

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF THE

GOVERNMENT OF PAKISTAN

FOR THE

YEARS 1957-58 AND 1958-59



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FOREWORD

According to the procedure followed before the abrogation of the 1956 Constitution, every Parliament was required to set up a Public Accounts Committee from amongst its Members for purposes of examining the Central Government's Accounts and the Reports of the Comptroller and Auditor-General thereon in order to satisfy themselves that the Public money as voted by the Parliament was properly utilised. The Committee consisted of not more than six Members and was headed by the Finance Minister.

2. As a consequence of the dissolution of the Central Legislature in October 1958, the Public Accounts Committee also ceased to exist. In order, however, to continue the practice of the examination of the Central Government's Accounts by an independent body with a view to exercising effective and independent control over public expenditure, an *ad hoc* Public Accounts Committee with the following composition was constituted by the President in March, 1960 :—

Chairman

1. Mr. Mohammad Shoaib, Minister for Finance.

Members

2. Mr. Yaqub Shah, Retired Auditor-General of Pakistan.
3. Sardar Barkat Hyat Khan, Director of Associated Cement Company and Managing Director of Rawalpindi Electric Supply Company Ltd.
4. Mr. Ebrahim Khan, Lately Member of the Press Commission.
5. Mr. Jasimuddin Ahmad, Member, Jute Committee.

The Ministry of Finance provided an officer [Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary (Budget)] to act as Secretary of the Committee.

PART I.—REPORT

Introduction

We were called to meet at Rawalpindi on Monday, the 8th January, 1962 for examining the Central Government's Appropriation Accounts for the years 1957-58 and 1958-59 and the Comptroller and Auditor-General's Reports thereon. We remained in session upto the 22nd January, 1962, during the course of which we examined the accounts for the years under report. In all thirteen meetings were held. The proceedings of these meetings are appended to our Report. In accordance with the past practice, these proceedings and the specific recommendations, directions and observations contained therein may be regarded as a part of the Report.

2. In scrutinizing the Appropriation Accounts and the Audit Reports, we have observed the principles laid down in the Ministry of Finance Notification No. S. R. O. 237(K), dated the 3rd March 1960. For convenience of reference they are reproduced below :—

“In scrutinizing the Appropriation Accounts and the Report of the Comptroller and Auditor-General thereon, it shall be the duty of the *ad hoc* 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 re-appropriation has been made in accordance with such rules as may be prescribed by the Finance Ministry.

It shall also be the duty of the *ad hoc* Public Accounts Committee :—

- (a) to examine such trading, manufacturing and profit and loss accounts and balance sheets as may have been required to be prepared together with the reports of the Comptroller and Auditor-General thereon ; and
- (b) to consider the report of the Comptroller and Auditor-General in cases where the Comptroller and Auditor-General was required to conduct the audit of any receipts or to examine the accounts of stores and stocks”.

3. We are thankful to the Comptroller and Auditor-General for bringing to our notice important cases of financial irregularities and instances of improper expenditure of public funds, etc., and also for the

assistance rendered by him and his officers in the examination of the Accounts and the Audit Reports by us. We are also grateful to the officers and the staff of the Ministry of Finance for the trouble taken by them in arranging our meetings, drawing up the proceedings of meetings and preparing the Report.

4. *Compliance Reports.*—The Compliance Reports submitted by the various Ministries on the recommendations and suggestions made and directions given by us in our Report on the Accounts for the years 1954-55, 1955-56 and 1956-57 were also examined by us. In cases where our recommendations and directions were not adequately complied with by the Ministries/Divisions concerned, we indicated further action which is mentioned in the proceedings of our meetings in Part II of the Report.

5. *Preparation of Accounts.*—The previous Committees had been reviewing from year to year the difficulties experienced by the Pakistan Audit and Accounts Department in the timely compilation and submission of Accounts. These difficulties have, to a large extent, been overcome as a result of the various measures taken by the Comptroller and Auditor-General. In order to compile the Appropriation Accounts (Civil) in arrears speedily, it was decided that the Accounts upto the year 1959-60 should be compiled by Grants and Appropriations as a whole instead of by budget sub-heads as usual. This modified plan was not, however, extended to the Railways, Posts and Telegraphs and the Defence Accounts for the following reasons :—

- (a) the Railways and Posts and Telegraphs Accounts were not in arrears ; and
- (b) although Defence Accounts were in arrears to the same extent as the Civil Accounts, yet in view of the fact that there were only two grants involved, it was considered that it should be possible to clear them easily without altering their form.

The Civil Accounts for the years 1957-58 and 1958-59 were compiled in the modified form. We hope that efforts would be continued by the Comptroller and Auditor-General to clear the arrears and to submit the Accounts in time in future.

6. As in the previous years, savings and excesses over voted grants and charged appropriations were reported in a number of cases in the various Accounts during each of the years 1957-58 and 1958-59. Although ordinarily the departmental representatives are required to explain the reasons for the variations under the various sub-heads, it was decided by us in our last session that we should concentrate on cases of financial irregularities, losses, etc., and major instances of savings and excesses. This procedure was adopted by us mainly in view of the fact that three years' accounts were to be examined at a time. Keeping in view the time available for the examination of the various accounts for the years 1957-58 and 1958-59, the magnitude of the work to be handled by us was not less and we, therefore, decided to follow the same procedure for the examination of the Accounts relating to the years 1957-58 and 1958-59. We, however, consider that with the introduction of the revised system of financial control and budgeting, the variations in the Accounts of the subsequent years are likely to be reduced and suggest that the Accounts from the financial year 1960-61 should be examined by the Public Accounts Committee in full details.

GENERAL REVIEW OF THE RESULT OF APPROPRIATION AUDIT

Overall Position

7. *Examination of Appropriation Accounts.*—The following tables summarise the overall results of the appropriation audit during the years 1957-58 and 1958-59 :—

APPROPRIATION ACCOUNTS 1957-58

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving(—)	Percentage
(In Lakhs of Rupees)					
VOTED :					
<i>Expenditure met from Revenue—</i>					
Civil	50.55	61.74	63.01	(—) 1.27	2.06
Defence	90.84	90.84	95.49	(+) 4.65	5.12
Railways	41.83	44.13	44.44	(+) 31	.70
Posts & Telegraphs ..	9.06	9.16	9.36	(+) 20	2.18
Total ..	1,92,28	2,05,87	2,12,30	(+) 6,43	3.12
<i>Expenditure met from Capital—</i>					
Civil	1,63,65	1,73,86	1,58,72	(—) 15,14	8.70
Defence	9.80	9.80	5.30	(—) 4.50	45.92
Railways	17.46	17.45	16.85	(—) 60	3.44
Posts & Telegraphs ..	5.50	5.50	6.15	(+) 65	11.82
Total ..	1,96,41	2,06,61	1,87,02	(—) 19,59	9.48
<i>Disbursement of Loans and Advances ..</i>	6.39	13.80	8.33	(—) 5.47	39.64
Total - VOTED..	3,95,08	4,26,28	4,07,65	(—) 18,63	4.43
CHARGED :					
<i>Expenditure met from Revenue—</i>					
Civil	15.22	16.27	15.68	(—) 59	3.63
Railways	4.83	4.83	4.89	() 6	1.24
Posts & Telegraphs ..	39	44	44	—	—
Total ..	20,44	21,54	21,01	(—) 53	2.46
<i>Expenditure met from Capital—</i>					
Civil	6	6	—	(—) 6	100.00
Total ..	6	6	—	(—) 6	100.00

APPROPRIATION ACCOUNTS 1957-58—contd.

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving(-)	Percentage
(In Lakhs of Rupees)					
<i>Disbursement of Loans and Advances</i>	69,13	69,13	58,63	(-)10,50	15.19
Total—CHARGED ..	89,63	90,73	79,64	(-)11,09	12.22
<i>Repayment of Debt</i> ..	4,44,14	5,90,74	5,39,20	(-)51,54	8.72
Total—Expenditure net from Revenue ..	2,12,72	2,27,41	2,33,31	(+)5,90	2.59
Total—Expenditure net from Capital ..	1,96,47	2,06,67	1,87,02	(-)19,65	9.50
Total—Disbursement of Loans & Advances ..	75,52	82,93	66,96	(-)15,97	19.26
Total—Repayment of Debt ..	4,44,14	5,90,74	5,39,20	(-)51,54	8.72
GRAND TOTAL ..	9,28,85	11,07,75	10,26,49	(-)81,26	7.34

APPROPRIATION ACCOUNTS 1958-59

VOTED :

Expenditure met from Revenue—

Civil	63,40	89,87	85,65	(-)4,22	4.70
Defence	1,18,13	1,18,13	1,16,71	(-)1,42	1.20
Railways	57,43	58,61	61,95	(+)3,34	5.70
Posts & Telegraphs ..	12,29	12,96	13,01	(+) 5	.39
Total ..	2,51,25	2,79,57	2,77,32	(-)2,25	.80

Expenditure met from Capital—

Civil	2,15,99	2,16,96	1,74,08	(-)42,88	19.76
Defence	8,95	8,95	8,75	(-) 20	2.24
Railways	26,27	26,27	22,02	(-) 4,25	16.18
Posts & Telegraphs ..	5,51	5,51	5,44	(-) 7	1.27
Total ..	2,56,72	2,57,69	2,10,29	(-)47,40	18.39

Disbursement of Loans and Advances

.. ..	10,44	10,44	9,60	(-) 84	8.05
Total—VOTED ..	5,18,41	5,47,70	4,97,21	(-)50,49	9.22

CHARGED :

Expenditure met from Revenue—

Civil	21,88	22,83	21,56	(-)1,27	5.56
Railways	6,22	6,38	6,46	(+) 8	1.25
Posts & Telegraphs ..	65	66	68	(+) 2	3.03
Total ..	28,75	29,87	28,70	(-)1,17	3.92

APPROPRIATION ACCOUNTS 1958-59—contd.

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expendi- ture	Variation Excess (+) Saving(-)	Percentage
(In Lakhs of Rupees)					
<i>Expenditure met from Capital—</i>					
Civil	6	6	—	(—) 6	100.00
Total	6	6	—	(—) 6	100.00
<i>Disbursement of Loans and Advances</i>					
	70,62	70,62	43,79	(—)26,83	37.99
Total—CHARGED	99,43	1,00,55	72,49	(—)28,06	27.90
<i>Repayment of Debt</i>	7,38,14	9,66,25	9,78,47	(+)12,22	1.26
Total—Expenditure met from Revenue	2,80,00	3,09,44	3,06,02	(—) 3,42	1.11
Total—Expenditure met from Capital	2,56.78	2,57,75	2,10,29	(—)47,46	18.41
Total—Disbursement of Loans and Advances.	81,06	81,06	53,39	(—)27,67	34.14
Total—Repayment of Debt	7,38,14	9,66,25	9,78,47	(+)12,22	1.26
GRAND TOTAL	13,55,98	16,14,50	15,48,17	(—)66,33	4.11

8. The following tables give an analysis of savings and excesses by main Departments, that is, Civil, Defence, Railways and Posts and Telegraphs for each of the years 1957-58 and 1958-59 :—

APPROPRIATION ACCOUNTS 1957-58

	Final Grant.	Expendi- ture	Excess (+) Saving (-)	Percent- age
(In Lakhs of Rupees)				
(a) Without taking into account the surrenders made :				
Civil	9,25,60	8,43,57	(—)82,03	8.86
Defence	1,00,64	1,00,79	(+) 15	.15
Railways	66,41	66,18	(—) 23	.35
Posts & Telegraphs	15,10	15,95	(+) 85	5.63
Total	11,07,75	10,26,49	(—)81,26	7.34
(b) After taking into account the surrenders made :				
Civil	9,12,66	8,43,57	(—)69,09	7.57
Defence	92,00	1,00,79	(+) 8,79	9.55
Railways	65,20	66,18	(+) 98	1.50
Posts & Telegraphs	15,10	15,95	(+) 85	5.63
Total	10,84,96	10,26,49	(—)58,47	5.38

APPROPRIATION ACCOUNTS 1958-59

	Final Grant	Expenditure	Excess(+) Saving(-)	Percentage
(In Lakhs of Rupees)				
(a) Without taking into account the surrenders made :				
Civil	13,77,03	13,13,15	(-)63,88	4.64
Defence	1,27,08	1,25,46	(-) 1,62	1.27
Railways	91,26	90,43	(-) 83	.91
Posts & Telegraphs	19,13	19,13	—	—
Total	16,14,50	15,48,17	(-)66,33	4.11
(b) After taking into account the surrenders made :				
Civil	13,06,01	13,13,15	(+) 7,14	.55
Defence	1,23,67	1,25,46	(+) 1,79	1.45
Railways	91,06	90,43	(-) 63	.69
Posts & Telegraphs	19,12	19,13	(+) 1	.05
Total	15,39,86	15,48,17	(+)8,31	.54

9. The following tables further analyse the savings and excesses under Revenue, Capital and Loans and Advances :—

APPROPRIATION ACCOUNTS 1957-58

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess(+) Saving(-)	Percentage
(In Lakhs of Rupees)					
CIVIL :					
<i>Expenditure met from Revenue—</i>					
Voted	50,55	61,74	63,01	(+)1,27	2.06
Charged	15,22	16,27	15,68	(-)59	3.63
Total	65,77	78,01	78,69	(+)68	.87
<i>Expenditure met from Capital—</i>					
Voted	1,63,65	1,73,86	1,58,72	(-)15,14	8.71
Charged	6	6	—	(-)6	100.00
Total	1,63,71	1,73,92	1,58,72	(-)15,20	8.74

APPROPRIATION ACCOUNTS 1957-58—Contd.

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess(+) Saving(-)	Percentage
(In Lakhs of Rupees)					
<i>Disbursement of Loans and Advances—</i>					
Voted	6,39	13,80	8,33	(-) 5,47	39.64
Charged	69,13	69,13	58,63	(-)10,50	15.19
Total	75,52	82,93	66,96	(-)15,97	19.26
<i>Repayment of Debt</i>	4,44,14	5,90,74	5,39,20	(-)51,54	8.72
Total—CIVIL	7,49,14	9,25,60	8,43,57	(-)82,03	8.86
DEFENCE :					
<i>Expenditure met from Revenue</i>					
Voted	90,84	90,84	95,49	(+)4,65	5.12
<i>Expenditure met from Capital</i>					
Voted	9,80	9,80	5,30	(-)4,50	45.92
Total—DEFENCE	1,00,64	1,00,64	1,00,79	(+)15	.15
RAILWAYS :					
<i>Expenditure met from Revenue—</i>					
Voted	41,83	44,13	44,44	(+)31	.70
Charged	4,83	4,83	4,89	(-) 6	1.24
Total	46,66	48,96	49,33	(+)37	.76
<i>Expenditure met from Capital—</i>					
Voted	17,46	17,45	16,85	(-)60	3.44
Total—RAILWAYS	64,12	66,41	66,18	(-)23	.35
POSTS & TELEGRAPHS :					
<i>Expenditure met from Revenue—</i>					
Voted	9,06	9,16	9,36	(+)20	2.18
Charged	39	44	44	—	—
Total	9,45	9,60	9,80	(+)20	2.0g

APPROPRIATION ACCOUNTS 1957-58—Contd.

		Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess (+) Saving (-)	Percentage
(In Lakhs of Rupees)						
<i>Expenditure met from Capital—</i>						
Voted	.. ..	5,50	5,50	6,15	(+)65	11.82
Total—POSTS AND TELEGRAPHS	..	14,95	15,10	15,95	(+)85	5.63
GRAND TOTAL	.	9,28,85	11,07,75	10,26,49	(-)-81,26	7.34

APPROPRIATION ACCOUNTS 1958-59

CIVIL :

Expenditure met from Revenue—

Voted	.. ..	63,40	89,87	85,65	(-)-4,22	4.70
Charged	.. ..	21,88	22,83	21,56	(-)-1,27	5.56
Total	..	85,28	1,12,70	1,07,21	(-)-5,49	4.87

Expenditure met from Capital—

Voted	.. ..	2,15,99	2,16,96	1,74,08	(-)-42,88	19.76
Charged	.. ..	6	6	—	(-)-6	100.00
Total	..	2,16,05	2,17,02	1,74,08	(-)-42,94	19.79

Disbursement of Loans and Advances—

Voted	.. ..	10,44	10,44	9,60	(-)-84	8.05
Charged	.. ..	70,62	70,62	43,79	(-)-26,83	37.99
Total	..	81,06	81,06	53,39	(-)-27,67	34.14

Repayment of Debt

	..	7,38,14	9,66,25	9,78,47	(+)-12,22	1.26
Total CIVIL	..	11,20,53	13,77,03	13,13,15	(-)-63,88	4.64

DEFENCE :

Expenditure met from Revenue—

Voted	1,18,13	1,18,13	1,16,71	(-)-1,42	1.20
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Expenditure met from Capital—

Voted	8,95	8,95	8,75	(-)-20	2.24
Total—DEFENCE		1,27,08	1,27,08	1,25,46	(-)-1,62	1.28

APPROPRIATION ACCOUNTS 1957-58—Contd.

			Original Grant or Appropriation	Final Grant or Approp- riation	Actual Expendi- ture	Excess(+) Saving(-)	Percentage
(In Lakhs of Rupees)							
RAILWAYS :							
<i>Expenditure</i>	<i>met</i>	<i>from</i>					
<i>Revenue—</i>							
Voted	..	..	57.43	58.61	61.95	(+)3.34	5.70
Charged	..	..	6.22	6.38	6.46	(+)8	1.25
		Total ..	63.65	64.99	68.41	(-)3.42	5.26
<i>Expenditure</i>	<i>met</i>	<i>from</i>					
<i>Capital—</i>							
Voted	..	..	26.27	26.27	22.02	(-)4.25	16.18
		Total—RAILWAYS..	89.92	91.26	90.43	(-)83	.91
POSTS & TELEGRAPHS :							
<i>Expenditure</i>	<i>met</i>	<i>from</i>					
<i>Revenue—</i>							
Voted	..	..	12.29	12.56	13.01	(+)5	.39
Charged	..	..	65	66	68	(+)2	3.03
		Total ..	12.94	13.62	13.69	(+)7	.51
<i>Expenditure</i>	<i>met</i>	<i>from</i>					
<i>Capital—</i>							
Voted	..	..	5.51	5.51	5.44	(-)7	1.27
		Total—POSTS & TELEGRAPHS	18.45	19.13	19.13	—	—
		GRAND TOTAL ..	13,55.98	16,14.50	15,48.17	(-)66.33	4.11

GENERAL OBSERVATIONS**Control over Expenditure**

10. The percentages of savings and excesses given in the preceding tables indicate that the position of budgetary and expenditure control

during the years 1957-58 and 1958-59 continued to be unsatisfactory although the previous Committees had been emphasizing the importance of paying greater attention to accuracy in budgeting and effectiveness in control over expenditure. As stated earlier, although we did not deal with this aspect of the matter in greater detail during the scrutiny of the Accounts pertaining to the years 1957-58 and 1958-59, we observed in the Audit Reports on these Accounts several instances of defective control over expenditure, of wholly or partly unnecessary supplementary grants, of excesses or uncalled for reappropriations and of wrong and unjustified surrenders. We are strongly of the view that such a state of affairs should not be allowed to continue and recommend that the administrative Ministries should take special measures to ensure that the funds placed at their disposal are properly utilised, the expenditure kept within the authorised limits, the savings surrendered in time and unnecessary supplementary grants are not asked for.

11. With a view to removing the defects in control over expenditure, it is very essential that the reconciliation of departmental figures of accounts with those booked in the Accounts Offices is carried out in time. We note that consequent upon the shifting of the office of the Accountant-General, Pakistan Revenues from Karachi to Jauharabad, it is not possible for the administrative Ministries to do the work of personal reconciliation at Karachi. We recommend that instructions should be issued to all Ministries and Departments by the Accountant-General, Pakistan Revenues informing them that the reconciliation work would be carried out at Jauharabad to which place they should send their representatives. The Accountant-General, Pakistan Revenues should also make the programme fixing the dates when the representatives of the various Ministries/Departments could come to his office at Jauharabad for the reconciliation of departmental figures with those booked in his office.

12. In this context we would also like to point out that at present the excesses are regularised by the President by authenticating schedules of excess expenditure in accordance with the provisions of the Expenditure (Authentications) Order, 1960 that had been promulgated after abrogation of the 1956 Constitution. After the enforcement of the new Constitution, the budget and the statements of excess expenditure would be required to be presented to the Legislature and will have to be defended before them. We desire that all Ministries/Divisions should exercise great care in making budget provision and having control over expenditure and should be prepared to explain the position with regard to the various grants under their control before the new Legislature. For this purpose, the instructions issued by the Ministry of Finance on the subject should be carefully observed by all Ministries/Divisions. We also suggest that any procedural defects in regard to budgeting and control over expenditure that might have been detected by the Ministry of Finance should be brought to the notice of the administrative Ministries for future guidance.

