern. In the case of E. B. Railway particularly, the position is distressing because this Railway has continuously been working at a loss since Partition. We understand that this Railway is still employing surplus staff in certain categories. This, in our view, is not a satisfactory feature of the Railway working and we strongly urge that the Railway Administration should actively pursue the question of absorbing the surplus staff of the E. B. Railway on the N. W. Railway. We further understand that a Committee was appointed in 1949 to inquire into the financial affairs of the E. B. Railway. This Committee, we learn, has since submitted its report and we recommend that this report should be examined urgently with a view to putting the financial affairs of the E. B. Railway on an even keel. We further recommend that the Railway Administration should undertake a thorough study of the problem of rise in working expenses and should devise ways and means for rationalizing the expenses so as to make the Railways a more profitable concern.

This inquiry should be directed particularly towards the affairs of the E. B. Railway in which case the objective should be to make it at least self-supporting and not continue to be a losing concern.

54. **Ticketless travel.**—In this connection we would draw particular attention to ticketless travel. We learn that a special squad of ticket examiners was placed under the Accounts Department in the N. W. Railway and that this experiment had proved a success. It has not been explained why this experiment was not extended to E. B. Railway. We have discussed the position generally with the departmental representative and we feel that even apart from employing special squads for checking ticketless travel, it should be the duty of the Railway Administration to adopt other measures with a view to preventing leakage of revenue. In our view the present position shows laxity of control in this respect. We, therefore, recommend that the Railways should study this problem in all its aspects; thus to determine a magnitude and find out whether it is on the increase or decrease. This would check up the measures being taken to eradicate it and shall also be helpful in taking additional measures to that end. A note on all these points indicating the results achieved on account of the measures taken should be submitted to us by the Railway Administration in our next session.

55. **Stores balances in N.W. Railway.**—We understand that the Standing Finance Committee, during their examination of the Stores budget for 1950-51, detected a heavy increase in the stores balance in the NWR. In accordance with the directive given by that Committee an Enquiry Committee was set up to investigate the matter. An interim report of this Committee had already been received in which they had pointed out that due to late receipt of the particulars of invoices the stores received at higher rates were issued at lower rates and consequently the consuming departments have been less debited. We were told that the Financial Adviser and Chief Accounts Officer, N. W. Railway, had been asked to re-value the stock as on 1st April, 1952, with a view to ascertaining the exact value of the stocks. The position as revealed above is sufficiently alarming. We would suggest that the report of the Stores Enquiry Committee should be carefully studied by the Railway Administration and a note should be incorporated in the Appropriation Accounts for 1950-51 indicating the latest position of the action taken or proposed to be taken on the recommendations of the Committee and also indicating the system that was proposed to be adopted with a view to avoiding such irregularities in future. We have also briefly discussed the supply position. In our view the purchase of stores should be regulated strictly in accordance with the requirements, especially on account of the following reasons :—

- (1) Unnecessary stock-piling amounting to locking up of funds.
- (2) The deterioration of stores resulted in financial loss.

- (3) The trend of falling prices in international market did not warrant unnecessary stock-piling.

56. **Cases of defalcation and losses, etc.**—It has been mentioned in the Audit Report that cases of fraud and irregularities pertaining to the years 1947-48, 1948-49 and 1949-50 have not so far been finalized. We are at a loss to understand why the Railway Administration should take such a long time in settling cases of fraud, misappropriations and defalcations which from their very nature require prompt investigation and immediate decision. The lingering of the cases from year to year resulted in subsequent complications which hindered their proper settlement, e.g., in the case of the cash contractor on the E. B. Railway whose services were terminated in 1948. The matter has not so far been finally decided. We feel that in such cases the investigation should, if so required, be completed by appointing a special officer. We would like to have a compliance report on this subject in due course. We would particularly draw attention to the cases included in Annexure A to the Audit Report and suggest that action to finalize them should be taken without further loss of time.