UNCOVERED EXPENDITURE REQUIRING REGULARISATION

13. The statements in Annexures I and II give the particulars of Voted Grants and Charged Appropriations for the years 1957-58 and 1958-59, the expenditure incurred against them and the variations between

the two. In certain cases the actual expenditure has exceeded the final grant or appropriation as indicated in the following statements :—

APPROPRIATION ACCOUNTS 1957-58

A.—Statement of excesses over the Voted Grants which require the approval of the President.

Sl. No.	No. and Name of Grant	Final Grant	Actual Expenditure	Excess requiring the approval of the President
1	2	3	4	5
		Rs.	Rs.	Rs.
1.	1—Ministry of Agriculture ..	17,85,000	21,16,722	3,31,722
2.	10—Cabinet	70,04,000	71,29,781	1,25,781
3.	19—Pakistan Railways	44,12,83,000	44,43,74,480	30,91,480
4.	20—Pakistan Posts and Telegraphs	9,15,97,000	9,36,42,360	20,45,360
5.	21—Central Road Fund	1,19,78,000	1,58,34,559	38,56,559
6.	24—Capital Outlay on Pakistan Posts and Telegraphs Department.	5,50,00,000	6,15,41,297	65,41,297
7.	26—Ministry of Defence	10,94,000	11,13,545	19,545
8.	29—Defence Services	90,84,06,000	95,49,01,968	4,64,95,968
9.	30—Capital Outlay on Civil Aviation	1,38,28,000	2,06,32,254	68,04,254
10.	37—Education	1,69,23,000	1,82,68,454	13,45,454
11.	40—Central Excise and Salt	1,00,66,000	1,12,55,659	11,89,659
12.	43—Currency and Mint	64,86,000	68,26,594	3,40,594
13.	45—Grants in-Aid and Miscellaneous Adjustments between the Central and Provincial Governments.	4,12,42,000	4,12,53,995	11,995
14.	49-A—Capital Outlay on Purchase of Salt.	3,43,000	7,64,056	4,21,056
15.	59—Public Health	33,83,000	35,04,025	1,21,025
16.	60—Capital Outlay on Medical Stores	1,06,81,000	1,12,99,460	6,18,460
17.	65—Stationery & Printing	1,97,97,000	2,04,31,389	6,34,389
18.	67—Capital Outlay on Industrial Development.	24,25,21,000	26,62,82,413	2,37,61,413
19.	72—Pakistan Broadcasting Service	79,69,000	80,40,009	71,009
20.	73—Other Expenditure of the Ministry of Information and Broadcasting.	1,63,000	1,71,657	8,657
21.	89—National Assembly of Pakistan	11,09,000	11,17,407	8,407
22.	90—Ministry of Rehabilitation	9,91,000	11,48,005	1,57,005
23.	91—Rehabilitation of Displaced Persons and Protection of Evacuee Property.	2,42,02,000	3,09,34,962	67,32,962
24.	92—Ministry of States and Frontier Regions.	4,51,000	5,06,633	55,633
25.	94—Ministry of Works	5,62,000	5,72,441	10,441
26.	95—Civil Works	5,43,46,000	9,19,10,133	3,75,64,133

B.—Statement showing the excesses over Charged Appropriations which require the sanction of the Government of Pakistan, Ministry of Finance.

Sl. No.	No. and Name of Appropriation	Final Appropriation	Actual Expenditure	Excess requiring the sanction of the Government of Pakistan
1	2	3	4	5
		Rs.	Rs.	Rs.
1.	—Federal Public Service Commission ..	6,12,000	6,37,597	25,597
2.	—Debt Services	11,28,29,000	12,16,86,734	88,57,734
3.	19—Pakistan Railways	4,82,86,000	4,88,80,985	5,94,985
4.	20—Pakistan Posts and Telegraphs Department	44,00,000	44,24,498	24,498
5.	89—National Assembly of Pakistan ..	17,43,000	17,43,951	951
6.	95—Civil Works	1,51,000	3,62,023	2,11,023

APPROPRIATION ACCOUNTS 1958-59

A.—Statement showing excesses over the Voted Grants which require the approval of the President.

Sl. No.	No. and Name of Grant	Final Grant	Actual Expenditure	Excess requiring the approval of the President
1	2	3	4	5
		Rs.	Rs.	Rs.
1.	1—Ministry of Agriculture	22,54,000	24,44,418	1,90,418
2.	1-A—Other Expenditure of the Ministry of Agriculture .. .. .	..	31,536	31,536
3.	7—Fisheries	8,22,000	12,02,514	3,80,514
4.	8—Capital Outlay on Forests, Agriculture and Fisheries	1,69,22,000	3,13,47,449	1,44,25,449
5.	11—Cabinet	23,80,000	24,10,707	30,707

1	2	3	4	5
		Rs.	Rs.	Rs.
6.	14—Ministry of Commerce	79,67,000	80,50,960	83,960
7.	18—Other Expenditure of the Ministry of Commerce	12,72,000	24,55,097	11,83,097
8.	19—Ministry of Communications ..	5,10,000	5,14,424	4,424
9.	20—Pakistan Railways	58,61,33,000	61,94,61,799	3,33,28,799
10.	21—Pakistan Posts and Telegraphs Department	12,96,02,000	13,00,99,969	4,97,969
11.	22—Central Road Fund	1,93,97,000	2,08,31,550	14,34,550
12.	28—Ministry of Defence	13,80,000	13,85,008	5,008
13.	42—Ministry of Finance	73,21,000	73,63,577	42,577
14.	58—Ministry of Foreign Affairs and Commonwealth Relations	45,03,000	45,13,565	10,565
15.	59—Foreign Affairs	3,91,85,000	3,95,82,073	3,97,073
16.	60-A—Acquisition of New Territories .. ..	..	4,00,69,565	4,00,69,565
17.	65—Capital Outlay on Medical Stores ..	1,41,00,000	1,73,04,393	32,04,393
18.	68—Industries	1,44,000	1,76,286	32,286
19.	72—Capital Outlay on Industrial Development	23,49,85,000	25,57,45,189	2,07,60,189
20.	75—Capital Outlay on Miscellaneous Stores	10,91,42,000	11,09,96,493	18,54,493
21.	76—Ministry of Information and Broadcasting	84,35,000	91,23,218	6,88,218
22.	78—Other Expenditure of the Ministry of Information and Broadcasting ..	1,69,000	1,91,305	22,305
23.	85—Ministry of Kashmir Affairs ..	11,07,000	11,34,366	27,366
24.	87—Capital Outlay on Purchases by the Ministry of Kashmir Affairs ..	1,87,95,000	1,92,76,075	4,81,075
25.	89—Ministry of Labour	17,61,000	18,24,271	63,271
26.	96—Ministry of Rehabilitation	11,59,000	12,33,710	74,710
27.	98—Ministry of States and Frontier Regions.	5,77,000	6,78,137	1,01,137
28.	100—Ministry of Works	7,55,700	9,93,200	2,37,500
29.	101—Civil Works	6,49,48,000	6,50,20,442	72,442

B.—Statement showing the excesses over Charged Appropriation which require the sanction of the Government of Pakistan, Ministry of Finance.

Sl. No.	No. and Name of Appropriation	Final Appropriation	Actual expenditure	Excess requiring the sanction of the Government of Pakistan
		Rs.	Rs.	Rs.
1.	20—Pakistan Railways	6,37,72,000	6,45,99,449	8,27,449
2.	21—Pakistan Posts and Telegraphs Department	65,50,000	68,31,210	2,81,210
3.	—Federal Public Service Commission	10,60,000	10,68,333	8,333
4.	—Debt Services	16,86,02,000	16,98,05,452	12,03,452
5.	—Repayment of Debt	9,66,21,94,000	9,78,46,78,328	12,21,84,328
6.	93—Administration of Justice	7,87,000	7,90,934	3,934

The excesses during each of the years 1957-58 and 1958-59 were the result of inevitable expenditure and we recommend that the same may be regularised.

Non-utilisation of funds provided for Nation-building Activities

14. The following table indicate the savings in the grants for major works during the years 1957-58 and 1958-59 :—

Year	Budget provision	Actual expenditure	Net savings	Percentage of net savings to budget provision
(In Thousands of Rs.)				
1957-58	6,05,27	4,67,02	1,38,25	22.84
1958-59	5,65,70	5,16,76	48,94	8.65

The previous Committees have been deprecating year after year the unhealthy tendency of allowing large funds provided for nation-building activities to lapse. The percentage of net savings to budget provision during the years 1954-55, 1955-56 and 1956-57 was 39.89, 27.27 and 41.67 respectively. During the course of the examination of these Accounts, we had recommended in our meeting held on the 24th December, 1960, that the Ministry of Rehabilitation and Works should set up a committee consisting of the representatives of the Works Division, the Ministry of Finance and a main sponsoring Ministry to devise a detailed procedure to ensure proper budgeting and utilisation of funds for works,

so that unwanted funds are spared for allocation elsewhere. The compliance report of the Ministry of Rehabilitation and Works indicated that it was not considered necessary to set up the committee in view of the introduction of the revised budget procedure and also because instructions had been issued by them to all concerned to the effect that funds should be provided in the budget, only for such works which had duly received administrative approval and expenditure sanction and for which sites were available. Instructions had also been issued to all concerned to the effect that no works other than those necessitated by emergencies should be started without prior sanction to works. We understand that these instructions are being followed rigidly by all concerned. The percentages of savings to the budget provision during 1957-58 and 1958-59 indicate that there was an improvement as compared with the previous years. We hope that the administrative Ministries would continue to follow the instructions issued by the Ministry of Rehabilitation and Works so as to minimize the savings in funds provided for nation-building activities.

Comments on the points raised in the Audit Reports and Individual Accounts

15. Our detailed comments on the points raised in the Audit Reports, individual Accounts and other connected matters are contained in the proceedings of our meetings in Part II, which as stated earlier, form a part of our Report. Important observations and recommendations in this context are, however, contained in the succeeding paragraphs.

16. *Local Audits and Inspections.*—The Comptroller and Auditor-General had reported in paragraph 29 of the Audit Report 1959 that out of 281 Civil Offices included in the local Audit programme of the Office of the Accountant-General, Pakistan Revenues, the initial accounts of 228 offices were test audited during the year 1957-58. The accounts of 164 Civil Offices out of 182 under the audit of other Audit Offices were also test audited locally through their agency. It had not been made clear in this paragraph as to why the accounts of the remaining Civil Offices had not been test audited. The corresponding paragraph in the Accounts for the year 1958-59 also did not indicate the reasons for which the accounts of some of the Civil Offices had not been test audited. We are of the view that some explanation should be included in the Audit Reports for the non-inspection of such offices and recommend that necessary information should be included by the Comptroller and Auditor-General in the Audit Reports of the subsequent years.

17. *Grant No. 12—Other Expenditure of the Cabinet Secretariat—57—Miscellaneous (Page 113 of the Appropriation Accounts 1957-58).*—The original provision of Rs. 8,50,000 was reported to have been reduced to Rs. 1,50,100 by a surrender of Rs. 6,99,900. We observed that in the Accounts of the previous and subsequent years as well, a substantial amount under this grant had been surrendered. The departmental representative could not explain the circumstances under which budget provision was made each year without spending the amounts involved. We consider this situation to be very unsatisfactory and recommend that a report indicating the reasons for the non-utilisation of the budget provision should be submitted to us in the next session. The Ministry of Finance should also examine the circumstances under which budget provision under this grant had been admitted by them every year although a major portion of the same was subsequently surrendered.

18. *Financial Irregularities in Pakistan Missions Abroad.*—Cases of financial irregularities, losses etc., in the Pakistan Missions abroad mentioned in the Audit Reports on the Accounts for the years 1957-58 and 1958-59 were discussed by us with the departmental representative. Our comments and recommendations in regard to each of these cases are contained in the proceedings of our meeting held on the 9th January, 1962. We recommend that the Ministry of External Affairs should implement the recommendation made by us in each case and submit a compliance report in the next session of the Committee.

19. *Price Equalisation Fund (Iron and Steel).*—In paragraph 35 on page 34 of the Audit Report, 1956, it was reported that payments in respect of the Price Equalisation Fund (Iron and Steel) were made to the stockists in violation of the rules on the subject in a number of cases. During the course of the examination of this Report we were informed by the departmental representative in our last session that the irregularities had occurred mainly due to lack of trained staff. We had directed that the Ministry of Industries should borrow experienced officers from the Audit Department so as to improve the condition of accounts of the Price Equalisation Fund (Iron and Steel). We understand that replies to the Audit observations are still pending as the points of difference could not be resolved. We recommend that the Financial Adviser, Industries Division, the Audit Officer, Industries, Supply and Food and a representative of the Comptroller and Auditor-General should meet together to settle this matter. A report in the matter should be submitted to us in the next session.

20. *Outstanding cases of financial irregularities pertaining to the Ministry of States and Frontier Regions.*—The unfinalised cases of financial irregularities, losses etc., pertaining to the Ministry of States and Frontier Regions were discussed by us with the departmental representative and our observations on each of these cases are contained in the proceedings of our meeting held on the 12th January, 1962. The States and Frontier Regions Division should take immediate action to finalise all outstanding cases in accordance with the recommendations made by us and submit a compliance report in our next session.

21. *Financial Irregularities pertaining to the Ministry of Fuel, Power and Natural Resources.*—In the Audit Reports on the Accounts for the years 1957-58 and 1958-59, the Comptroller and Auditor-General had mentioned a number of financial irregularities pertaining to the Ministry of Fuel, Power and Natural Resources. These cases were discussed by us with the departmental representative and our comments and recommendations in regard to each of these cases are recorded in the proceedings of our meetings held on the 11th January, 1962 and 22nd January, 1962. The Natural Resources Division should submit a compliance report in our next session in regard to all of these recommendations.

22. *Irregular re-imburement of Rs. 51,39,183 on account of the losses sustained by Orient Airways Ltd., and over-valuation of its Assets by Rs. 48,18,109.*—During the course of the examination of paragraphs 38(b) and 38(c) on pages 34 and 35 of the Audit Report, 1957, we had recommended in our meeting held on the 30th January, 1961 that a committee consisting of the representatives of the Ministry of Defence, the Financial Adviser, Ministry of Defence and the Comptroller and Auditor-General

should be appointed to look into the question regarding (i) irregular reimbursement of Rs. 51,39,183 on account of the losses sustained by Orient Airways Ltd., and (ii) over-valuation of its assets by Rs. 43,18,109, and a report indicating a statement of facts of the case supported by various documents submitted to us. The Comptroller and Auditor-General informed us that the matter had been discussed with the representatives of the Ministry of Defence in three sittings without reaching any unanimity of opinion on all issues involved in the case. The respective point of view of the Ministry of Defence and the Comptroller and Auditor-General furnished to us in the compliance report of the Comptroller and Auditor-General, indicate that the question in main, is one of legal interpretation and we consider that it should be referred to the Ministry of Law for a ruling. After this, further action should be taken if necessary, by the Ministry of Defence for effecting the recovery from the P.L.A.C. in the light of the ruling given by the Ministry of Law and a report in the matter should be submitted to us in the next session.

23. *Outstanding cases of financial irregularities pertaining to the Ministry of Kashmir Affairs.*—The unfinalised cases of serious financial irregularities pertaining to the Ministry of Kashmir Affairs were examined by us with the assistance of the departmental representative. We observed that in a very large number of the cases final action had not been taken by the Ministry of Kashmir Affairs although these cases had been pending for a period ranging from 3 to 7 years ; some of the cases being still older. This leads us to the conclusion that some of the persons involved had either died or absconded while in some other cases it had been managed to remove the files. We consider that further delay would enhance the number of unfinalised cases of financial irregularities. The unusual delay in finalising these cases reveals an abnormal state of affairs and forces one to the honest misgiving that at least, in majority of these cases the delay was either due to mysterious stagnation or significant indifference. Such a state of affairs cannot be allowed to continue and we recommend that all of these cases should be brought to the notice of the Minister Incharge. The Joint Secretary incharge of the Kashmir Affairs Division should take personal interest in the matter and an officer should be put on special duty to deal with all of the cases. A report indicating the progress of all cases should be submitted to us in the next session.

24. *Grant No. 95—Civil Works (Pages 302—304 of the Appropriation Accounts for the year 1957-58).*—The Accounts under this grant indicated that an excess of Rs. 3,80,01,478 occurred in the actual expenditure over the final grant in the Voted portion. The departmental representative could not explain to us the circumstances under which the excess had not been regularised. We take a very serious view of this position and desire that departmental action should be taken against the officers whose negligence of duty resulted in the huge excess having remained uncovered. We would also like to point out that during the course of the examination of the other grants controlled by the Ministry of Rehabilitation and Works, it came to our notice that huge variations had occurred during the years 1957-58 and 1958-59 between the final grant and the actual expenditure in many cases. This indicates that the budgets had been framed very carelessly and due regard had not been paid to the instructions issued by the Ministry of Finance, at the time of regularisation of savings and excesses under the various grants. The Works Division should take suitable steps to avoid recurrence of such cases in future. We

also recommend that all Ministries/Divisions should take appropriate steps to avoid such variations in the accounts in future.

25. *Financial Irregularities in the purchase of Foodstuffs.*—A number of financial irregularities pertaining to the Ministry of Food and Agriculture were brought to our notice in the Audit Reports on the Accounts for the years 1957-58 and 1958-59. The objections raised by us in a number of cases dealing with the purchase of rice, sugar and vanaspati ghee were discussed with the departmental representative and our observations and recommendations in regard to these cases are contained in the proceedings of our meeting held on the 16th January, 1962. The Ministry of Food and Agriculture should implement the recommendations made by us and submit a compliance report in the next session.

COMMERCIAL ACCOUNTS 1957-58 AND 1958-59

26. The Government of Pakistan have declared 16 organisations as commercial, the accounts of which are required to be maintained in the commercial form and published in the Commercial Accounts and Audit Reports thereon along-with the connected financial reviews and audit comments. The Commercial Accounts for the years 1957-58 and 1958-59, however, do not contain the current as also some arrear accounts of certain institutions. Various reasons for the omissions have been given but none of these are quite satisfactory. We consider that it should have been possible for the departments concerned to compile the required accounts in time for incorporation in the Commercial Accounts. This is a serious matter and we recommend that the Ministries concerned should take suitable steps to compile the proforma commercial accounts of the institutions under their control without further delay.

27. *Government Sales Depots, Display Centres and Show Rooms (Para. 17 on page 5 of the Commercial Accounts for the year 1957-58).*—The Comptroller and Auditor-General had reported that the accounts of the Government Sales Depots, etc., for the year 1955-56 onwards had not been prepared by the Department so far. The delay had been ascribed to the failure on the part of the Deputy Director Chittagong to compile the accounts of Chittagong Centre. We were informed by the departmental representative that consequent upon decentralisation, they had wound up these offices and had transferred the staff to the Provincial Government which had also resulted in delay. It is very unfortunate that even after a lapse of so many years, the department had not been able to compile the Accounts. We recommend that the Comptroller and Auditor General should be consulted by the Industries Division in order to ascertain whether it was possible to prepare these accounts at this stage, or to waive the preparation thereof. A report in the matter should be submitted to us in the next session.

28. *Government of Pakistan Presses (Paragraph 28 on page 20 of the Commercial Accounts 1958-59).*—The percentages of indirect charges to the direct payments to workmen were reported to be varying from press to press and from year to year. In the case of Cypher Printing Press Karachi, the percentages for the years 1956-57, 1957-58 and 1958-59 were reported to be 334.7, 129.4 and 133.7 respectively. The departmental representative could not furnish the reasons for the large disparities in percentages. We recommend that the matter should be examined by the Industries Division and a report indicating the reasons for the variations submitted to us in the next session.

29. *Medical Stores Depot, Lahore (Para. 155 on page 108 of the Commercial Accounts for the year 1958-59).*—The Comptroller and Auditor-General had reported that although it had been certified in note 3 below the stores accounts of the Medical Stores Depot, Lahore that the closing balance was not in excess of the normal requirements, it was observed that a number of items appeared to be much in excess of actual requirements. A few instances were given in the Audit Report. This had resulted in unnecessary blocking of Government capital and some maximum and minimum limits of the various items of stocks were required to be fixed under the orders of the competent authority. The departmental representative informed us that it was not possible to do so due to the fact that the number of hospitals and dispensaries were regularly on the increase. We feel that in spite of this position, it is very desirable to fix the limits and to keep the essential stores in suitable quantities. This should be done by the Ministry of Health, Labour and Social Welfare and a report submitted to us in the next session.

30. *Lighthouses and Lightships Department (Para. 142 on page 85 of the Commercial Accounts, 1957-58).*—The Comptroller and Auditor-General had reported that pensionary charges relating to Karachi District had been provided for on *ad hoc* basis at Rs. 2,545 during the year 1957-58 against Rs. 4,400 provided for likewise in the previous year. Necessary adjustment on the basis of actuals obtained from the Accounts Officer was required to be carried out in the Accounts for 1958-59. Similar adjustments in respect of the years 1954-55 and 1955-56 were also required to be carried out in the next year's Accounts. The departmental representative informed us that the requisite information for carrying out the necessary adjustments had not been received by them from the Accountant-General, Pakistan Revenues. We recommend that the question regarding furnishing of actuals in such cases by Accountant-General, Pakistan Revenues should be examined by the Comptroller and Auditor-General and arrangements should be made for coordination of this work between the Director of Commercial Audit and the Accountant-General, Pakistan Revenues.

31. *Lighthouses and Lightships Department (Para. 125 on page 91 of the Commercial Accounts, 1958-59).*—It had been reported in this paragraph that during the year 1958-59, a capital expenditure of Rs. 628 was incurred mainly on purchase of certain equipment in Chittagong District. Light Vessels 'Pussur' and 'Thibaw' had been decommissioned and declared scrap and efforts were being made to sell them by calling tenders. The Comptroller and Auditor-General informed us that all the staff had been maintained by the Department from the year 1954 although the Light Vessels had been decommissioned. We consider that unnecessary expenditure was incurred in this case and recommend that an enquiry should be instituted by the Ministry of Communications and a detailed report indicating the circumstances under which the entire staff was retained after 1954 should be submitted to us in the next session. We would also like to know the amount of expenditure incurred on the maintenance of the staff after the year 1954.

32. *Scheme for Exploitation of Ephedra in Quetta Region and Working Results (Para. 77 on page 51 of the Commercial Accounts for the year 1957-58).*—It had been reported in paragraph 77 of the Commercial Accounts for the year 1957-58 that the working of the scheme for exploitation of Ephedra in Quetta Region, for the year 1951-52 disclosed a

net profit of Rs. 1,10,413 as compared with that of Rs. 1,05,362 for 1950-51. The working for the year 1952-53 disclosed a net profit of Rs. 21,004 only. The departmental representative informed us that the variations in the profit could be due to some adjustments in the accounts and also due to the fact that the prices were not always uniform. The explanation furnished by the departmental representative was of a general nature and did not specify the reasons for the substantial variations in the working results of the scheme. We consider that this question should be examined by the Ministry of Food and Agriculture with reference to the Accounts for the years 1951-52 to 1954-55 and a report indicating the exact reasons for the variations in the working results of the scheme submitted to us in the next session.

We understand that this scheme had been introduced to help the people of Baluchistan. It is, however, not clear to us why it is necessary to continue this scheme to be a Government concern and not owned by the people. We recommend that a review of the commercial activities of the Government should be undertaken by the Ministries concerned to see which of these activities were essentially Governmental and whether any commercial scheme could be passed on to the people in the form of private enterprise.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES) 1957-58 AND 1958-59 AND COMMERCIAL APPENDICES THERE TO

33. The position of the Defence expenditure incurred during the years 1957-58 and 1958-59 compared with the original and final grants for each of these years is as follows :—

Year	Original Grant	Final Grant	Actual Expenditure	Saving () Excess (-)	Percentage
(Rs. in lakhs.)					
1957-58	1,00.64	1,00.64	1,00.79	+ 15	15
1958-59	1,27.08	1,27.08	1,25.46	- 1.62	1.27

The percentage of variations during the years 1954-55, 1955-56 and 1956-57 was 10.83, 11.57 and 20.42 respectively. The table above indicates that there had been definite improvement during the years 1957-58 and 1958-59 in regard to accuracy in budgeting and we hope that the Ministry of Defence would take suitable measures to minimise the variations between the estimates and the actuals in future years.

34. *Losses of Stores.*—In the Audit Reports on the Accounts for the years 1957-58 and 1958-59, the Comptroller and Auditor-General had mentioned a number of cases of losses and shortages of stores caused by various reasons. The losses of stores that had occurred during 1955-56 to 1957-58 on account of theft, defective storage and deterioration, etc., were of the order of Rs. 96 lakhs. The Comptroller and Auditor-General informed us that the amount of losses written off from 1947-48 to 1958-59 amounted to Rs. 4,06,13,313. The amount of these losses is very

heavy and indicates that special efforts are required to be made to avoid the same in future. We desire that the percentages of losses for each of the year 1947-48 to 1958-59 should be worked out and submitted to us for information. As regards the losses due to defective storage, we understand that the storage accommodation is very inadequate. The only remedy in this connection is the building of new storage accommodation subject to availability of funds for that purpose. We hope that the Ministry of Defence would take suitable steps for working out a scheme for securing funds for storage accommodation. Other arrangements in this connection should also be tightened up by the Ministry of Defence so as to avoid recurrence of such losses.

35. *Military Farms*.—The actual trading results of the Military Farms in respect of the period 15th August, 1947 to 31st March, 1958 as given in paragraph 1 on page 4 of the Commercial Appendix (Defence Services) for the year 1957-58 revealed that the percentage of profit overfluctuated from year to year. One of the reasons for marked fluctuations was stated to be increased expenditure on feed of animals and miscellaneous stores, etc., without proportionate increase in the amount of turnover and miscellaneous income. The departmental representative informed us that the expenditure had considerably increased without an increase in the turnover in proportion to the expenditure due to the fact that the general tendency was to reduce the profit and to work the farms on a no profit no loss basis. As regards the variations, we were informed that most of these Military Farms were running on a loss or on a very nominal profit. The loss was offset by the sale proceeds of agricultural produce in the case of Okara Farm. The sale proceeds of that Farm varied from Rs. 15 to Rs. 30 lakhs according to the crop yield. We desire that the exact reasons for the variations in the trading results of the Military Farms should be ascertained by the Ministry of Defence and a report submitted to us in the next session.

APPROPRIATION ACCOUNTS (RAILWAYS) 1957-58 AND 1958-59

36. The position of the actual expenditure incurred as compared to the original and final grants during the years 1957-58 and 1958-59 is as follows :—

Year	Original Grant	Final Grant	Actual Expenditure	Saving (—) Excess (+)	Percentage
(Rs. in lakhs)					
1957-58	64.12	66.41	66.18	—23	·35
1958-59	89.92	91.26	90.43	— 83	·91

The percentages of variations in the final grant worked out to 7.51, 4.59 and 3.57 respectively during 1954-55, 1955-56 and 1956-57. Against this the percentages for the years 1957-58 and 1958-59 are only .35 and .91 respectively. This position shows sufficient improvement in estimating and we hope that the extent of variations would decrease in subsequent years.

37. *Revision of the form of Appropriation Accounts (Railways)*.—Certain changes in the form of Appropriation Accounts (Railways) and classification had been introduced with effect from the year 1958-59 with our approval (*vide* para. 2 of the proceedings of our meeting held on the

3rd February, 1961) One of these changes was that the statement showing details of items of unsanctioned expenditure formerly included as Annexure (i) had been discontinued. The main reason for the discontinuation of this statement was that in the detailed working of the Railways decisions had to be taken from time to time to incur expenditure of commercial nature. While the overall position remained under review, the individual items of such expenditure which ultimately appeared in the Report, made it so bulky that it was not possible to examine it and it was therefore considered that the details served no useful purpose. We were also informed that it had been felt that the Public Accounts Committee might not be interested to know details of all items of unsanctioned expenditure and it had, therefore, been decided to include a consolidated statement of unsanctioned expenditure relating to the year under report as also the previous years. On reconsideration of this matter, we feel that this question requires re-examination as items of unsanctioned expenditure upto a certain limit might be shown in details in the Appropriation Accounts. We recommend that the matter should be re-examined accordingly by the Ministry of Communications (Railways Wing) and the Comptroller and Auditor-General and a report submitted to us in the next session.

38. *Revision of the limits of variations for the purpose of furnishing of explanations in the accounts.*—Another change introduced in the Appropriation Accounts (Railways) was that the limits for the purpose of furnishing explanations for the variations in the accounts had been revised. In the previous form of accounts, no explanations for the variations were given if the variation was 5 percent of the Grant or Appropriation or Rs. 1 lakh whichever was less ; or in the case of capital grant for new construction 10 percent or Rs. 5 lakhs whichever was less. Against this, the revised limit was 10 percent of the Grant or Appropriation or Rs. 2 lakhs whichever was less or in the case of capital grant for new construction 20 percent or Rs. 10 lakhs whichever was less. The Comptroller and Auditor-General informed us that the limit had been enhanced due to the fact that under the previous limits, the Appropriation Accounts included many explanations for variations which could not be examined in details. Another difficulty was that the number of sub-heads in the Railways Accounts was so small that the explanations for the variations were often not properly understood. The Railway Board had been urged to increase the number of the detailed heads so that the explanations for the variations could become understandable with reference to each head as in the case of Civil Accounts. We recommend that the question of re-fixing of limits for explaining the variations in the Appropriation Accounts should also be re-examined by the Ministry of Communications (Railway Wing) in consultation with the Comptroller and Auditor-General and the result reported to us in the next session.

39. *Financial Irregularities, etc.*—The cases of financial irregularities, losses, etc., mentioned in the Railway Audit Reports on the Accounts for the years, 1957-58 and 1958-59 were discussed by us with the departmental representative and our observations on each of these cases are contained in the proceedings of our meetings held on the 18th and 19th January, 1962. The Comptroller and Auditor-General informed us that most of these cases had not yet been finalised by the Railway Board and it appeared that it would take some time to finalise these cases. We recommend that all unfinalised cases should be settled expeditiously by the Ministry of Communications (Railway Wing) and compliance reported to us.

**APPROPRIATION ACCOUNTS (POSTS AND TELEGRAPHS)
1957-58 AND 1958-59**

40. The position of the expenditure on Posts and Telegraphs Department incurred during the years 1957-58 and 1958-59 as compared with the original and final grants is as follows :—

Year	Original Grant	Final Grant	Actual Expenditure	Saving (-) Excess (-)	Percentage
(Rs. in lakhs.)					
1957-58	14,95	15,10	15,95	+ 85	5.63
1958-59	18,45	19,13	19,13	..	..

The year 1957-58 indicated an excess of 5.63 percent both under Revenue and Capital Accounts as compared to an excess of .37 percent in 1956-57 and of .28 percent in 1955-56. As in the past, the Audit Reports on the Accounts for 1957-58 and 1958-59 included cases of re-appropriations obtained unnecessarily, injudicious re-appropriations causing excesses over allotments, non-surrender of savings and unremedied or uncovered excesses. These cases indicate the necessity of better control over expenditure and we recommend that the Department should take suitable steps to avoid recurrence of instances of defective control over expenditure.

41. *Working Results.*—An analysis of the working results of the various branches of the Posts and Telegraphs Department is indicated below :—

Branches	Profit (+)/Loss (-)		1957-58		1958-59			
	1955-56	1956-57	1957-58	1958-59	1957-58	1958-59		
(In Thousand of Rupees)								
Post Office	—	30.19	—	21.81	—	32.51	—	44.46
Telegraphs	+	17.46	+	4.55	—	23.43	—	31.45
Radios	+	15.61	—	11	+	3.56	—	17.08
Telephones	+	1,70,28	+	1,94,20	+	2,37,08	+	3,94,36
Total :	+	1,73,16	+	1,76,83	+	1,84,70	+	3,01,37

The Audit Report 1960 indicated that the accumulated surplus to the end of the year 1958-59, after meeting the losses incurred during the years 1947-48 and 1949-50 amounted to Rs. 13,67,48,000.

42. *Financial Irregularities, Losses, etc.*—As in the past, the Audit Report on the Accounts for the years 1957-58 and 1958-59 mentioned a number of defalcations or losses of public money, etc. The number of these cases increased during the year 1958-59 as compared with the previous years although the amount involved was less. The departmental representative informed us that the number of cases of such irregularities was bound to increase consequent upon the increase in the number of Post Offices. We consider that this does not reflect well on the Posts and Telegraphs Department and recommend that the Department should continue to exercise due vigilance in order to reduce the number of such cases.

GENERAL CONCLUSIONS AND REMARKS

43. The previous Committees have been recommending from time to time that the Secretaries Joint Secretaries in-charge of the administrative Ministries should attend the meeting of the Public Accounts Committee personally. We, however, noticed that in certain cases the Ministries were not represented by the Secretaries Joint Secretaries in-charge. In case of one Ministry, an intimation was received by us on the date fixed for the meeting for that Ministry, explaining the circumstances under which the Secretary in-charge was unable to attend the meeting. We feel that the administrative Ministries should give sufficient notice to the Public Accounts Committee, in case the Secretary Joint Secretary in-charge is unable to attend the meeting. We would however, reiterate that the Secretary in-charge of the Ministry should himself appear before the Committee at the time of the examination of the Accounts relating to his Ministry.

44. In our last report, we had directed that the recommendations and directions of the Public Accounts Committee should be brought to the notice of the Minister in-charge. In some cases the compliance reports of the administrative Ministries merely indicated that this recommendation had been noted by them. Such indications in the Compliance Reports are not sufficient. We recommend that the Ministries Divisions should invariably indicate precisely the action taken by them on each recommendation of the Public Accounts Committee.

45. The Comptroller and Auditor-General informed us that it had been noticed by him in scrutiny that some of the statements made by the departmental representatives in the last session of the Public Accounts Committee were subsequently found to be incorrect. A list of such cases was furnished to us by the Comptroller and Auditor-General and the departmental representatives were questioned in this regard in each of the cases. We consider that in all of these cases the departmental representatives evidently went invariably in favour of the persons involved and if this was done intentionally, it was required to be discouraged. We, therefore, desire that the heads of the department's concerned should ensure in future that the statements made before the Public Accounts Committee are correct.

46. In our last session we had decided that in order to facilitate our examination of the accounts, all Ministries Divisions should furnish their replies in writing on the various points brought out in the Audit Reports and the Appropriation Accounts to be considered by us and copies of the statements thus furnished by the Ministries should be circulated to us sufficiently in advance of our meetings in future. In accordance with this directive, the administrative Ministries Divisions were asked by the

Public Accounts Committee Secretariat to furnish their written replies on the points brought out in the accounts for the years 1957-58 and 1958-59. We understand that the statements were not sent in time by some of the Ministries with the result that very little or no time was available at our disposal for the study of these statements. The very purpose for which we had decided to obtain these statements is defeated in case these are not furnished to us in advance of the meetings. The administrative Ministries Divisions should, therefore, ensure that their written replies on the points brought out in the Accounts to be examined by us are furnished sufficiently in advance of our meeting.

47. During the course of the examination of the statements of written replies on the points brought out in the Appropriation Accounts for the years 1957-58 and 1958-59, furnished to us by one Ministry, it came to our notice that in some cases the Accountant-General, Pakistan Revenues had not incorporated in the Appropriation Accounts, explanations on certain points although the same had been communicated to him by the administrative Ministry. The Comptroller and Auditor-General informed us that the paragraphs proposed to be included in the Audit Reports and other audit comments under the various grants controlled by each Ministry/Department were shown to them in draft by the Accountant-General, Pakistan Revenues. The administrative Ministries were required to furnish to the Accountant-General, Pakistan Revenues their agreement or comments with regard to these paragraphs within a period of six weeks. As the accounts had to be finalised and printed within a specified period, it was not possible to incorporate any information that was furnished by the Departments after the prescribed period. The departmental representative informed us that it was very difficult for them to furnish the requisite information within a period of six weeks as they had to collect the necessary data from various offices. We desire that the question regarding extension of the time limit prescribed for the submission of replies by the administrative Ministries on the draft paragraphs for the Audit Reports, etc., should be considered by the Comptroller and Auditor-General and a report submitted to us in the next session.

48. The Audit Reports on the Accounts for the years 1957-58 and 1958-59 indicated that the rules laid down by the Cabinet Division for the use of staff cars were not observed in many cases. All Ministries/Divisions should issue instructions for the observance of the rules for the use of staff cars very strictly. We understand that Government Offices had no staff cars before the Second World War. The necessity for the maintenance of the staff cars by the various Ministries/Departments should be reviewed by the Cabinet Division and a report submitted to us in the next session.

49. The Compliance Reports of most of the administrative Ministries, Divisions indicated that the directions of a general nature made by us in our Report on the Accounts for the years 1954-55 to 1956-57 had been noted by them. The departmental representatives were questioned in such cases to let us know whether any specific action on the recommendations of a general nature made by us had been taken by them. In one case we were informed that instructions had been issued by the administrative Ministry to all the attached and subordinate offices to send performance reports in order to ensure that all directions were complied with. The calling of such reports from the attached and subordinate offices is a very commendable action on the part of the administrative Ministry and we hope that all other Ministries/Divisions would take similar action in respect of their attached and subordinate offices.

50. We agree to the proposal of the Ministry of Finance contained in Annexure III on the subject of raising of limits of the expenditure on important new works for the purpose of preparation of detailed statements thereof for incorporation in the Appropriation Accounts.

MOHAMMAD SHOAIB,
Chairman.

YAQUB SHAH,
Member.

SARDAR BARKAT HYAT KHAN,
Member.

EBRAHIM KHAN,
Member.

JASIMUDDIN AHMAD,
Member.

ABDUR RAOUF,
Secretary of the Public Accounts Committee.

RAWALPINDI :
The 2nd December, 1962.

PART II.—PROCEEDINGS

Proceedings of the first meeting of the Public Accounts Committee held on Monday the 8th January, 1962 at 4.00 P.M.

The Public Accounts Committee met in Pakistan Secretariat-I Rawalpindi at 4-00 p.m. on Monday, the 8th January, 1962 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Sardar Barkat Hyat Khan, Member.
3. Mr. Ebrahim Khan, Member.
4. Mr. Ghulam Abbas, Comptroller and Auditor General.
5. Rana M. Yasin, P.A. & A.S., Accountant General, Pakistan Revenues.
6. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor General.
7. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

*Departmental Representatives***PRESIDENT'S SECRETARIAT**

8. Mr. N. A. Faruqi, C.S.P., Cabinet Secretary.
9. Mr. Mumtaz Hasan, Secretary, Planning Division.
10. Mr. S. M. Afzal, Secretary, Federal Public Service Commission.
11. Mr. Azizul Hasan, Deputy Secretary, Cabinet Division.
12. Mr. Abid Husain, Deputy Secretary, Establishment Division.
13. Mr. A. Waheed, Deputy Secretary, President's Secretariat (Public).
14. Mr. Nazir Ahmad, Deputy Secretary, Planning Division.
15. Mr. A. Ghafur, Assistant Secretary, President's Secretariat (Personal).

MINISTRY OF LAW

16. Mr. Aminul Islam, Joint Secretary.

Secretary of the Public Accounts Committee

17. Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

2. In accordance with the agenda for the day's meeting the compliance reports and the accounts pertaining to the President's Secretariat and the Ministry of Law were to be examined by the Public Accounts Committee. The Secretary Establishment Division was not present. The Committee desired to know the reasons for his absence. The departmental representative explained that the Establishment Secretary was required to

be present at Karachi for discussions with the Pay and Services Commission and had not, therefore, been able personally to attend the meeting.

3. The Committee then took up the examination of the Compliance Reports of the President's Secretariat on the recommendations made by the Public Accounts Committee in their Report on the Accounts for the years 1954-55 to 1956-57.

4. *B-Specific—3. No. 1 (Page 310 of the Compliance Report) and S. No. 1 (Page 325 of the Compliance Report).*—The Public Accounts Committee had desired that a copy of the Tosha Khana Rules should be submitted to them for perusal and observations. They had also recommended that the rules in respect of gifts received by Ministers and others should be suitably amended so as to cover the gifts received by the wives of Ministers also. With their compliance report the President's Secretariat had submitted a copy of the existing and revised draft Tosha Khana Rules. The compliance report stated that in a D. O. letter, dated the 20th March, 1961 addressed to Ministers, Government's decision was communicated to them to the effect that the rules for the acceptance of gifts by the President and the Ministers be framed on the following lines :—

- (i) Gifts should not be accepted from one's subordinates or from non-officials who may have to do business with the Ministry concerned in any form except from delegations from abroad whose gifts could not be refused without causing offence. In this case also the acceptance is subject to the condition that the gift is not costly.
- (ii) Gifts offered abroad, or within Pakistan, by official dignitaries of comparable or higher level may be accepted. Gifts offered abroad by others should be discouraged except where the product of an institution or industry is offered at the time of a visit to that institution or industry, and the gift is not costly.
- (iii) If the gift received is capable of being used in a Government office department or at official residence, it should be used accordingly. If the gift cannot be so used, the recipient may retain it for his own use.

Mr. Yaqub Shah pointed out that the revised draft Tosha Khana Rules did not include any provision to cover the gifts received by the wives of Ministers as had been recommended by the Committee. He also pointed out that the instructions issued by the President's Secretariat on the 20th March, 1961 regarding acceptance of gifts by the President, Ministers and Secretaries to Government were different from the provision of the revised draft Tosha Khana Rules and should be incorporated in them.