57. **Expenditure incurred without proper sanction.**—Annexure 'A' to the Appropriation Accounts—Railways—Part II gives a list of the items of expenditure incurred without obtaining proper sanction. A comparative analysis of the figures given therein is as follows :—

	Rs.
(i) Amount of unsanctioned expenditure outstanding on 15th February, 1949	26.86 lakhs.
(ii) Amount of unsanctioned expenditure outstanding on 15th February, 1950	40.52 "
(iii) Amount of unsanctioned expenditure outstanding on 15th February, 1951	84.94 "

We view with disfavour the rising tendency of incurring expenditure without obtaining proper sanction and are firmly of the opinion that effective steps should be taken.

58. We further observe from Annexure A (I) of the Appropriation Accounts that in a number of cases the estimates of works have either not been prepared or sanctioned although the expenditure was in some cases first incurred as far back as August, 1947. We consider the preparation of the detailed estimates as a necessary preliminary to the execution of works. Without the preparation of such estimates it was not possible to follow a proper and pre-arranged plan. We appreciate that in certain cases the change in plan or some other administrative decision necessitates a departure from the detailed estimates but in all such cases the detailed estimates should be properly modified and

competent sanction obtained thereto. We were informed by the Departmental representative that the position in respect of subsequent years had substantially improved. We would recommend that the Railway Administration should, as a rule, refrain from carrying out any work without complying with the necessary pre-requisite of preparing and sanctioning detailed estimates. A Compliance Report to this effect should be submitted to us in due course.

59. **Undercharges.**—Annexure 'B' to the Appropriation Accounts—Part II indicates that the total amount of undercharges detected by Audit during the year under report was Rs. 19.72 lakhs. Of this an amount of Rs. 10.57 lakhs was recovered, an amount of Rs. 10,339 was written off and the balance was under settlement. We have examined the position in some detail and are of the feeling that the Railway Administration are taking an unreasonably long time in settling the cases of undercharges. This we are afraid further provides chances of escape. We recommended that the Railway Administration should, in consultation with their Financial Adviser, investigate the basic causes of the undercharges and should take up remedial measures to rectify the position. A compliance report to this effect should be submitted in due course.

60. **Remissions of revenue.**—Annexure 'C' to the Appropriation Accounts—Part II gives details of remissions and abandonment of claims to revenue during the year under report. In the Public Accounts Committee's Report on the accounts of 1948-49 it was indicated that sufficient justification was not available regarding the remissions, etc. included in the statement of that year's accounts. The details were furnished to us this year and were examined by us as indicated in the proceedings of our meeting, dated 7th August, 1953. In future we would suggest that the details of cases involving Rs. 5,000 and above in each case should be incorporated in the Appropriation Account itself.

APPROPRIATION ACCOUNTS (POSTS AND TELEGRAPHS)

61. The position of the expenditure on Posts and Telegraphs Department incurred during the year 1949-50 as compared with the Original and Final Grant is as follows :—

	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure	Savings(—) Excess(+)	Per-centage
1	2	3	4	5	6
<i>(In Crores of rupees)</i>					
Expenditure met from Revenue :					
Voted	4.20	4.87	5.03	+ .16	3.2
Non-Voted .. .. .	.20	.17	.18	+ .01	5.8
Total	4.40	5.04	5.21	+ .17	3.37

1	2	3	4	5	6
Expenditure met from Capital :		<i>(In Crores of rupees)</i>			
Voted .. .. .	.29	.49	.47	-.02	.4
GRAND TOTAL ..	4.69	5.53	5.68	+ .15	2.7

62. The excess expenditure, as compared with the final overall grant both under Revenue and Capital Account works only to 2.7 per cent as compared with 13.07 per cent being the corresponding figure for the last year. Supplementary grants aggregating to Rs. 86.89 lakhs were obtained by the department of which Rs. 66.56 lakhs pertain to Grant No. 10—Expenditure chargeable to Revenue and the balance to Grant No. 63—Expenditure chargeable to Capital. The amount under Revenue Account proved insufficient to the extent of Rs. 16 lakhs. A detailed examination of the Appropriation Accounts reveals the following typical cases of defective control over expenditure :—