The Comptroller and Auditor General pointed out that the exact intention of the Public Accounts Committee in making the recommendation regarding gifts received by Ministers was that since individual Ministers received gifts in their capacity as Ministers or as associates of Government, the gifts received should always be deposited in the Tosha Khana and that this procedure should also apply in the case of gifts received by the wives of Ministers. He added that the instructions issued by the President's Secretariat on the 20th March, 1961 did not comply with this recommendation. On the contrary it had been provided in these instructions that in

certain cases the gifts could be retained by the recipients. The Comptroller and Auditor General was of the view that the gifts should be reported in all cases and returned either to the Tosha Khana or to the Cabinet Secretariat. He added that a certain monetary limit should be laid down beyond which all gifts should be brought on charge.

The departmental representative admitted that in drafting the revised Tosha Khana Rules the instructions issued by the President's Secretariat on the 20th March, 1961 were over-looked and that the rules required amendment. The Chairman pointed out that the instructions issued on the 20th March, 1961 also required amendment due to the fact that when a gift was to be used in a Government office or at official residence, it was to be reported and brought on charge. The Committee desired that necessary action in both the cases should be taken by the President's Secretariat and compliance reported to them in the next session.

Another point raised by the Comptroller and Auditor General in this connection was that the rules regarding the acceptance of gifts should apply in all cases equally and it was not desirable that Ministers should be exempted from depositing the gifts in the Tosha Khana. A distinction could however be drawn between the gifts to be received by a Minister and by a Government servant. The Committee agreed that the acceptance of gifts by the Ministers could be liberalised, but once the gift had been received, the same treatment should be laid down for both Government servants and Ministers in regard to gifts received by them. In this connection the Comptroller and Auditor General further pointed out that in the instructions issued by the President's Secretariat on the 20th March, 1961, Secretaries to Government had been included along with the Ministers but other Government servants had been omitted. The departmental representative stated that the matter was being already examined and would be reported to the Cabinet shortly. The Chairman promised that the views expressed by the Public Accounts Committee would be placed by him before the Cabinet when the matter is submitted to them for consideration.

5. *S. No. 2 on page 310 of the Compliance Report.*—During the course of examination of the compliance report of the Pakistan Posts and Telegraphs Department, the Public Accounts Committee in their meeting held on the 1st February, 1961 had been informed by the Posts and Telegraphs Department, that the old procedure of obtaining prior sanction from the Ministry of Home Affairs for prosecuting a Government servant had been changed and that the prosecution sanction could be issued by the appointing authority in accordance with a ruling given by the Ministry of Law under which disciplinary action could be instituted and finalised against an accused Government servant without waiting for the finalisation of the case against him in a court of law. The Committee had asked the Posts and Telegraphs Department to communicate that ruling to the Establishment Division for necessary action. In their compliance report the Establishment Division had stated that no reference in this regard had been received by them from the Posts and Telegraphs Department. It had, however, been decided by the Establishment Division that the departmental proceedings should be conducted and completed in all cases—even in those cases, which were serious or strong enough to be sent to a court of law later. The departmental representative stated that the ruling given by the Ministry of Law had since been received by them but the instructions already issued by them in the matter covered

the point that had been raised by the Public Accounts Committee. The Committee however observed that the orders issued by the President's Secretariat in the matter were not appropriately worded and directed that revised instructions should be issued by them in order to make the position absolutely clear.

6 The Committee then took up an examination of the grants controlled by the Ministry of Law.

7. *Paragraph 23 on page 20 of the Appropriation Accounts 1957-58.*— This paragraph related to journeys on tour performed by two high officials in East and West Pakistan at the expense of Government ; although on examination of their travelling allowance bills it was found that Rs. 17,937 and Rs. 808 paid to them as Travelling Allowance were not admissible under the rules. The Committee desired to know the position regarding recoveries of these over-payments. The departmental representative stated that the amount of Rs. 808 had been written off, whereas the question of recovery of the amount of Rs. 17,937 from the official concerned was still pending. The Committee directed that the position should be regularised by the Ministry of Law either by effecting recovery from the official concerned or by write off and compliance reported to them in the next session.

8. *Paragraph 23 on page 24 of the Appropriation Accounts 1957-58.*— It was stated in this paragraph that out of 281 civil offices included in the local audit programme of the office of the Accountant General, Pakistan Revenues, the initial accounts of 228 offices were test audited during the year 1957-58. The Accounts of 164 civil offices out of 182 under the audit of other audit offices were also test audited locally through their agency. Mr. Yaqub Shah pointed out that it had not been made clear in this paragraph as to why the accounts of the remaining civil offices had not been test audited. He added that the corresponding paragraph in the accounts for the year 1958-59 also did not indicate the reasons for which the accounts of some of the civil offices had not been test audited. He was of the view that some explanation should be included in the Audit Report for the non-inspection of such offices. The Comptroller and Auditor General stated that necessary information would be included in the Accounts of the subsequent years.

9. At this stage the Chairman pointed out that the scales of personal staff of all categories had been drastically reduced in accordance with a Government decision. He desired to know whether the reduced scale had been applied in the case of Supreme Court of Pakistan and whether any procedure had been laid down to ensure that decisions of a general nature taken by Government were considered for application in the Law Courts also. The departmental representative stated that this matter would be examined by the Ministry of Law and a report submitted to the Committee in the next session.

10. The Committee then took up the examination of the grants controlled by the President's Secretariat.

11. *Grant No. 12—Other Expenditure of the Cabinet Secretariat—57-Miscellaneous (Page 113 of the Appropriation Accounts 1957-58).*— The original provision of Rs. 8,50,000 was reduced to Rs. 1,50,100 by a surrender of Rs. 6,99,900. The Chairman pointed out that in the accounts

of the previous as well as subsequent year a substantial amount under this Grant had been surrendered. The Committee desired to know the circumstances under which budget provision for the amount was made each year without spending it. The departmental representative stated that the matter would be examined and a report submitted to the Committee in the next session. The Chairman also desired that the Ministry of Finance should examine the circumstances under which budget provision was admitted every year under this grant although a major portion of it was subsequently surrendered.

12. *Paragraph 55 on page 38 of the Appropriation Accounts, 1957-58—Secret Service Expenditure—President's Secretariat.*—It was stated in this paragraph that the certificates of Secret Service Expenditure received had not been accepted in Audit as the discrepancy in the figures of actual expenditure had not been reconciled and the matter was being pursued. The departmental representative stated that the position was that at the end of 1954-55 the then Prime Minister gave a certificate about some Secret Service Expenditure in which a sum of Rs. 20,842/6/- was included in the expenditure in Pakistan currency though it was actually payable in foreign currency. But the foreign mission which was supposed to have made this payment did not pay it and therefore, it was not shown in the accounts. Again an unspent amount of about Rs. 9,000 was refunded to Government, as not being required and this was carried forward to the next year. The Accountant-General Pakistan Revenues, in the circumstances had asked for a revised certificate for the year 1954-55. The departmental representative desired that the position in this regard might be regularised by the Public Accounts Committee as it was very difficult to get a revised certificate. The Committee directed that the statements of accounts in respect of the previous years should be submitted by the President's Secretariat to the Comptroller and Auditor-General who should report whether the matter could be regularised (*See paragraph 29 of the Proceedings, dated 16th January, 1962*).

13. The Cabinet Secretary raised the point that the huge variations in the grants pertaining to the Cabinet Division were mainly due to the fact that although they acted as a coordinating agency in respect of the Grants of the Ministers, the actual expenditure relating to the salary and travelling allowance of Ministers was incurred by the Ministries concerned. They did not get full and timely information regarding the actual expenditure from the Ministries and the Accounts Offices. The Comptroller and Auditor-General pointed out that in accordance with the prescribed procedure, monthly statements of expenditure were furnished by the Accountant-General, Pakistan Revenues to all Ministries including the Cabinet Division. The Ministries/Departments were required to carry out reconciliation of these figures with their own accounts. It was not possible to furnish full details of each bill or voucher to all Ministries except in the case of foreign missions. The monthly statements of expenditure sent to the Cabinet Division could be checked by them and the discrepancies could be set right by personal reconciliation in accordance with the prescribed procedure. Mr. Yaqub Shah suggested that the Cabinet Secretary and the Accountant-General, Pakistan Revenues should meet and evolve a procedure in order to solve this problem. This suggestion was accepted by the Committee.

14. The Committee then took up the examination of the grants controlled by the Planning Division.

15. *Grant No. 32—Ministry of Economic Affairs—President's Secretariat (Planning Commission) (Page 148 of the Appropriation Accounts 1957-58).*—An expenditure of Rs. 13,53,664 was incurred against the final provision of Rs. 13,53,800 in this case. The Committee desired to know the reasons for the savings of Rs. 5,136. The departmental representative stated that the saving was due to the fact that certain telephone bills were awaited by them and had not been received by the close of the year.

16. Mr. Yaqub Shah desired to know whether the representatives of the Planning Division could give an idea of the economic progress in China on the basis of the study made by them during their last visit to that country. The Secretary, Planning Division stated that a report in the matter had been submitted by them to Government. He added that China had been a very backward country in the past but a good deal of effort had since been made by that country with the help of the vast manpower available to them so as to reach a level of production and standard of living that was creditable to a country of that description.

17. The representatives of the President's Secretariat and the Ministry of Law then withdrew and the Committee started general discussions.

18. The Chairman pointed out that as in the previous years, savings/excesses over voted grants and charged appropriations had been reported in a number of cases in the Accounts during both the years 1957-58 and 1958-59. These excesses would have to be regularised in due course. Although ordinarily the Public Accounts Committee were required to know the reasons for variations between the final grants and the actual expenditure and to examine them, it had been decided by them in their last session that they would not concentrate on savings and excesses. This procedure had been adopted mainly in view of the fact that three years' accounts were to be examined at a time. As even now two years' accounts had to be dealt with, the work involved was substantial. He was, therefore, of the view that the same procedure might be followed by the Committee for the examination of the Accounts relating to the years 1957-58 and 1958-59. Mr. Yaqub Shah pointed out that with the introduction of the revised system of financial control and budgeting, the variations in the Accounts of the subsequent years were likely to be reduced and suggested that the Accounts from the financial year 1960-61 might be examined by the Public Accounts Committee in full details. This suggestion was accepted by the Committee.

20. The Committee then adjourned to meet again on Tuesday, the 9th January, 1962 at 4:00 P.M.

Proceedings of the Second Meeting of the Public Accounts Committee held on Tuesday, the 9th January, 1962 at 4-00 P.M.

The Public Accounts Committee met in Pakistan Secretariat-I, Rawalpindi, at 4-00 P.M. on Tuesday, the 9th January, 1962 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Sardar Barkat Hyat Khan, Member.
3. Mr. Ebrahim Khan, Member.
4. Mr. Jasimuddin Ahmad, Member.
5. Mr. Ghulam Abbas, Comptroller and Auditor-General.
6. Rana M. Yasin, P.A. & A.S., Accountant-General, Pakistan Revenues.
7. Mr. M. A. Subzwari, P.A. & A.S., Director, Commercial Audit.
8. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor-General.
9. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives

MINISTRY OF NATIONAL RECONSTRUCTION AND INFORMATION

10. Mr. S. Hashim Raza, S.Q.A., C.S.P., Secretary.
11. Mr. Mohammad Sabir, S.P.K., Deputy Secretary.
12. Mr. Zain-ul-Abedin, Deputy Secretary.
13. Mr. A. R. Bashir, C.S.P., Deputy Financial Adviser.
14. Mr. Rashid Ahmad, Director-General, Radio Pakistan.
15. Mr. Riaz Ahmad, Chief Engineer, Radio Pakistan.
16. Mr. G. G. Farid, Director of Films and Public Relations.
17. Mr. F. D. Douglas, Principal Information Officer.

MINISTRY OF EXTERNAL AFFAIRS

18. Mr. S. S. Jafri, C.S.P., Financial Adviser.
19. Mr. Farhat Ali, Director (Office).

Secretary of the Public Accounts Committee

20. Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

2. The proceedings commenced with the examination of the compliance report of the Ministry of National Reconstruction and Information on the recommendations of the Public Accounts Committee on the accounts for the years 1954-55 to 1956-57.

3. *B-Specific—S No. 1 (page 302 of the Compliance Report).*—The Committee had recommended that the Ministry of National Reconstruction and Information should consider the possibility of preparing consolidated up-to-date accounts of the Radio Pakistan in respect of previous years and report compliance to them. In their compliance report, the Ministry of National Reconstruction and Information had stated that it had not been possible for them to bring the accounts up-to-date due to the shortage of staff required for the purpose. If the entire work relating to previous years was required to be completed urgently, the strength of the staff would have to be increased. Mr. Yaqub Shah stated that the compliance report of the Ministry of National Reconstruction and Information indicated that they were making efforts to prepare the accounts in respect of each Radio Station in order to see whether it was commercially successful. He was of the view that it was unnecessary to prepare the accounts in respect of the previous years for each station separately. This suggestion was accepted by the Public Accounts Committee and they directed that since the Radio Pakistan had started a Commercial Service on an experimental basis a procedure should be evolved in the Ministry of National Reconstruction and Information for maintaining the commercial accounts for that commercial service only. On the basis of these accounts it should be decided whether the commercial service should be continued or not.

4. *S. No. 3 (page 302 of the Compliance Report).*—The Public Accounts Committee had recommended that the result of the discussions made by the Ministry of National Reconstruction and Information with the Ministry of Commerce for reducing the prices of Radio sets should be reported to them in the next session. The compliance report of the Ministry of National Reconstruction and Information indicated that the matter was still being pursued with the Ministry of Commerce. The Committee observed that since the foreign exchange allocation had been increased three to four times this should have helped in reducing the prices of Radio sets. The departmental representative explained that though the foreign exchange allocation for the purpose had increased the number of assemblers in Pakistan had also increased and it was considered that it would not be possible to reduce the prices of Radio sets unless the number of assemblers was reduced. The Chairman observed that the reduction in the number of assemblers in the country would not help in solving the problem as there had been instances where one or two units in the entire control of an Industry had been charging too high prices because they had the monopoly with the result that Government had ultimately to resort to direct import. The Committee desired that it should be examined by the Ministry of National Reconstruction and Information as to why, inspite of the increased allocation of foreign exchange that had been made available to the Industry, the impact on prices was nil. A working party should, therefore, be set up to go into this question in details and compliance reported in the next session.

5. *S. No. 5 on page 303 of the Compliance Report—Paragraph 22 on page 29 of Commercial Accounts, 1955-56.*—The Public Accounts Committee had recommended that the result of the efforts made by the Ministry of National Reconstruction and Information to recover the amount mis-appropriated by a cashier of Radio Station should be reported to them. In their compliance report the Ministry of National Reconstruction and Information had stated that the cashier involved in the case had filed an appeal against the decision of the lower court, and pending

a decision on that appeal, the question of recovering the mis-appropriated amount was pending. On an inquiry by the Chairman the departmental representative stated that for the purpose of surety bond the official concerned was required either to give a cash security or to provide a surety equivalent to the value of the security and that in the case of cashiers they did not take fidelity bond. Mr. Yaqub Shah, pointed out that except in the case of librarians every body else could get a fidelity bond and this procedure might be adopted in the case of cashiers as well. The Committee directed that the suggestion should be examined by the Ministry of National Reconstruction and Information and the result reported to them in the next session.

6. The Committee then took up an examination of the grants controlled by the Ministry of National Reconstruction and Information for the years 1957-58 and 1958-59.

7. *Grant No. 12—Other Expenditure of the Cabinet Secretariat (page 113 of the Appropriation Accounts, 1957-58).*—The original grant of Rs. 8,50,000 was reduced to Rs. 1,50,100 by a surrender of Rs. 6,99,900. Referring to the observations made by the Public Accounts Committee in respect of this grant (*vide* paragraph No. 11 of the proceedings of the Public Accounts Committee meeting held on the 8th January, 1962), Mr. Yaqub Shah desired to know the circumstances under which unnecessary budget provision had been made under this grant. The Chairman stated that in the Accounts for the years 1956-57 and 1958-59 also about 83% and 42% of the original grants was surrendered. The Public Accounts Committee desired to know the circumstances under which this grant was pitched so high as compared with the actual amount required. The departmental representative stated that budget provision under this grant pertaining to the Bureau of National Reconstruction was made for the East and West Pakistan Association which was formed to promote inter-zonal contacts. The association came into existence but it never actually worked. He added that the grant was actually controlled by the President's Secretariat in the years to which the Accounts pertained. They anticipated every year that they would be able to spend the money provided in the budget but it could not be done.

8. The representatives of the Ministry of National Reconstruction and Information then withdrew.

9. The next item on the agenda for the day's meeting was the examination of the compliance report and the Accounts pertaining to the Ministry of External Affairs. Secretary, Ministry of External Affairs had not come to attend the meeting personally. The Chairman read out a letter that had been received by the Secretariat of the Public Accounts Committee on the 9th January, 1962 from the Ministry of External Affairs indicating the circumstances under which Secretary, External Affairs was unable to attend the meeting. The Committee felt that the Ministry of External Affairs should have given a sufficient notice to the Public Accounts Committee regarding the absence of Secretary, External Affairs. They felt that the Public Accounts Committee was entitled to some more courtesy and directed that in cases where the Secretary Incharge of the Ministry was unable to come to attend the meeting, he should inform the Public Accounts Committee Secretariat well in advance of the meeting.

10. The Committee then commenced examination of the compliance report of the Ministry of External Affairs on the recommendations made by them on the Accounts for the years 1954-55 to 1956-57.

11. *A-General—S. No. 12 on page 57 of the Compliance Report.*—The Committee had directed that the recommendations and directions of the Public Accounts Committee should be brought to the notice of the Minister-in-Charge. The compliance report of the Ministry of External Affairs merely indicated that this recommendation had been noted by them. The Committee observed that in case of some other Ministries as well the compliance report gave a similar indication which was not sufficient. They directed that the Ministries/Divisions should invariably indicate precisely the action taken by them on each recommendation of the Public Accounts Committee.

12. At this stage Mr. Ebrahim Khan desired to know why the names of the officials responsible for financial irregularities, losses, etc., reported in the Audit Reports were not given therein. The Chairman stated that in accordance with the standing practice which was followed in all other countries the names of officials were not indicated. Particulars of such officers were known to the Ministries concerned as well as the Audit Department and could be communicated to the Public Accounts Committee if they so desired.

13. *B-Specific—S. No. 1 on page 58 of the Compliance Report.*—The Committee had directed that renewed instructions should be issued by the Ministry of External Affairs to all Missions abroad asking them to verify the statements of expenditure of Pakistan Missions abroad sent under the revised procedure and a report indicating the results achieved and action taken against those who failed to comply with the instructions submitted to them. In their compliance report the Ministry of External Affairs had stated that according to the latest instructions reconciliation of audit and departmental figures was to be done by the Accountant-General Pakistan Revenues in direct correspondence with the Missions concerned and the Ministry of External Affairs only received statements of reconciled expenditure. No reconciled figures had so far been received in the Ministry and reminders had been sent to the Missions as well as to the Accountant-General, Pakistan Revenues. The Comptroller and Auditor-General, pointed out that in accordance with the standing instructions the reconciliation was to be done direct between the Missions and the Accountant-General, Pakistan Revenues. As the Accountant-General, Pakistan Revenues was not required to send any intimation to the Ministry of External Affairs, the question of reminding him did not arise. The departmental representative explained that they had been receiving complaints from the Missions abroad to the effect that statements of actual expenditure booked in the Accountant-General, Pakistan Revenues office were not received by them with the result that reconciliation could not be carried out. The Comptroller and Auditor-General explained that all outstanding statements had already been furnished to the Missions concerned for each month. If, however, some statements were missing these could be called for by the Missions concerned. The departmental representative stated that improvements in the condition of accounts could be effected only in case a senior officer of the Audit Department was deputed by the Comptroller and Auditor-General for the purpose. The Committee observed that the possibility of re-employment of a retired officer of the Pakistan Audit Department for the purpose might be examined by the Ministry of External Affairs

in consultation with the Comptroller and Auditor-General. As regards the reconciliation of the figures, the Committee directed that the reconciliation of departmental figures with those booked in the Audit Office should be carried out regularly in future.

14. *S. No. 4 on page 59 of the Compliance Report.*—The Committee had directed that the Ministry of External Affairs should make efforts to effect recoveries of the amounts involved in the cases of financial irregularities in the Missions of Australia and Calcutta and submit a report of the progress made in each case. In their compliance report the Ministry of External Affairs had stated that in the case of the Mission in Australia recoveries of Rs. 1,11,000 were the due from the head of Mission. The amount had been partly recovered and the balance was being paid by the person concerned in instalments. The Comptroller and Auditor General pointed out that the amount involved was actually Rs. 1,55,176 out of which a sum of Rs. 12,343 had been recovered leaving a balance of Rs. 1,42,833. The details are given below :—

S. No.	Year of Appr. A/c.	Refer. to Para No.	Amount Involved	Brief Particulars	Position known to Audit
1.	1951-52	19(iii)	23,407	Unauthorised journey by the Head of the Mission and his staff.	A sum of Rs. 10,500 has been recovered leaving a balance of Rs. 16,307.
2.	1951-52	19(vi)	3,400	Unauthorised travelling expenses of the sister of the High Commissioner.	
3.	1951-52	19(iv)	24,423	Overpayment of T. A. at a rate fixed by the Head of the Mission without requisite Govt. sanction.	Recovery not yet made.
4.	1951-52	19(v)	3,661	Irregular advances and payments by Head of the Mission :— (i) Rs. 1842/14/6 remitted to the relatives of an officer of the Mission. (ii) Payment of Rs. 349/7 to a squash champion. (iii) Advance of Rs. 1468/7 paid to an officer pending fixation of pay.	Rs. 1842/14/6 shown against (i) have been recovered. The balance amount of Rs. 1817/14 (349/7+1468/7) is still outstanding.
5.	1951-52	19(ix)	24,722	Overpayment of foreign allowance.	Amount not yet recovered.
6.	1951-52	19(xi)	23,182	Heavy expenditure of Rs. 66,332 was incurred on entertainment during 1950-51 to 1952-53 against the total budget provision of Rs. 43,150.	Excess expenditure not yet regularised.
7.	1951-52	19(xii)	52,381	Unauthorised expenditure on repairs and furnishings of the Head of the Mission's residence and office.	Not yet regularised.
			1,55,176		

The Committee desired that the position in this regard should be checked up by the Ministry of External Affairs in consultation with the Comptroller and Auditor-General and the exact amount involved and the latest position of its recovery/regularisation reported to them in the next session.

As regards the cases mentioned in para. 19(vii) and 19(viii) of Audit Report 1953 relating to outstanding advance of Rs. 5,103 against the Deputy High Commissioner, Calcutta and irregular payment of medical expenses amounting to Rs. 11,601, the departmental representative stated that the case had been handed over for legal action on the advice of the Ministry of Law. The Committee directed that the latest position of this case should be reported to them in the next session.

15. *S. No. 8 on page 60 of the Compliance Report—Paragraph 20 (1) (5) of Audit Report, 1954.*—The Committee had recommended that the Ministry of External Affairs should submit a detailed report on the case pertaining to transfer of Government money to the personal account of an officer for the purchase of a car for his use resulting in a loss to Government to the extent of Rs. 9,233. In their compliance report the Ministry of External Affairs had stated that necessary information regarding this case was being collected by them. The Committee was not satisfied with the report of the Ministry of External Affairs. They felt that issue of reminders to the heads of the Missions was not sufficient in such cases. The matter should have been pursued vigorously by the Ministry of External Affairs in time in order to finalise this case. They directed that a report should be submitted to them regarding this case before the conclusion of the current session. (See para. 20 of the proceedings dated 22nd January, 1962).

16. *S. No. 9 on page 60 of the Compliance Report—Paragraph 28(a) (i), (ii) & (iii) of Audit Report, 1955.*—The Committee had directed that the Ministry of External Affairs should apprise them of the up-to-date position of the case relating to over-payment of travelling allowance in a Mission amounting to Rs. 14,086. In their compliance report the Ministry of External Affairs had stated that on further examination it was found that it would be difficult to effect recoveries and that the question of waiving them off was under consideration with the Financial Adviser, Ministry of External Affairs. The departmental representative stated that a sum of Rs. 13,347 had been written off and the balance amount of Rs. 739 still remained to be regularised. The Chairman pointed out that the report of the Ministry of External Affairs indicated that a number of officers were involved in the case. The audit objections in main were that some officials were paid daily allowances in excess of the amount admissible under the rules. This appeared to have happened in cases of all officers in the Missions on each occasion whenever they travelled and thus the amount increased to thousands of rupees. The problem involved in this case was that daily allowance for the days of arrival and departure was drawn at full rates against half as admissible. The rules governing the grant of travelling allowance and daily allowance abroad were, however, revised on the lines of those applicable in Pakistan. He desired that the Comptroller and Auditor-General should check up and report to the Public Accounts Committee whether the change contemplated in these rules had since been promulgated.

17. The Committee observed that action regarding effecting the recovery from the Heads of the Missions or other officials concerned

should not be delayed by the Ministry of External Affairs on account of their representation. They felt that recoveries had been pending from the Heads of the Missions and other officials for years together. In cases where the officer concerned was himself the drawing officer, he should be asked to make payment of the amount involved otherwise disciplinary action should be taken against him. In other cases orders for effecting recoveries should be issued to the Heads of the Missions. Necessary instructions in this regard should be issued by the Ministry of External Affairs.

The Committee also directed that the Ministry of External Affairs should submit a statement indicating separately the cases of the Heads of the Missions and other Officers from whom recoveries of outstanding amounts were to be effected.

18. At this stage, Sardar Barkat Hyat Khan left the room with the permission of the Chairman.

19. *S. No. 10 on page 60 of the Compliance Report.*—The Committee had recommended that the case mentioned in para. 31(a) of Audit Report, 1955 relating to misappropriation of Government money amounting to Rs. 63,190, due to laxity in supervision and non-maintenance of proper cash book by the cashier of a certain Pakistan Embassy should be regularised and a report submitted to them. In their compliance report the Ministry of External Affairs had stated that the case was entrusted to the Special Police Establishment who had completed the investigations with the exception of the statement of the Auditor and that the proceedings would be launched in a court of law as soon as the statement of the Auditor was available. The Chairman enquired if any progress had been made in regard to the statement of the Auditor. The departmental representative stated that the case was filed in a court of law and the first hearing took place on the 8th December, 1961. The Committee directed that the case should be finalised without further delay and a report submitted to them in their next session.

20. *S. No. 12 on page 60 of the Compliance Report.*—The Committee had recommended that the Ministry of External Affairs should submit a detailed report in respect of the case mentioned in para. 31(c) of Audit Report, 1955 relating to misappropriation of a sum of Rs. 35,976 against the collection of Passport fees. In their compliance report the Ministry of External Affairs had stated that all the relevant records were with the Special Police who had not completed their investigations. The Committee directed that the case should be progressed and a report submitted in their next session.

21. *S. No. 13 on page 60 of the Compliance Report—Paragraph 32(a) of Audit Report, 1955.*—The Committee had recommended that the Ministry of External Affairs should submit a report indicating the result of the action taken in a case relating to mis-appropriation of Rs. 1,500 by an officer in one Mission. In their compliance report the Ministry of External Affairs had stated that in this case a Government car was sold to a fictitious person and was subsequently hired for the use of the Head of the Mission before the arrival of his official car. The officer who was responsible for the irregularity was screened out in 1959. Pending the arrival of the official car, a car had to be hired for the Head of the Mission; the expenditure was thus un-avoidable. The departmental representative stated that in this case the question of any mis-appropriation of funds did not arise and it was difficult to determine from which officer

the recovery of the amount involved should be effected. The Committee directed that this question should be examined by the Financial Adviser, Ministry of External Affairs in consultation with the Comptroller and Auditor-General and a report submitted to them in the next session.

22. *S. No. 19 on page 62 of Compliance Report—S. No. 8 on page 551 of Audit Report, 1956.*—The Committee had recommended that the Ministry of External Affairs should submit a report on the case relating to loss of Rs. 27,081 due to financial irregularities committed by the head of a Mission including the drawal of travelling allowance advance for his wife, irregular drawal of wages, etc. The departmental representative explained that the case was now being pursued. Mr. Yaqub Shah desired to know if there was any chance of recovery from the person concerned after such a long period. The departmental representative explained that the case was being referred to the court of law in accordance with the advice given by the Ministry of Law. The Committee felt that the Ministry of External Affairs should not have taken such a long time in instituting legal proceedings in this case.

23. *S. No. 25 on page 63 of the Compliance Report—Paragraph 48 of Audit Report, 1958.*—The Committee had recommended that the Ministry of External Affairs should consider the question of taking disciplinary action against the officer responsible for the payment of a sum of Rs. 1,853 to a first Secretary in a Mission on account of the refund of income-tax in spite of the fact that no authority from the Income-tax department authorising the refund had been received. In their compliance report the Ministry of External Affairs had stated that the officer concerned had been asked to deposit the amount received by him by way of income-tax refund and to claim it subsequently as required under the rules. He had been asked not to commit such irregularities in future. The Chairman observed that in such cases the heads of the Missions who made payments themselves had a greater responsibility in view of the fact that the accuracy of the payments was not checked in advance by an Audit Officer. The Committee desired that the Ministry of External Affairs should issue instructions to all heads of Missions concerned explaining to them the necessity of making all payments very carefully in view of the fact that they disbursed moneys without prior check by Audit.

24. *S. No. 15 (on page 61 of the Compliance Report).*—The Committee had recommended that the Ministry of External Affairs should submit a report on the action taken on the unfinalised cases of financial irregularities, etc., pertaining to that Ministry. The report submitted by the Ministry of External Affairs (Annexure XIII on page 97 of the compliance report) was examined by the Committee with the following results :—

- (i) *S. No. 5—Para. 19(XV) of Audit Report, 1953.*—This related to financial irregularities on the purchase of coal, sugar and steel. In their compliance report the Ministry of External Affairs had stated that the paragraph related to the Ministry of Commerce who had been asked to take necessary action. The Chairman pointed out that the irregularity had been pointed out in 1952-53, and it was not clear why it was pending for such a long period, when this item did not concern the Ministry of External Affairs. The Committee observed that the Ministry of External Affairs should be in a position to explain these cases as the irregularities had occurred in one

of the Missions abroad. They desired that the question should be examined by the Ministry of External Affairs in consultation with the Comptroller and Auditor-General and the Ministry of Industries and a report submitted to them.

- (ii) *S. No. 6—Para. 28(b) of Audit Report 1955.*—Payments were made for dental treatment amounting to Rs. 1,940 and the conveyance charges and special nursing charges amounting to Rs. 1,824 which were not re-imbursable. The explanation of the Ministry of External Affairs indicated that the Missions concerned were under the impression that the dental charges were admissible under the rules. The Committee observed that the rules on the subject were well known and quite clear and every Government servant was supposed to know them. The payment should be regularised.
- (iii) *S. No. 12—Para. 30(a) of Audit Report 1955.*—This related to payment of daily allowance in lieu of foreign and house rent allowances in an Embassy to an officer and members of the staff of the Mission for themselves and their families newly arriving on transfer at a station, in excess of the limits prescribed under rules. The over payments during the period from October, 1953 to February, 1955 amounted to Rs. 5,645. The recovery from the individuals concerned was stated to have been held up under the orders of the Ministry of External Affairs till a decision on a general basis was taken in the matter. This decision was awaited. The report of the Ministry of External Affairs indicated that the Embassy concerned was ordered to recover the amount involved from the persons concerned. While taking action for the recovery of the amount, the Embassy concerned sought clarification on certain points. The position having been clarified to the Embassy, their final report was now awaited. The Committee observed that this case was 7 years old and recommended that the position should be regularised by the Ministry of External Affairs without further delay.
- (iv) *S. No. 16—Para. 31(e) of Audit Report, 1955.*—Very costly accommodation was provided for two officers in a Mission abroad. Rent and furniture hire @ Rs. 670 per month were paid for the flat supplied to a 3rd Secretary with a salary of Rs. 475 per month and rent @ Rs. 450 per month was paid for a flat occupied by the other officer drawing emoluments @ Rs. 396 per month. In their compliance report the Ministry of External Affairs had stated that no rent ceiling had so far been fixed for the Mission in question. The head of the Mission was fully empowered to hire suitable furnished accommodation for the various categories of officers serving in the Mission. The Chairman desired to know why it was not possible to fix the rent ceiling. The departmental representative explained that the Missions abroad found it very difficult to fix the ceiling as it became very difficult to get the accommodation within that ceiling. Other factors regarding suitable place, cheap rent etc., were also required to be taken into consideration. The Committee did not consider this to be a satisfactory explanation and directed that action should be taken by the

Ministry of External Affairs to fix rent ceilings and compliance reported to them in the next session.

25. *S. No. 17 on page 61 of the Compliance Report—Paragraph 43 of Audit Report, 1956.*—The Committee had directed that the loss sustained due to defalcation of a sum of Rs. 1,037 by the staff employed by an Embassy should be regularised. In their compliance report the Ministry of External Affairs had stated that the cashier responsible for the defalcation was mentally ill. Mr. Yaqub Shah desired to know whether no medical examination was made before recruitment of persons in Pakistan Missions abroad. The departmental representative stated that in case of locally recruited staff in the Pakistan Missions abroad, such examination was not carried out. The Committee suggested that it should be considered by the Ministry of External Affairs that the persons recruited locally in our Missions abroad were also medically examined before appointment.

26. It was noticed in scrutiny by the Comptroller and Auditor General that some of the statements made by the departmental representatives in the last session of the Public Accounts Committee were subsequently found to be incorrect. Mr. Ebrahim Khan observed that in all cases mentioned by the Comptroller and Auditor General, the departmental representatives evidently went invariably in favour of the persons involved and if this was intentional, it was required to be discouraged. The Public Accounts Committee, would, therefore, request the Heads of the Departments concerned to ensure in future that the statements made before the Public Accounts Committee are correct. As regards the two cases relating to the Ministry of External Affairs, the Public Accounts Committee desired that a report should be submitted to them in the current session. (See paragraph 21 of the proceedings, dated 22nd January, 1962.).

27. The Committee then took up an examination of the Appropriation Accounts for the years 1957-58 and 1958-59 pertaining to the Ministry of External Affairs.

28. *Paragraph 22 on page 18 of the Appropriation Accounts (Civil) for the year 1957-58.*—Following the devaluation of Pound Sterling in September, 1949, the Government of Pakistan decided that the foreign and other allowances admissible to Government employees serving in the Pakistan Embassies and Missions abroad and which were expressed in Pakistan rupees were to be paid at such rates as would have given them the same amounts in the currency of the country in which they were serving, as they would have received before devaluation, and that this arrangement was to remain in force until a comprehensive review of foreign allowance, etc., had been undertaken. It was pointed out by audit that the contemplated review had not been finalised even up to the date of the revaluation of Pakistan rupee in August, 1955 and it was, therefore, not possible to establish how far the financial interests of the Government were adversely affected thereby. The Public Accounts Committee in their report on the Appropriation Accounts for 1953-54 and the Audit Report 1955 had expressed their sense of disappointment at the inordinate delay on the part of the Government and had desired that the Ministries of Finance and External Affairs should expedite a final decision in the matter. The review was ultimately finalised as late as 1959 and the rates of foreign allowance revised with effect from the 1st February, 1959. A general comparison of the revised and the previous rates was

made by Audit in order to determine, if possible, how far the financial interests of the Government were adversely affected as a result of delay in revising the rates. Considering, however, the long period involved, i.e., December, 1949 to February, 1959, and also the variation in the rates of the allowance from Mission to Mission and from time to time it was not found possible to work out the exact amount involved. A test check conducted in a few individual cases indicated that the extra expenditure involved was substantial. The Public Accounts Committee observed that the expenditure incurred by Government could have been avoided if the review contemplated in 1949 had been promptly finalised. The Chairman pointed out that there was a conscious and continuous effort on the part of the Government to keep the rates of foreign allowance down.

29. *Paragraph 24(i) on page 19 of the Appropriation Accounts (Civil), 1958-59.*—This related to unauthorised expenditure incurred by the Head of a Mission in connection with the medical check up at Government expense in a country other than the country of his accreditation. As his request was not covered by the rules, the permission was not granted. In spite of the clear instructions, the Head of the Mission did visit that country on the pretext of the performance of the couriers duties and stayed in that country for five days at a total cost of Rs. 1,175 to Government in foreign currency. The Heads of Missions were not expected to function as couriers, and accordingly the action of the Head of the Mission in visiting the country was irregular. The departmental representative stated that instructions had been issued by them to the effect that senior officers should not go out as couriers. The Committee observed that the action of Head of the Mission was irregular. They directed that this question should be examined further by the Ministry of External Affairs and a report submitted to them in the next session.

30. *Paragraph 24(ii) on page 19 of the Appropriation Accounts, 1958-59.*—A First Secretary of a Pakistan Mission abroad obtained a sum of Pound Sterling 50 from the Mission by depositing an equivalent amount in the local currency purportedly for a visit to a neighbouring country. This trip, however, had to be abandoned as the Government did not approve the visit of the officer to that country. The amount drawn by the First Secretary should have been refunded in Pound Sterling to the Government. The amount had not been refunded resulting in unauthorised retention of the amount in Pound Sterling by the officer. The Committee desired to know the position of the case. The departmental representative stated that the amount had since been refunded by the officer concerned.

31. *Paragraph 24(iii) on page 20 of the Appropriation Accounts (Civil), 1958-59.*—This related to unauthorised employment of a messenger at the residence of a Head of a Mission. The Messenger intended for the office was withdrawn and unauthorisedly employed during the period from April, 1957 to March, 1960, by the head of the Mission and his predecessor at residence. The pay and allowances of the messenger amounting to Rs. 5,351 were charged to the Government although the messenger did not perform any official duty. The Ambassador and his predecessor thus benefited themselves to the tune of Rs. 3,115 and Rs. 2,236 respectively. The Government orders regularising the expenditure were awaited. The departmental representative explained that the Ambassador was entitled to the services of a class IV servant at his residence. The Chairman pointed out that the Ambassadors were

not entitled to employ servants except gardeners at their residences. The Committee directed that the question whether the Ambassadors were entitled to this concession should be examined by the Ministry of External Affairs in consultation with the Ministry of Finance. They also desired that the amount involved in this case should either be recovered from the officers concerned or the position regularised in case the recovery could not be effected.

32. The Committee then adjourned to meet again on Wednesday, the 10th January, 1962 at 4.00 P.M.

Proceedings of the Third Meeting of the Public Accounts Committee held on Wednesday, the 10th January, 1962, at 4-00 P.M.

The Public Accounts Committee met in Pakistan Secretariat I, Rawalpindi, at 4-00 P.M. on Wednesday, the 10th January, 1962 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Mr. Ebrahim Khan, Member.
3. Mr. Jasimuddin Ahmad, Member.
4. Mr. Ghulam Abbas, Comptroller and Auditor-General.
5. Rana M. Yasin, P.A. & A.S., Accountant-General, Pakistan Revenues.
6. Mr. M. A. Subzwari, P.A. & A.S., Director, Commercial Audit.
7. Mr. Mushtaq Ahmad Khan, Audit Officer, Industries, Supply and Food.
8. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor-General.
9. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives.

MINISTRY OF INDUSTRIES

10. Mr. S. M. Yusuf, S.Pk., C.S.P., Secretary. ✓
11. Mr. S. S. Iqbal Hussain, Financial Adviser. ✓
12. Mr. M. W. Gowhar, Iron & Steel Controller.
13. Mr. C. H. Shaikh, Deputy Secretary.
14. Mr. S. N. Haq, Director, Department of D.G.S.&D.
15. Mr. S. Qasim Ali, Deputy Controller, Printing and Stationery.
16. Mr. A. Khalique, Deputy Financial Adviser.

Secretary of the Public Accounts Committee.

17. Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

2. The proceedings commenced with an examination of the compliance report of the Ministry of Industries on the directions given and recommendations made by the Public Accounts Committee in their Report on the Accounts for the years 1954-55 to 1956-57.

3. A—General. S. No. 12 on page 212 of the Compliance Report.—The Committee had directed that the recommendations and directions of the Public Accounts Committee should be brought to the notice of the Minister-in-Charge. In their compliance report the Ministry of Industries had stated that in fact last year's directions of the Committee had already been brought to the notice of the Minister. In the case of other

recommendations and suggestions of a general nature, the compliance report of the Ministry of Industries indicated that detailed instructions had been issued by them to all concerned for necessary action. The Committee noted with satisfaction that unlike most of the other Ministries the Ministry of Industries had taken specific action in regard to the general recommendations made by them. They observed that mere noting of such recommendations did not serve the purpose. The Committee hoped that all Ministries/Divisions would take similar action to implement the recommendations and suggestions of a general nature made by them.

4. *B—Specific. S. No. 2 on page 213 of the Compliance Report (page 497 of Appropriation Accounts for 1953-54).*—The Committee had observed that the Ministry of Industries should not have taken a long time in recovering the cost of Jute Baling Presses imported from the U.S.A. in 1949 and sold to private parties on credit and that urgent steps should be taken to file civil suits against the defaulting parties. Mr. Ebrahim Khan desired to know whether it was in order to sell Jute Baling Presses to the private parties on credit of a huge amount. The departmental representative stated that in this case the Presses were actually meant for pressing hay and had to be sold by them to the unwilling parties one of which did not even lift the press. It was alternatively sold to another party and a civil suit had been filed in the court and the proceedings were in progress. Other defaulting parties were also repeatedly being pressed to clear up the dues. On an enquiry by the Comptroller and Auditor-General the departmental representative informed the Committee that the bulk of the amount involved had already been recovered.