- (1) Unnecessary Supplementary Grants were obtained under Grant No. 10, sub-head D, G-1, H (a)-I, O-I Grant No. 63, sub-head A-III-3.
- (2) In certain cases, reappropriations were made unnecessarily or in excess of requirements. This occurred under Grant No. 10-C-IV, Grant No. 63, A-III, A-IV, B-2.
- (3) In certain cases, injudicious reappropriations were made which caused excesses over allotments. Instances of this type are Grant No. 10, sub-head C-II, A-4. Grant No. 63, sub-head A-II—2 (a), B-W (a).
- (4) There are seven instances in which savings were not surrendered within the proper time.
- (5) In 10 instances, uncovered or unremedied excesses were left without proper regularization.

63. Similar irregularities were noticed in the accounts for 1947-48 and 1948-49 as well. The above instances, however, point out that there is much to be desired in the matter of budgetary control and progress of expenditure. Being an important commercial department of the Government, it is of great importance that the Posts and Telegraphs Department should exercise effective control over its budget and progress of expenditure.

64. One of the main reasons to which the variations under the various sub-heads were attributed by the departmental representatives was the non-receipt of the timely debits from the agencies rendering supplies and service, viz., Director-General, Supply and Development and Public Works Department,

etc. We recommend that the Posts and Telegraphs Department should carefully examine the position and should, in future, ensure that all the liabilities for which the budget provision has been made are duly cleared before the close of the year.

65. **Financial irregularities, losses, etc.**—According to the information available in Audit Office, the total number of defalcation or losses of public money which came to light during the year under report was 20 and the amount involved was Rs. 39,151. The corresponding figures for the previous two years were as follows :—

							Number of cases	Amount involved
								<i>Rs.</i>
1947-48 (post-Partition)	..	..	..	..	..	..	137	64,461
1948-49	..	..	..	..	..	..	61	1,34,455

66. Although the position shows improvement, we are not sure whether all the cases which, under rules, are required to be reported to Audit are regularly being reported. We would recommend that the Posts and Telegraphs Department should take steps to ensure the observance of rules on the subject. It also appears that in bulk of the cases, the departmental employees are responsible for the defalcation, losses, etc. This calls for further effective departmental control. We would suggest that suitable measures should be taken by the Department for the prompt investigation of all cases of defalcation and losses and for fixing responsibility wherever possible.

67. It has been mentioned in the Audit Report that the test audit of certain Posts and Telegraphs Offices has revealed that : (i) service records were not properly maintained, (ii) some of the important registers were either not maintained or maintained improperly, and (iii) in some cases, the accounts were not prepared properly.

68. It has been stated that these defects were due mainly to the non-observance of correct procedure. The departmental representatives maintained that the position in this respect had considerably improved. We would suggest that the latest position should be reported by Audit in their report on the accounts for the year 1950-51.

69. Para 20 of the Audit Report mentions that as in the years 1947-48 and 1948-49, no limit on holdings of stocks in stores depot was prescribed during the year 1949-50 as well. The departmental representatives informed us that a limit of Rs. 1 crore and 4 lakhs had been fixed. We would like this point to be verified by Audit and reported in the next Audit Report.

MOHAMMAD ALI.
M. H. GAZDER.
JNANENDRA CHANDRA MAJUMDAR.
ZAHEERUDDIN CHOWDHURY
MOAZZAM HOSSEIN (LALMIA).
ABDULLA AL-MAHMOOD.
MD. ABUL QUASEM.
A. K. KHAN.

HASAN A. SHAIKH,
Secretary.

KARACHI :
The 28th October, 1953.