5. *S. No. 3 on page 213 of the Compliance Report—Paragraph 22 of Public Accounts Committee Report on the Accounts for 1951-52.*—The Committee had directed that the Ministry of Industries should examine the position with regard to the revised procedure of decentralisation of purchases made through the D.G.S. & D. in order to see whether some of the items could not be centralised again. The Chairman desired to know the progress made in the matter. The departmental representative stated that they had invited the views of the Provincial Governments and it was felt that as the work had been transferred to the Provincial Governments quite recently, it was too early to revise the decision taken. The Ministry of Industries did not think it proper to take away the entire work from the Provincial Governments. The departmental representative added that the matter would, however be examined by them further on receipt of the views from the Provincial Governments in respect of the items which were bought in bulk. The Committee desired that further developments in the matter should be reported to them in the next session.

6. *S. No. 4 on page 214 of the Compliance Report—Paragraph 55 of Audit Report, 1955.*—The Committee had directed that the Ministry of Industries should consider urgently the question of revision of the existing procedure with regard to the disposal of surplus stores by the D.G.S. & D. In their compliance report the Ministry of Industries had stated that the Department of Supply and Development could not obtain the reserve prices by auction partly due to the fact that the customs duty levied was on the high side and partly due to dwindling of the market for big cars. The question of duty had been settled and the cars had been disposed of in some cases even below the reserve price. As

regards the revised procedure, the departmental representative stated that the Ministry of External Affairs were formulating new proposals and soon after they were finalised the case would be submitted for the consideration of the Cabinet.

7. *S. No. 6 on page 214 of the Compliance Report—Paragraph 35 on page 34—37 of Audit Report, 1956.*—The Committee had directed that the Ministry of Industries should borrow experienced officers from the Audit Department so as to improve the condition of accounts of the Price Equalisation Fund (Iron & Steel) and should submit a report indicating the action taken to regularise the past transactions. The departmental representative stated that replies to the audit observations had been pending for a number of years, as the points of difference could not be resolved. He suggested that a small committee consisting of a Joint Secretary in the Ministry of Industries, the D.G.S. & D., and a representative of the Comptroller and Auditor-General and the Iron and Steel Controller might be constituted to look into this question. The Chairman suggested that the Financial Adviser, Ministry of Industries, the Audit Officer, Industries, Supply and Food and a representative of the Comptroller and Auditor-General should meet together to settle this matter. This view was accepted by the Committee. They also desired that a report in the matter should be submitted to them in the next session.

8. *S. No. 5 on page 214 of the Compliance Report—Paragraph 32 on page 32 of Audit Report, 1956.*—The Public Accounts Committee had directed that the Ministry of Industries should follow up the case regarding disciplinary action against a supervisor for his failure in carrying out the check under the rules resulting in losses of Rs. 4,218 and Rs. 3,600. In their compliance report the Ministry of Industries had stated that the contents of the relevant paragraph 32 on page 32 of the Audit Report, 1956 had been communicated to the High Commissioner for Pakistan in United Kingdom. The relevant files on the subject were reported to be not available. Mr. Yaqub Shah pointed out that the non-availability of the files should not affect the finalisation of the case. On an enquiry by Mr. Ebrahim Khan the departmental representative explained that the official involved in the matter had since left service and it was very difficult to chase him as he was not a Pakistani employee. The amount involved was, therefore, to be written off. The Committee observed that the explanation of the High Commissioner that the relevant file was not available was not satisfactory and not acceptable to them. They directed that their observation in the matter should be communicated to the High Commissioner.

9. *S. No. 8 on page 215 of the Compliance Report—Paragraph 37(ii) on page 38 of Audit Report, 1956.*—The Committee had directed that the Ministry of Industries should intimate the result of the departmental action taken in the case of a loss of Rs. 25,625 sustained by Government as a result of placing orders on a firm for the supply of paint for North Western Railway at higher cost after ignoring the lowest quotation of a registered and well established firm. In their compliance report the Ministry of Industries had stated that on examination of the case it had been found that the Department of Supply and Development were justified in ignoring the lowest quotation. It was considered that the lowest acceptable price should be a reasonable one at which the supplies could possibly be made by the tenderers. The Comptroller and Auditor-General pointed out that in accordance with the standing orders, the

reasons for non-acceptance of the lowest tender in such cases were required to be recorded. The Committee desired that the reasons should always be recorded in cases where the lowest tender was ignored.

10. *S. No. 9 on page 215 of the Compliance Report—Paragraph 38(i) on page 39 of Audit Report, 1956.*—The Committee had directed that departmental action should be taken against the person concerned in the purchase organisation for irregularly waiving off the penalty of a sum of Rs. 7,558 imposed on a supplier. The Ministry of Industries had reported that departmental action against the officer could not be taken as he had left Government service before the complaint was brought to the notice of that Ministry. On an enquiry by Mr. Ebrahim Khan the departmental representative explained that the person concerned had migrated to England and it was very difficult to chase him.

11. *S. No. 11 on page 215 of the Compliance Report.*—The Public Accounts Committee had directed that the Ministry of Industries should make available to Audit the relevant files of purchase cases comprising eleven contracts placed by the D.G.S. & D. mentioned in paragraph 31 of the Audit Report 1957. The departmental representative stated that out of 11 relevant files 10 had already been made available to Audit and the remaining one file was being traced out and would be made available to Audit shortly. The Committee was satisfied with the explanation furnished by the Ministry of Industries.

12. *S. No. 13 on page 215 of the Compliance Report.—Paragraph 25 on page 18 of Audit Report, 1958.*—The Public Accounts Committee had directed that the Secretary, Ministry of Industries should personally look into the case of the failure in arranging in time an exemption certificate for the import of raw material which resulted in an extra expenditure of Rs. 5,298 and should report compliance to them. The Chairman desired to know whether any action had been taken to fix responsibility against the officer concerned. The departmental representative stated that the officer concerned was working under the Government of West Pakistan and his explanation had been called for. The case was being handled by the Secretary, Ministry of Industries as desired by the Public Accounts Committee and compliance would be reported to them in the next session.

13. *S. No. 18 on page 217 of the Compliance Report—Paragraph 28 on pages 18-19 of Commercial Accounts, 1956-57.*—The Committee had directed that the Ministry of Industries should take up with the Ministry of Finance the question regarding deputation of an experienced Cost Accounts Officer to assist them in the revision of the form and method of preparation of the Commercial Accounts of the Government Printing Presses. In their compliance report the Ministry of Industries had stated that the Ministry of Finance had deputed a Cost Accounts Officer to examine the form and method for the preparation of Commercial Accounts of the Presses and to submit a report. The departmental representative stated that the report had since been received from the Cost Accounts Officer and was under examination. The result would be communicated to the Public Accounts Committee in due course.

14. *S. No. 20 on page 217 of the Compliance Report—Paragraph 44 on page 25 of Commercial Accounts, 1956-57.*—The Public Accounts Committee had directed that the Ministry of Industries should submit a report

containing the latest position in respect of outstanding recoveries amounting to Rs. 61,05,048 and Rs. 2,014 on account of stationery stores supplied to various paying departments. The Public Accounts Committee noted with satisfaction the compliance report of the Ministry of Industries indicating that the amount of outstanding recoveries had been reduced to Rs. 9,418 only. The Committee was informed by the departmental representative that the amount had further been reduced to Rs. 8,553.

15. S. No. 22 on page 218 of the Compliance Report—Paragraph 3½ on page 70 of Public Accounts Committee Report on the Accounts for 1954-55 to 1956-57.—The Public Accounts Committee had directed that the Ministry of Industries should settle the question of assessment of value of assets and the extent of liabilities of the Sales and Display Centres transferred to the Small Industries Corporation and report compliance to them. The note submitted by the Ministry of Industries showing the position of the Sales and Display Centres at the time of their transfer to the Small Industries Corporation indicated that considerable delay had occurred on the part of the Corporation to supply the lists of stores for the preparation of surplus reports. The surplus reports were sent to the Disposal Wing in January, 1959 and instructions were issued by them to the Regional Office, Chittagong directing them to dispose of the stock by public auction which was held in May, 1959 and the highest bids amounting to Rs. 30,490 for the stores and furniture valued Rs. 1,07,085 accepted by the Regional Office were sent to the Ministry of Industries for approval. The Ministry of Industries sanction for accepting the highest bid was issued and communicated by the Disposal Wing in October, 1959. The Regional Office had intimated that due to delay in the confirmation of the prices, some of the bidders had backed out. Mr. Yaqub Shah pointed out that the delay had resulted in a loss of Rs. 14,775 as the stores, etc., were auctioned at Rs. 15,715, as against Rs. 30,490. The Chairman desired to know the circumstances under which the delay had occurred in this case. The departmental representative explained that the highest bid was not good enough and the Ministry of Industries did not want to take the responsibility. The Committee desired that this question should be examined by the Ministry of Industries and a report with regard to the delay should be submitted to them in the next session.

The Committee also noted that the Corporation had drawn the attention of the Ministry of Industries to a reference of January, 1957 in which they had suggested that the stock, furniture, fittings, etc., of the Centre at New York might be transferred to the Ministry of Commerce just as had been done in the case of other Show Rooms abroad. The Ministry of Industries had been requested to issue formal Government orders for either transferring the entire stock including fixtures and fittings to the Ministry of Commerce or for writing off the value of unsaleable merchandise. It had also been suggested that the samples for display purpose and the fitting etc., might be permitted to be retained by the Consul General. Government orders were, however, still awaited. Mr. Yaqub Shah pointed out that in this case a delay of about 5 years had occurred. The Chairman desired to know the circumstances under which Government orders were still awaited in the matter. The departmental representative promised to look into the matter and to submit a report to the Committee in the next session. The Committee hoped that such delays would not occur in future. The Comptroller and Auditor-General also pointed out that the transfer of the stocks to the Corporation had resulted in a considerable loss to Government. A statement indicating

the loss was circulated by the Comptroller and Auditor-General to the Members of Public Accounts Committee.

16. *S. No. 24 on page 218 of the Compliance Report—Paragraph 3 on page 194 of the Public Accounts Committee Report on the Accounts for 1954-55 to 1956-57.*—During the course of the examination of the Appropriation Accounts relating to the years 1954-55 to 1956-57 pertaining to the Ministry of Fuel, Power and Natural Resources, the Public Accounts Committee in their meeting held on the 2nd February, 1961, were informed by that Ministry that they were unable to explain the position regarding some items due to the fact that the relevant records had been destroyed by the Ministry of Industries by whom the subject had been transferred to the Ministry of Fuel, Power and Natural Resources. The Committee had directed that the Ministry of Industries should submit a report in this connection in the next session. In their compliance report the Ministry of Industries had stated that the sections dealing with the subject pertaining to the paras with which the Ministry of Fuel, Power and Natural Resources were now responsible had been transferred alongwith all the relevant records to the Ministry of Fuel, Power and Natural Resources at the time of its creation and the question of destruction of records on the part of the Ministry of Industries did not therefore, arise. The Committee desired that the Ministry of Fuel, Power and Natural Resources should be asked to come prepared to explain the position in this connection in the meeting of the Public Accounts Committee to be held on the 11th January, 1962. (See paragraph 20 of the proceedings dated the 11th January, 1962).

17. The Committee then took up an examination of the grants controlled by the Ministry of Industries for the years 1957-58 and 1958-59.

18. Referring to the statements of written replies on the points brought out in the Appropriation Accounts and Commercial Accounts for the years 1957-58 and 1958-59 furnished by the Ministry of Industries, Mr. Yaqub Shah requested the Comptroller and Auditor General to point out whether he was satisfied with the replies given by the Ministry of Industries. The Comptroller and Auditor General stated that the statements had been received by him only three days ago. The departmental representative stated that copies of the written statements had been furnished by them to the Ministry of Finance more than a month ago. The Secretary of the Public Accounts Committee pointed out that while asking for the statements of written replies, it had been clearly communicated to all Ministries/Divisions that in addition to the copies to be furnished by them to the Ministry of Finance, the statements of written replies should simultaneously be sent in triplicate to the Comptroller and Auditor-General and the Audit Officer concerned. All Administrative Ministries/Divisions except the Ministry of Industries had accordingly endorsed copies of the communications sent by them to the Ministry of Finance. The Committee noted that the Ministry of Industries had made an omission in not sending the statements of their replies to the Comptroller and Auditor-General and the Audit Office in accordance with the instructions issued by the Public Accounts Committee Secretariat.

19. *Paragraph 24 on page 20 of the Appropriation Accounts for the year 1957-58.*—This paragraph related to cases of risk purchases. In the first case the Government suffered a loss of Rs. 3,874 due to non-recovery from the firm, on which a contract was placed for the supply of radio

could not be available as it was occupied by displaced persons. The Comptroller and Auditor-General stated that in case the Ministry of Industries were not sure about getting the land vacated, it was not necessary to make any budget provision as it had to be surrendered every year. The Committee directed that the Ministry of Industries should make attempts to get the land cleared where the buildings were proposed to be constructed. In case it was considered that it was not possible to get the land, no provision should be made in the budget.

23. *Paragraph 30 on page 22 of the Appropriation Accounts, 1958-59.*—A contract was placed in January, 1959 with a certain firm for the supply of Account Card Steel Cabinets at rates higher than those offered by other firms on the plea that only the former could supply the stores by 31st March, 1959, the date by which the stores were required by the consignee. The firm had given an assurance that they would use their own raw material for the manufacture of the stores and the import licence which was to be issued by the Government for the import of the raw material would be utilised to replenish their stock. The extra expenditure incurred as a result of ignoring the lowest offer of another firm amounted to Rs. 13,000. The firm failed to supply the stores by the stipulated date of delivery and requested for its extension upto 31st December, 1959 on the ground that they would not be able to get the raw materials imported against the Government licence earlier than the middle of August, 1959. The date of delivery was extended by the department up to 31st December, 1959 with reservation of rights to recover the damages on account of belated supplies. The recovery of liquidated damages amounting to Rs. 30,600 was later on waived off inspite of the fact that the firm was responsible for the abnormal delay in supplying the stores. The Government thus not only incurred an extra expenditure of Rs. 13,000 by placing contract with this firm after ignoring the lowest offer of another firm but also waived off a legitimate claim of Rs. 30,600 admissible under the terms of the contract.

The departmental representative stated that the delivery date was not realistic in this case. The assessment of raw material was to be made but it should not have taken a long period of 5 months. The Committee desired to know the circumstances under which the process was finalized in a period of more than five months. The departmental representative admitted that the time taken, no doubt, was very long and the extension in the date of delivery by the department up to 31st December, 1959 was not justified.

24. The Committee then took up an examination of the Commercial Accounts for the year 1957-58 pertaining to the Ministry of Industries.

25. *Central Stationery Offices, Karachi and Dacca—Paragraph 33 on page 20 of the Commercial Accounts 1957-58.*—Damages of stores written off in respect of the years 1948-49 to 1957-58 amounted to Rs. 90,964. The damages were attributed to shortage of proper accommodation etc. In their meeting held on the 15th December, 1960, the Public Accounts Committee had been informed by the Department that a new building was being constructed to meet shortage of accommodation. The Committee desired to know whether any progress had been made to remove the shortage of accommodation. The departmental representative stated that the work had been put under priority by the Ministry of Rehabilitation and Works for the next year. The Committee directed that in the meanwhile steps should be taken to ensure that no damages occurred on this account.

stores in August, 1955, of the extra expenditure on the plea that the firm had since absconded and it was difficult to recover the amount from them. The departmental representative stated that the amount involved was now being recovered as the firm had some outstanding bills with the Ministry of Industries. The Comptroller and Auditor-General observed that the original decision to drop the recovery was not a sound one. In the second case, a contract for the supply of timber for Pakistan Army was placed with the firm in 1953. The firm failed to supply the stores which were subsequently purchased from other sources at an extra expenditure of Rs. 2,03,312 but the amount of risk purchase had not been recovered from the defaulting firm. The departmental representative stated that this case had been complicated by the Ministry of Defence who had started arriving at an agreement with the contractor. The Ministry of Law were being consulted in the matter and necessary action would be taken on the basis of the advice given by that Ministry.

20. *Paragraphs 32 to 38 on pages 28—31 of the Appropriation Accounts 1957-58.*—In the statement of their written replies the Ministry of Industries had stated that in all cases reported in these paragraphs, the relevant files on the subject had been passed on to the Ministry of Home Affairs for investigation into the conduct of the officer concerned and were not at present readily available. The files were being requisitioned in order to examine the facts in the light of the Audit objections. The Committee desired that a report indicating the position of these cases should be submitted to them in the next session.

21. *Grant No. 64-Department of Supply and Development—Note 3 on page 227 of the Appropriation Accounts, 1957-58.*—It was stated in this note that the D.G.S. & D., arranged to procure stores from abroad for non-official indentors by opening letters of credit in foreign banks as well as by utilising agencies of Pakistan Embassies and Missions abroad without obtaining prior deposits from private indentors. Amounts due on this account from private parties worked out to Rs. 1,57,72,079 on 15th March, 1960, out of which a sum of Rs. 63,49,701 was due from Pakistan Industrial Development Corporation, Rs. 43,25,381 from Woollen and Textile Mills, Rs. 41,16,836 from Thal Development Authority and Rs. 9,80,161 from other non-Government indentors. Efforts were being made to effect recoveries at the earliest. In their written replies the Ministry of Industries had given a detailed note (Annexure III) showing the action taken to recover the outstanding Government dues from the indentors. The Committee noted the position in respect of each case. On a suggestion made by the Comptroller and Auditor-General, it was decided by the Public Accounts Committee that a meeting should be held between the Financial Adviser, Ministry of Industries and a representative of the Comptroller and Auditor-General (Audit Officer, Industries, Supply and Food) to discuss the question regarding the amounts to be recovered from the various parties and to resolve the matter.

22. *Grant No. 69-Capital Outlay on Printing Presses—(Page 239 of the Appropriation Accounts 1957-58).*—The original grant of Rs. 19,17,000 was reduced to Rs. 10,66,263 by a surrender of Rs. 8,50,737. The Comptroller and Auditor-General pointed out that during the past years as well there had been huge savings under this grant. The Committee desired to know the circumstances under which unnecessary budget provision was being made by the Ministry of Industries. The departmental representative explained that necessary budget provision was made for making some buildings. The savings was due to the fact that the land

26. *Paragraph 36 on page 20 of the Commercial Accounts, 1957-58—Limits of Closing Stocks of Central Stationery Offices.*—Maximum and minimum limits of closing stocks needed to be fixed in order to avoid unnecessary locking-up of capital and the expenditure on account of rent, insurance and handling charges, etc., of stores. In their meeting held on the 15th December, 1960 (paragraph 33 on page 70 of the Public Accounts Committee Report on the Accounts for 1954-55 to 1956-57), the Public Accounts Committee had directed that the required limits should be laid down. The Committee were informed that the ceiling limits of the Stores had since been laid down. It was, however observed that even according to the prescribed limits, the closing stock for each of the years 1954-55 to 1958-59 was excessive. The departmental representative stated that some times the stocks were received towards the end of the year, sometimes it took one year for the imports to be completed and therefore, it was not possible to conform to the limits that had been prescribed. The stocks had, however since been reduced and for the future the ceiling limit had been fixed as six months requirements for local purchases and one year's requirements for the imported stores. The Committee directed that the position of stocks should be kept under constant review to check against unnecessary accumulation.

27. *Central Publication Branch—Paragraph 43 on page 25 of the Commercial Accounts for 1957-58.*—It was stated in this paragraph that the total outstanding dues on 31st March, 1958 amounted to Rs. 58,607 as against Rs. 58,781 outstanding on the 31st March, 1957. The progress of recovery was slow. The outstandings related to many years past and further delay in their recovery was apt to make them un-realizable. Special efforts were therefore, required to be made to realise the outstandings. The Committee desired to know the reason for the delay in effecting recoveries which were very old. The departmental representative stated that the outstandings had since been brought down to Rs. 38,606. Some old debts were due from the Provincial Government and the matter had been taken up by them with the Provincial Government at the level of Chief Secretary. The Committee directed that efforts should be intensified to realise the outstandings especially those relating to past years. The desirability of writing off some of the very old debts with little prospects of recovery should also be considered.

28. *Government Sales Depots, Display Centres and Show Rooms—Paragraph 17 on page 5 of the Commercial Accounts for 1957-58.*—The accounts of the Government Sales Depots, etc., for the year 1955-56 onwards had not been prepared by the department so far. The delay had been ascribed to the failure on the part of the Deputy Director, Chittagong, to compile the accounts of Chittagong Centre. The departmental representative explained that consequent upon decentralisation, they had wound up these offices and had transferred the staff to the Provincial Government which had also resulted in the delay. The Committee directed that the Comptroller and Auditor-General should be consulted by the Ministry of Industries in order to see whether it was possible to reconstruct these accounts or to waive the preparation thereof.

29. The Committee then took up an examination of the Commercial Accounts for the year 1958-59 pertaining to the Ministry of Industries.

30. *Government of Pakistan Presses—Paragraph 28 on page 20 of the Commercial Accounts, 1958-59.*—The percentages of indirect charges to the direct payments to workmen varied from press to press and from year

to year. In the case of Cypher Printing Press, Karachi, the percentages for the years 1956-57, 1957-58 and 1958-59 were 334.7, 129.4 and 133.7 respectively. The Committee desired to know the reasons for the large disparities in percentages. The departmental representative stated that the matter would be examined by them and a report submitted to the Committee in the next session.

31. The Chairman desired to know the position regarding the Cottage Industries. The departmental representative stated that the Cottage Industries had been transferred to the Provinces and the Ministry of Industries were now required to deal with the export promotion and prescription of designs only.

32. The Committee then adjourned to meet again on Thursday, the 11th January, 1962 at 9.00 A.M.

Proceedings of the Fourth Meeting of the Public Accounts Committee held on Thursday, the 11th January, 1962 at 9-00 A.M.

The Public Accounts Committee met in Pakistan Secretariat No. I, Rawalpindi, at 9-00 A.M. on Thursday, the 11th January, 1962 under the Chairmanship of Mr. Mohammad Shoab, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Sardar Barkat Hyat Khan, Member.
3. Mr. Ebrahim Khan, Member.
4. Mr. Jasimuddin Ahmad, Member.
5. Mr. Ghulam Abbas, Comptroller and Auditor-General.
6. Rana Mohd. Yasin, P.A. & A.S., Accountant-General, Pakistan Revenues.
7. Mr. M. A. Subzwari, P.A. & A.S., Director, Commercial Audit.
8. Mr. Mushtaq Ahmad Khan, Audit Officer, Industries, Supply and Food.
9. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor-General.
10. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives.

MINISTRY OF HOME AFFAIRS.

11. Mr. Muizuddin Ahmad, C.S.P., Secretary.
12. Mr. Mohammad Shafi, Deputy Financial Adviser.

MINISTRY OF FUEL, POWER AND NATURAL RESOURCES.

13. Mr. M. A. Hamid, Chief Engineering Adviser.
14. Mr. K. Mushtaq Elahi, Deputy Secretary.
15. Mr. A. F. S. Salahuddin, Deputy Financial Adviser.

Secretary of the Public Accounts Committee.

16. Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

2. The day's proceedings began with the examination of the compliance report of the Ministry of Home Affairs on the recommendations and suggestions made and directions given by the Public Accounts Committee in their report on the Accounts for the years 1954-55 to 1956-57.

3. *B—Specific-S. No. 1 on page 206 of the Compliance Report—Note 4 on page 190 of Appropriation Accounts 1956-57.*—The Committee had directed that the Ministry of Home Affairs should furnish to Audit the annual certificates of check in respect of Secret Service Expenditure pertaining to Special Police Establishment and anti-Smuggling Operations without further delay. The Committee noted the compliance report of

the Ministry of Home Affairs indicating that the certificates had since been furnished to the Accountant-General, Pakistan Revenues.

4. The Committee then took up an examination of the Appropriation Accounts for the year 1957-58 in respect of the Grants pertaining to the Ministry of Home Affairs.

5. *Grant No. 76—Police (Page 271 of the Appropriation Accounts, 1957-58).*—The actual expenditure against this Grant amounted to Rs. 73,00,501 against the final appropriation of Rs. 1,08,01,000 resulting in a saving of Rs. 35,00,499. The saving was explained to have occurred mainly due to non-payment of lumpsum charges to the Provincial Governments in adjustment of over payments in 1953-54 amounting to Rs. 28,95,750. The Committee desired to know the circumstances under which unwanted funds had not been surrendered in time. The departmental representative explained that this was due to the fact that the correct procedure for surrendering unwanted funds was not known to the the Department and the orders issued by them in this connection had not been accepted. The Committee desired that the Comptroller and Auditor-General should find out and report to them the circumstances under which over-payments had been made to the Provincial Government.

6. *Grant No. 73—Police—Amount recovered from other Departments, etc. (Page 271 of the Appropriation Accounts, 1957-58).*—No recovery was made during the year under report against an estimated figure of Rs. 8,17,000. The Committee desired to know the reasons for absence of recoveries. The departmental representative was unable to explain the position and promised to furnish the requisite information to the Public Accounts Committee in due course. The Comptroller and Auditor-General stated that the amount was recoverable from the State Bank of Pakistan who had asked for the details of the cost in the prescribed form which was being prepared by the Inspector-General Special Police. On an enquiry by the Chairman, the departmental representative stated that the State Bank were prepared to pay the amount recoverable from them. They only wanted to know the exact amount involved. The Committee observed that the budget provision on account of recoveries should not have been made in case the amounts were not likely to be recovered from the State Bank.

7. *Paragraph 32 on page 24 of the Appropriation Accounts, 1958-59 (Secret Service Expenditure).*—It was stated in this paragraph that the annual certificates of check in respect of Secret Service Expenditure required to be furnished by the administrative officers for the year 1958-59 had not been received in the case of Inspector-General Special Police Establishment and Anti-Smuggling Operations. The Committee desired to know the circumstances under which the certificates had not been furnished. The departmental representative stated that the certificates had since been obtained and furnished to Audit.

8. *Grant No. 85—Other Expenditure of the Ministry of the Interior (Page 184 of the Appropriation Accounts, 1958-59).*—A saving of Rs. 1,73,520 occurred under this grant during the year 1958-59 out of which a sum of Rs. 1,12,198 was surrendered. The Committee desired to know the circumstances under which budget provision had been made unnecessarily. The departmental representative explained that the money was required for miscellaneous and unforeseen charges and the unwanted funds had been surrendered in time before the close of the financial year.

9. The representatives of the Ministry of Home Affairs then withdrew.

10. The next item on the agenda of the day's meeting was the examination of the compliance report and the accounts for the years 1957-58 and 1958-59 relating to the Ministry of Fuel, Power and Natural Resources. The Secretary-in-charge had not come to attend the meeting of the Public Accounts Committee. The Chairman read out a letter addressed to him by the Secretary, Ministry of Fuel, Power and Natural Resources indicating the circumstances under which he had not been able to come personally to attend the meeting.

11. The Committee then commenced an examination of the compliance report of the Ministry of Fuel, Power and Natural Resources on the recommendations made and directions given by them in their Report on the Accounts for the years 1954-55 to 1956-57.

12. *A—General—S. No. 1 on page 165 of the Compliance Report.*—The Committee had directed that the heads of Departments should ensure that the objectives of correct budgeting and strict control over expenditure were always kept in view and the reconciliation of departmental figures of expenditure with those booked in the Accounts Offices was carried out in time. In their compliance report the Ministry of Fuel, Power and Natural Resources had stated that in order to ensure timely reconciliation, the Accountant-General, Pakistan Revenues had been asked to deal directly with the officers nominated for the purpose in the various units of the Ministry. Mr. Jasimuddin Ahmad desired to know whether the revised procedure was working satisfactorily. The Chairman enquired whether any reports were being called for by the Ministry of Fuel, Power and Natural Resources from the officers nominated for the purpose. The departmental representative stated that the Financial Adviser had been asked to inspect the books of the officers nominated for the work once in three months and to submit a report to Secretary. As regards the working of the revised procedure, the Comptroller and Auditor-General promised to look into the matter and to submit a report to the Public Accounts Committee. Mr. Yaqub Shah pointed out that consequent upon the shifting of the office of the Accountant-General, Pakistan Revenues to Jauharabad, it would not be possible for the Ministries to do the work of personal reconciliation at Karachi. The Committee directed that instructions should be issued to all Ministries and Departments by the Accountant-General, Pakistan Revenues informing them that the reconciliation work would be carried out at Jauharabad to which place they should send their representatives. They also desired that the Accountant-General, Pakistan Revenues should make a programme fixing dates on which the representatives of the various Ministries/Departments could come to his office at Jauharabad for the reconciliation of departmental figures with those booked in the Accountant-General, Pakistan Revenues's office.

13. *S. No. 2 on page 165 of the Compliance Report.*—The Committee had directed that all Ministries/Divisions should take effective steps to put a stop to the general type of irregularities mentioned in the Audit Reports including non-maintenance of cash books, making purchases without obtaining sanction of the competent authority, misuse of staff cars and non-maintenance of stock and contingent registers, etc. The compliance report of the Ministry of Fuel, Power and Natural Resources indicated that the need for avoiding the recurrence of such irregularities had always been stressed upon the controlling officers and

compliance of these instructions was being ensured through discussions on the subject in monthly departmental meetings. Sardar Barkat Hyat Khan desired to know whether any concrete decisions were taken at the departmental meetings and whether the procedure had resulted in any improvements. The departmental representative stated that minutes of these meetings were recorded regularly and the decisions taken were duly implemented by the Regional Offices.

14. *B—Specific—S. No. 1 on page 168 of the Compliance Report.*—The Committee had directed that the Ministries of Industries and Fuel, Power and Natural Resources should look into the matter at their respective ends with regard to the non-receipt of the reference sent by the Ministry of Industries to the Ministry of Fuel, Power and Natural Resources regarding the items answerable by them before the Public Accounts Committee. In their compliance report the Ministry of Fuel, Power and Natural Resources had stated that the reference in question was received in one of the sections of that Ministry at Karachi and passed on to another section at Rawalpindi. In spite of the best efforts this could not be traced further and a formal enquiry had been instituted into the loss of the document. Sardar Barkat Hyat Khan desired to know the result of the formal enquiry instituted in the matter. The departmental representative stated that it had been decided to take departmental action against the official who had received the communication and had not submitted it to the higher officials.

15. *S. No. 3 on page 168 of the Compliance Report. Paragraph 71 on page 59 of the Commercial Appendix to the Appropriation Accounts, 1954-55.*—The Committee had desired that efforts should be intensified to effect recoveries amounting to Rs. 73,665 in respect of Makerwal Collieries which were outstanding against Government departments and offices, etc., and the result reported to them. In their compliance report the Ministry of Fuel, Power and Natural Resources had stated that further collections had been made and details would be furnished to the Public Accounts Committee in the meeting. Sardar Barkat Hyat Khan desired to know the amount of collections since made by the Ministry of Fuel, Power and Natural Resources. The departmental representative stated that out of the outstanding amount, 80% had been recovered and the balance 20% which related mainly to Government departments, was still to be recovered. The Committee hoped that efforts would be made by the Ministry of Fuel, Power and Natural Resources to recover the balance without further delay.

16. *S. No. 4 on page 168 of the Compliance Report—Paragraph 60 of Audit Report, 1958.*—The Committee had recommended that the question as to what expenditure on establishment should be regarded as work-charged should be examined by the Ministry of Fuel, Power and Natural Resources in consultation with the Comptroller and Auditor-General and the decision reported to them. In their compliance report the Ministry of Fuel, Power and Natural Resources had stated that an agreement on the correct interpretation of the rules had not yet been reached. Sardar Barkat Hyat Khan desired to know whether any further progress had been made in the matter. The Comptroller and Auditor-General stated that the Ministry of Fuel, Power and Natural Resources had since agreed with the Audit interpretation in the matter and had also decided to follow the correct codal procedure in future.

17. *S. No. 5 on page 169 of the Compliance Report.*—The Committee had directed that a detailed report on the case mentioned in paragraph

62 on page 34 of the Appropriation Accounts 1956-57 regarding a contract for the supply of 40 lakhs bricks should be submitted to them in the next session. In this case, the contractor had managed twice to get his previous contract cancelled when another of his tender at a higher rate had been accepted by the Department. With their compliance report the Ministry of Fuel, Power and Natural Resources had submitted a note indicating the result of enquiry conducted by the Chief Engineering Adviser in the matter. This note indicated that at the time of the submission of the tender for the first contract, coal was available at controlled rates and the tenderer had submitted his tender on that basis. Coal was decontrolled by Government afterwards and its price consequently shot up considerably with the result that it was unfair to expect the contractor to supply bricks at the tendered rate. After the contractor had supplied 16 lakhs bricks at the agreed rate, he submitted a representation expressing his complete inability to supply more bricks on that rate. The contract was, therefore, determined and 20 lakhs bricks out of this contract added on to the quantity required under the second contract. It would have been morally unfair to impose the penalty for non-fulfillment of this contract. The rise in the price of coal was due to an act of the Government for which the contractor could not be blamed. The Chairman desired to know whether variations in the prices of supplies to be made by the tenderers affected the contracts in such cases. The departmental representative stated at present there was no clause to this effect in the contracts and it was, therefore, always interpreted that variations in prices should go to the benefit of the contractor. The Comptroller and Auditor-General stated that such contracts included a clause under which the contractors were penalised in case they failed to supply the goods at certain agreed prices and the goods were, therefore, purchased at their risk. The Committee felt that since in all cases of increase in rates of the supplies, the contractors usually requested for revision of the contracts, it should be examined by all Ministries concerned, particularly the Ministry of Industries and the Ministry of Fuel, Power and Natural Resources, whether there should not be a clause in all contracts which should affect both sides and the advantage should not be gained only by the contractors.

On an enquiry by the Comptroller and Auditor-General, the departmental representative explained the circumstances under which the balance of the first contract was added to the second contract at a higher rate. The three contracts for the supply of bricks had been awarded to the same person without forfeiture of security money as a result of non-supply of the bricks in the first contract at the agreed rate. The departmental representative also gave a brief account of the circumstances and the facts together with the practical difficulties involved in completing the supply in the three contracts. The Committee felt that no objection could be made to the course of action adopted by the Department in the face of the facts and circumstances explained by them.

18. *S. No. 6 on page 169 of the Compliance Report—Paragraph 64 of Audit Report 1958.*—The Public Accounts Committee had recommended that immediate action should be taken by the Ministry of Fuel, Power and Natural Resources for the recovery of the outstanding amounts of the advances irregularly granted to some officers on their posting abroad. In their compliance report the Ministry of Fuel, Power and Natural Resources had stated that the case related to adjustment and not recovery of advances from the officers concerned. The adjustment bills of these

Officers had been submitted to the Accountant-General, West Pakistan after fulfilling the requirements of audit. The Committee desired that the Comptroller and Auditor-General should verify the position in this regard. The departmental representative stated that action had been taken by them to avoid recurrence of such irregularities in future.

19. *S. No. 7 on page 169 of the Compliance Report—Paragraph 37 on page 37 of Commercial Accounts, 1955-56.*—The Committee had directed that the Ministry of Fuel, Power and Natural Resources should submit a report with regard to the trading results of salt for 1955-56 and 1954-55. They had also desired to be informed as to why a certificate of physical verification was recorded without ever carrying out such verifications at various salt sources. The compliance report of the Ministry of Fuel, Power and Natural Resources indicated that the entire verification of such a huge stock of salt could not possibly be done strictly at the close of the year, but it was verified within a month after the close of the financial year keeping in view the excavation and issue of salt during the ensuing year. As such, the certificate of physical certification recorded in the accounts appeared to be correct. On a further enquiry by Mr. Ebrahim Khan the departmental representative explained that the physical verification of salt at mines had actually been carried out before recording the certificates. The mistake, however, was that while preparing the commercial accounts, all the losses actually incurred in the handling of salt were not accounted and certain percentages of these losses were left over from year to year. The fact that correct book balances were not being maintained at the headquarters, by not taking into account the actual losses, came to light only in 1956. There was no reconciliation between ledger balances at the headquarters and balances at the mines. The official record at the mines was correct but the person who prepared the commercial accounts took into account the wrong figures. The Committee hoped that in future the stocks of salt would be physically verified properly.

20. During the course of the examination of the Accounts for the years 1954-55 to 1956-57, the Public Accounts Committee, in their meeting held on the 2nd February, 1961 (para. 3 on page 194 of the Public Accounts Committee Report on the Accounts for 1954-55 to 1956-57) were informed by the Ministry of Fuel, Power and Natural Resources that they were not in a position to provide adequate answers in some cases due to the fact that the relevant records had been destroyed by the Ministry of Industries from whom the subject had been transferred to them. The Committee had directed that the Ministry of Industries should submit a report in this connection in their next session. In their meeting held on the 10th January, 1962, (para. 16 of the proceedings) the Public Accounts Committee noted the compliance report of the Ministry of Industries wherein it was stated that all records in respect of the subjects, transferred by them to the Ministry of Fuel, Power and Natural Resources had been sent to them and there was no question of destruction of any records in the Ministry of Industries.

The Committee desired to know the exact position of this case. The departmental representative stated that they had carried out a search for the file in question. The officer who had visited the Ministry of Industries had seen the file register and on the basis of his personal inspection, he had recorded a note that the two files in question were shown in that register to have been destroyed in the Ministry of Industries. The Committee desired that the matter should be re-examined by the

Ministry of Fuel, Power and Natural Resources in consultation with the Ministry of Industries and a report submitted to them before the conclusion of their session. (See paragraph 23 of the proceedings, dated 22nd January, 1962).

21. The Committee then took up an examination of the compliance report of the Comptroller and Auditor-General in regard to the items concerning the Ministry of Fuel, Power and Natural Resources.

22. *S. No. 1 on page 170 of the Compliance Report—Paragraph 6 on page 196 of the P.A.C. Report on the Accounts for 1954-55 to 1956-57.*—The Public Accounts Committee had recommended that a report with regard to the working of the Coal Briquetting Plant under the P.I.D.C. showing the comparative position of shortages during its past and present working should be submitted to them by the Comptroller and Auditor-General. The statement of comparative financial results of the Plant under Coal Commissioner and P.I.D.C. submitted by the Comptroller and Auditor-General indicated that the Plant showed better results under the P.I.D.C. although the conditions were more favourable when it was the Coal Commissioner. The Committee noted that the production of the plant had been fluctuating from year to year and desired to know the reasons for the same. The Comptroller and Auditor-General promised to look into this matter and to submit a report to the Committee in due course.

23. *S. No. 2 on page 170 of the Compliance Report.*—The Public Accounts Committee had recommended that the Ministry of Fuel, Power and Natural Resources should obtain from the Special Police Establishment the relevant files pertaining to the cases mentioned in paragraph 33 on pages 32—34 of the Appropriation Accounts for the year 1954-55, relating to unnecessary extra expenditure on various contracts for the supply of coal and furnish replies to the audit objections to the Comptroller and Auditor-General who should make a further report to the Committee in this connection. The compliance report of the Comptroller and Auditor-General indicated that the replies of the Department to the various instances of unnecessary extra expenditure in the contracts in question were examined and found to be unsatisfactory. The explanation of the Department and the observations of the Comptroller and Auditor-General thereon in all the three cases were examined in detail by the Public Accounts Committee with the assistance of the departmental representative and it was decided that in order to enable the Committee to reach definite conclusions in each case, the Ministry of Fuel, Power and Natural Resources should give them a detailed report with regard to the various observations made by the Comptroller and Auditor-General, before the termination of their current session (See paragraph 24 of the proceedings, dated 22nd January, 1962).

24. The Committee then took up an examination of the Appropriation Accounts for the years 1957-58 and 1958-59 pertaining to the Ministry of Fuel, Power and Natural Resources.

25. *Paragraph 44 on pages 34 & 35 of the Appropriation Accounts, 1957-58.*—It was stated in this paragraph that during the year 1958-59, a second hand generating set was purchased from a private individual for Rs. 2,60,000 although a recognised firm had offered to supply a similar set at a lower price. The set proved to be un-serviceable and completely useless ever since its erection. The details given in the audit report indicated that the purchase of the set had been made in disregard of the

financial interest of the State. The Committee desired to know the position of the case. The departmental representative stated that the report of the Special Police Enquiry in this case had been received. An Enquiry Committee had also been set up to examine the technical aspect of the case but that Committee could not meet due to the fact that the relevant files were with the police authorities. The Enquiry Committee had been asked to complete the enquiry so that the two reports could be studied together and submitted to the Cabinet for decision. The Committee observed that this was a very old case and directed that the Ministry of Fuel, Power and Natural Resources should take action to finalise it and report compliance to the Public Accounts Committee.

26. *Paragraph 47(i) on page 36 of the Appropriation Accounts 1957-58.*—The test check of the accounts of an Organisation revealed that irregular payments to the extent of Rs. 70,441 on account of charges for boarding and lodging and other personal amenities to the officers and staff of a contracting firm were made even though not stipulated in the contract agreement. The expenditure still remained to be regularised. On an enquiry by the Chairman the departmental representative explained that the case related to an agreement between the Governments of Pakistan and Canada. Under that agreement a good deal of expenditure was incurred by both Governments which was to be adjusted later on. The departmental representative added that recently it had been decided that the adjustment to be made should be related only to those irregular payments which could not be written off and accordingly bills amounting to Rs. 27 lakhs had been put in to the Canadian Government. The Chairman observed that there was no chance of any payment by the Canadian Government because the entire amount represented Foreign Aid and if any adjustment was to be made it should be made against the Foreign Aid.

27. *Paragraph 48 on page 36 of the Appropriation Accounts for the year 1957-58.*—It was stated in this paragraph that in one Organisation, tenders for supply of pipes were called for and a firm quoted Rs. 8 per R.ft. which was considered to be the lowest rate. A second enquiry for the same material was made from the same firm without recording reasons. Subsequently the firm quoted Rs. 1,500 per ton. The rate was ultimately settled at Rs. 1,350 per ton. Against a demand of 16,000 R.ft., the firm supplied 22,840 R.ft. without any formal purchase order having been issued. Thus a payment of Rs. 2,12,765 was made at Rs. 1,350 per ton. Had the rate of Rs. 8 per R.ft. originally tendered by the firm been accepted, the total cost would have been Rs. 1,82,720. Thus an additional expenditure of Rs. 30,045 was incurred for which no justification had been given so far.

In their written reply on this paragraph, the Ministry of Fuel, Power and Natural Resources had stated that the objection of the Audit was not based on correct appreciation of the position. The first enquiry was merely local trade enquiry to find out what was the prevailing market rate. Firm purchase was made on the best available prevailing market price with the sanction of the competent authority. It was added that the pipes were running short in the country and their prices were rising day by day in the years 1957 and 1958. Under these circumstances it was rather advisable, economical and in the best interest of the Project to purchase the pipes as expeditiously as possible. Since the pipes were required in large quantities at the Project, the Chief Engineer, with a view to avoid purchasing of the material at higher rates in future, thought

it fit to have in his reserve as many of them as readily available to meet his existing as well as future demands. This explained the point of purchasing a quantity of 22,840 instead of 16,000 R.ft. originally ordered to the firm. Being a transaction of a slightly special nature it was put up for the approval of the Joint Financial Adviser, Ministry of Finance and was approved by him. The Committee observed that in this case there was a difference of opinion between the Audit and the Ministry of Fuel, Power and Natural Resources. They however directed that the case should be settled by the Ministry of Fuel, Power and Natural Resources with the Comptroller and Auditor-General who should submit a report in the matter in the next session of the Public Accounts Committee.

28. *Grant No. 68—Capital Outlay on Irrigation, Fuel and Power—Note 6 on page 236 of the Appropriation Accounts for the year 1957-58.*—It was stated in this note that in respect of the stock accounts relating to the major Head 68—Construction of Irrigation, etc., Works, the half yearly stock returns for the period ending 31st March, 1958 were still awaited from all the seven divisions entrusted with the acquisition, custody and issue of stock material during the year under review. As no stock returns even for the seven years prior to 1957-58 were received from the divisions concerned, it could not be certified in audit that the closing balance indicated in this note represented the actual value of stock materials in hand at the close of the financial year. The Committee desired to know the reasons for which the stock returns had not been prepared by the divisions concerned. The departmental representative stated that this was due to the non-availability of accounts knowing clerks and efforts were being made by them to clear the returns as soon as possible. The Committee directed that in future the returns should be submitted regularly.

29. *Grant No. 68—Capital Outlay on Irrigation, Fuel and Power—Note 8 on page 238 of the Appropriation Accounts 1957-58—Major Head 89—Miscellaneous Investments.*—This note indicated the details of the investments in the various projects under the Ministry of Fuel, Power and Natural Resources. The Committee noted that the total investment made so far was nearly Rs. 10 crores. The Chairman pointed out that the only positive result achieved so far was the discovery of the gas.

30. The Committee then adjourned to meet again on Friday, the 12th January, 1962 at 9-00 A.M.

Proceedings of the Fifth Meeting of the Public Accounts Committee held on Friday, the 12th January, 1962 at 9.00 A.M.

The Public Accounts Committee met in Pakistan Secretariat No. I, Rawalpindi at 9.00 A.M. on Friday, the 12th January, 1962 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shab, Member.
2. Sardar Barkat Hyat Khan, Member.
3. Mr. Ebrahim Khan, Member.
4. Mr. Jasimuddin Ahmad, Member.
5. Mr. Ghulam Abbas, Comptroller and Auditor General.
6. Rana M. Yasin, P.A. & A.S., Accountant-General, Pakistan Revenues.
7. Mr. M. A. Subzwari, P.A. & A.S., Director, Commercial Audit.
8. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor-General.
9. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives

MINISTRY OF HEALTH, LABOUR AND SOCIAL WELFARE

10. Mr. M. Hamid Ali, S.Pk., C.S.P., Secretary.
11. Brig. M. S. Haque, Director General Health and *ex-Officio*, Joint Secretary.
12. Lt.-Col. S. A. Jafarey, Deputy Director General Health.
13. Mr. K. S. Mahmud, Central Labour Commissioner and *ex-Officio*, Deputy Secretary.
14. Mr. K. B. Rai Choudhry, Deputy Financial Adviser.

MINISTRY OF STATES AND FRONTIER REGIONS

15. Mr. Hidayatullah Khan, T.Pk., C.S.P., Acting Secretary.
16. Mr. Abdur Rahim, Deputy Secretary.
17. Mr. S. M. Nazi, P.C.S., Deputy Secretary.
18. Mr. Mohammad Shafi, Deputy Financial Adviser.

Secretary of the Public Accounts Committee

19. Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

2. The proceedings commenced with an examination of the compliance report of the Ministry of Health, Labour and Social Welfare on the directions given and recommendations made by the Public Accounts Committee in their Report on the Accounts for the years 1954-55 to 1956-57.

3. *A-General—S. No. 12 on page 189 of the Compliance Report.*—The Public Accounts Committee had recommended that their recommendations and directions should be brought to the notice of the Minister-in-Charge. In their compliance report, the Ministry of Health, Labour and Social Welfare had stated that this recommendation had been noted for compliance. The Chairman desired to know whether the recommendations of the Public Accounts Committee had actually been brought to the notice of the Minister-in-charge. The departmental representative stated that this had been done.

4. *B-Specific—S. No. 2 on page 190 of the Compliance Report—Note 5 on page 222 of Audit Report, 1955.*—The Public Accounts Committee had recommended that the form in which the accounts of the Dow Medical College and Jinnah Central Hospital should be maintained, should be re-examined by the Comptroller and Auditor-General of Pakistan and the exact form furnished to the Ministry of Health, Labour and Social Welfare who should submit a report to the Committee in their next session indicating the latest position of the accounts. In their compliance report, the Ministry of Health, Labour and Social Welfare had stated that the form in which the accounts of the Dow Medical College, Civil Hospital and Jinnah Central Hospital were to be prepared had been sent to the Accountant-General, Pakistan Revenues, for his final approval. The compilation of the accounts would begin immediately on receipt of the form, duly approved by the Accountant-General, Pakistan Revenues.

The Comptroller and Auditor-General stated that the question had been examined by him in consultation with the Ministry of Health, Labour and Social Welfare as desired by the Public Accounts Committee and it had been decided that :—

- (i) the Stores Accounts will be maintained in the form already prescribed by the Accountant-General, Pakistan Revenues with the following modifications :—
 - (a) The priced accounts will be maintained in respect of the Central Stock only on the basis of which the proforma account will be prepared.
 - (b) The registers in the Central Stock will be maintained in such a way as to exhibit the stores in accordance with the classification given in the P.V.M.S. and according to the broad category of stores.
 - (c) In the Central Stock registers, the price of every item of receipt will be duly shown in the appropriate column. Every individual item of issue may not show the price, but at the closing the total of all the issues will be duly priced. If there is any fluctuation in the price of stores during the specified period, the price of issues will be worked out on the basis of the average price.
- (ii) The question whether the revised procedure might be introduced from the year 1961-62, and for the previous years (1955-56 onwards) Government asked to accord their sanction for exemption thereof, will be taken up with the Ministry of Finance by the Ministry of Health, Labour and Social Welfare.

In regard to the decision at i(c), Mr. Yaqub Shah desired to know how the average price was to worked out. The Comptroller and Auditor

General explained that the average price was determined on receipt of every consignment at the end of the year. The Chairman observed that the matter need not be pursued further by the Public Accounts Committee in case an agreement between Audit and the Ministry of Health, Labour and Social Welfare had been reached with regard to the determination of the average price.

5. *S. No. 5 on page 191 of the Compliance Report—S. No. 5 on pages 547-548 of Audit Report, 1956.*—The Public Accounts Committee had recommended that the Ministry of Health, Labour and Social Welfare should submit a detailed report in regard to the case for the procurement of a Fumigating and Disinfecting Plant required by the Port Health Department, Chittagong. In their compliance report the Ministry of Health, Labour and Social Welfare had given the requisite report which indicated that the plant was being used now. The Comptroller and Auditor-General pointed out that the Port Health Department had not cared for the plant properly and it deteriorated considerably due to delay in the procurement of its Barge as a result of which extra expenditure had to be incurred by the Government on the overhauling of the plant. This could have been avoided through proper care on the part of the authorities concerned.

6. *S. No. 8 on page 193 of the Compliance Report—S. No. 1 on page 407 of Audit Report, 1958.*—The Committee had recommended that the Ministry of Health, Labour and Social Welfare should submit a report indicating the action taken in the case of theft of stores of an estimated value of Rs. 6,143 in the office of the Director of Health Services. The compliance report of the Ministry of Health, Labour and Social Welfare indicated that the theft actually related to the Drigh Road Dispensary and not to the stores room in the office of the Director of Health Services. The Director, Central Health Establishment and Stores had reported that there had been no loss and that the medicines were actually consumed. As the Audit was not satisfied with the findings of the Director, a fresh Board of Enquiry had been ordered. The Committee directed that the result of the fresh enquiry, should be reported to them in the next session.

7. *S. No. 9 on page 193 of the Compliance Report—S. No. 2 on pages 407-408 of Audit Report, 1958.*—The Public Accounts Committee had recommended that the action taken against the cashier of the Central Jinnah Hospital who was held responsible for the misappropriation of a sum of Rs. 1,820 was not enough and that suitable disciplinary action should also be taken against him. In their compliance report the Ministry of Health, Labour and Social Welfare had indicated that the cashier had been warned in addition to the recovery of the amount. Sardar Barkat Hyat Khan was of the view that mere warning did not constitute adequate departmental action that had been desired to be taken by the Public Accounts Committee. The departmental representative stated that a major penalty could not be imposed on the cashier due to the fact that the charge of misappropriation could not be established. Payment of the amount involved was held to have been made but the cashier could not produce vouchers in support thereof. The Committee observed that this information should have been furnished by the Ministry of Health, Labour and Social Welfare in their compliance report.

8. *S. No. 10 on page 193 of the Compliance Report—S. No. 3 on page 409 of Audit Report, 1958.*—The Public Accounts Committee had recommended that the Ministry of Health, Labour and Social Welfare should

submit a report regarding the case of theft of an X-Ray machine in the Jinnah Central Hospital. The compliance report of the Ministry of Health, Labour and Social Welfare indicated that a Board of Enquiry that had been constituted in the matter had recommended that a sum of Rs. 80 only might be collectively recovered from the officials held responsible for the theft. This recommendation was based on the fact that the machine would not have fetched more than Rs. 80, if it had been put to auction. The recommendation of the Board had been accepted and the amount recovered from the officials concerned.

9. *S. No. 11 on page 193 of the Compliance Report—S. Nos. 1 and 2 on pages 421-422 of Audit Report, 1958.*—This related to physical verification of stores in the charge of the various Departments under the control of the Ministry of Health, Labour and Social Welfare. The compliance report of the Ministry of Health, Labour and Social Welfare indicated that in respect of the Directorate General of Manpower and Employment the periodical verification of stores was conducted in December, 1960 and that it would again be carried out in all Departments during the financial year 1961-62. Mr. Ebrahim Khan desired to know whether the needful had been done. The departmental representative stated that the physical verifications of stores had been carried out except in one or two cases. The Committee directed that the work should be completed without further delay.

10. *S. No. 14 on page 194 of the Compliance Report—Paragraph 188 of Commercial Accounts, 1956-57.*—The Public Accounts Committee had recommended that the Ministry of Health, Labour and Social Welfare should examine the position with regard to the fixation of limits of permissive wastage in bottling of vaccines and anti-sera in the light of the experience gained by the Bureau of Laboratories. In their compliance report the Ministry of Health, Labour and Social Welfare had stated that the percentage of wastage and leakage of vaccine and sera while putting in containers such as ampules, etc., had been allowed up to a maximum of 15%. The Comptroller and Auditor General pointed out that in their written replies on the Accounts for the year 1957-58, the Ministry of Health, Labour and Social Welfare had stated that the limit had been fixed at 25%. The departmental representative stated that the figure of 25% was a typographical error in the statement of their written replies. The limit actually fixed was 15% as reported by them in the compliance report. Mr. Yaqub Shah was of the view that the fixed percentage of wastage should be compared with the percentages of the laboratories in other countries, in order to determine whether the limits fixed by the Bureau of Laboratories in Pakistan were not excessive.

11. *S. No. 15 on page 194 of the Compliance Report.*—The Committee had asked for a report in regard to the recoveries of outstanding amounts effected by the Bureau of Laboratories reported in paragraph 189 on page 119 of the Commercial Accounts 1956-57. The compliance report indicated that only a sum of Rs. 5,353 had been recovered out of the total amount of Rs. 53,824 up to the end of the financial year 1960-61. Mr. Ebrahim Khan pointed out that the progress of the recoveries was very slow. The departmental representative stated that the amounts were outstanding against the Provincial Governments and some Municipalities and efforts were being made to recover the same. The Committee desired that the recoveries should be effected expeditiously.

12. *S. No. 16 on page 194 of the Compliance Report.*—The Public Accounts Committee had desired to be apprised of the position regarding the preparation of balance sheets of the Medical Stores Depot Karachi. In their compliance report the Ministry of Health, Labour and Social Welfare had indicated that the balance sheets for the period 1953-54 to 1959-60 in respect of the Medical Stores Depot Karachi had since been prepared. The Comptroller and Auditor-General pointed out that in accordance with the information furnished to him by the Department, the balance sheet for the year 1955-56 only had been prepared. The departmental representative stated that actually the balance sheets for the period 1955-56 to 1959-60 had been prepared and that the year 1953-54 had been indicated in their compliance report through a typographical mistake. The Comptroller and Auditor-General pointed out that even that statement of the Ministry of Health, Labour and Social Welfare, was incorrect due to the fact that in January, 1962, *i.e.*, two months after the submission of the compliance report by the Ministry of Health, Labour and Social Welfare he had been informed by them that the balance sheet for the year 1956-57 would be prepared and sent to Audit. The Committee desired that the position in this regard should be verified further by the Comptroller and Auditor-General and the latest position with regard to the preparation of balance sheets reported to them in their next session. Mr. Yaqub Shah observed that the necessity of giving correct information to the Public Accounts Committee should be emphasised on all Ministries.

13. The Committee then took up an examination of the Appropriation Accounts for the years 1957-58 pertaining to the Ministry of Health, Labour and Social Welfare.

14. *Annexure-A—List of unfinalised cases of serious financial irregularities (S. No. 1 on page 403 of Appropriation Accounts, 1957-58).*—Supply of milk, butter and cream from 1st April, 1957 to 31st October, 1957, worth Rs. 96,066 was obtained by a hospital without obtaining new quotations from the old supplier during 1957-58 inspite of the fact that lower rate quotations had been given by another supplying firm. This irregularity resulted in a loss of Rs. 19,747 to Government. Further, the laboratory test indicated that the milk supplied was of an inferior quality and the supply order had, therefore, to be discontinued. The supply order subsequently placed for the period 1st November, 1957 to 31st March, 1958, was also not given to the dairy quoting the lowest rates. This resulted in a further loss of Rs. 11,174. The total loss accruing to Government through irregular procedure adopted in obtaining supplies in this case amounted to Rs. 30,921. A reply to the audit objection was still awaited from the authorities concerned.

Mr. Yaqub Shah referred to the statement of written replies on this point submitted by the Ministry of Health, Labour and Social Welfare which indicated that the Jinnah Central Hospital, before its coming into being, was a R.A.F. Hospital and Military Dairy Farm was its supplier for dairy produce upto 1954-55. In 1955-56, due to certain difficulties expressed by the Military Farm, that Farm stopped supplies and the procurement was, therefore, made through contractors. It was desired in 1957, to have the supplies from the Military Dairy Farm as their milk was pasturised and the Farm Officer, Malir Cantonment was requested to undertake supplies. Simultaneously tenders were also invited with a view to consider them in case the Military Dairy Farm expressed their inability to resume supplies. The tenders were opened on the 5th March, 1957,

but only after four days, a communication was received from General Headquarters, Rawalpindi advising the Military Dairy Farm Officer to undertake the supplies. The hospital authorities, therefore, did not enter into contract with any of the tenderers. No correspondence about the rates was carried out with the Military Dairy Farm, as their rates were approved by the Government and were not susceptible of bargaining. Subsequently when it was found that the supplies made by the Military Dairy Farm were of inferior quality, fresh tenders were invited. At that time, the former lowest tenderer did not give any tender. It was, therefore, not relevant to bring that tenderer into picture and assess the loss, which was actually not incurred. The Ministry of Health, Labour and Social Welfare, therefore contended that the deal was carried out with an approved contractor whose tender was the lowest. The Committee desired Audit to verify the position with regard to the explanation given by the Ministry and to report back to them, if necessary.

15. *Annexure-A to Appropriation Accounts for 1957-58—S. No. 2 on page 404—Loss in the purchase of fuel (Rs. 11,139).*—Tenders for the supply of 4,000 maunds each of split and unsplit wood and *gutkas* were invited by a hospital and the contract was placed with a dealer whose overall cost of these articles was the lowest, though the rate quoted by him for the split wood was much higher. Contrary to the quantity of 4,000 maunds contemplated in the agreement, the contractor actually supplied 8,924 maunds of split wood which was quoted by him at Rs. 4 per maund and 134 bags of coal. The total cost paid for these articles amounted to Rs. 36,500. The lowest rate quoted for the supply of split wood being Rs. 2.12- per maund, the cost of the supplies actually received would have been Rs. 25,361 only. The Government, therefore, suffered a loss of Rs. 11,139 as the quantitative supply of various kinds of fuel as contemplated in the agreement was not rigidly adhered to, and the contractor with whom the contract was placed had manipulated the total overall value of the articles to be supplied at a much lower figure than the other contractor by quoting lower rates of the articles which neither he supplied nor the authorities concerned insisted to be supplied.

The statement of written replies of the Ministry of Health, Labour and Social Welfare indicated that no loss had occurred in this case as the contractor had been paid for split wood at the approved rate and it was not possible at the time of the opening of the tenders to assume that special *chullas* for which tenders for wooden *gutkas* were invited, would not be constructed. Had that been possible, the contract would have been given to the tenderer who quoted lowest rates for split wood alone and not with the tenderer whose overall cost of these articles was the lowest.

Mr. Yaqub Shah desired to know whether it was possible to place separate orders for fire wood items. The departmental representative explained that separate orders had to be placed in case the amount involved was substantial. In other case combined order could be placed. Instructions had, however, since been issued by the Ministry of Health, Labour and Social Welfare to the effect that the prices should be brought down to the lowest level before placing orders for the supplies in such cases.

16. *Grant No. 59—Public Health—Note 3 on page 221 of the Appropriation Accounts, 1957-58.*—It was stated that a sum of Rs. 4,38,200 was surrendered even though no saving was available. The Committee observed that this was a case of bad budgeting and indicated defective

control over expenditure. They directed that the Ministry of Health, Labour and Social Welfare should exercise better control over expenditure in order to avoid such variations in the accounts.

17. At this stage the Chairman pointed out that the Appropriation Accounts for the years 1957-58 and 1958-59 under the various grants controlled by the administrative Ministries|Divisions indicated variations between the final grant and the actual expenditure. The excesses over voted grants and charged appropriations brought to notice in these accounts had to be regularised. At present the excesses were regularised by the President by authenticating schedules of excess expenditure in accordance with the provisions of the Expenditure (Authentications) Order, 1960 that had been promulgated after abrogation of the 1956 Constitution. After the enforcements of the new Constitution the budget and the statements of excess expenditure would be required to be presented to the legislature and will have to be defended before them. The Committee desired that all Ministries|Divisions should exercise great care in making budget provisions and should exercise effective control over expenditure and should be prepared to explain the position with regard to the various grants under their control before the new Legislature.

18. The Committee then took up an examination of the Appropriation Accounts for the year 1958-59 pertaining to the Ministry of Health, Labour and Social Welfare.

19. *Annexure-B—S. No. 6 on pages 264-265 of the Appropriation Accounts, 1958-59.*—It was stated that physical verification of stores was not conducted by some controlling officers of the Ministry of Health, Labour and Social Welfare and reasons for the failure had not been furnished. Mr. Ebrahim Khan desired to know the present position of the various cases. The departmental representative stated that physical verification of stores had been carried out in most cases. The Committee desired that this work should be completed without delay and periodical verification of stores carried out in future.

20. The Committee then took up an examination of the Commercial Accounts for the year 1957-58 pertaining to the Ministry of Health, Labour and Social Welfare.

21. *Paragraph 23 on page 13 of the Commercial Accounts for the year 1957-58.*—The authorities of a Medical Stores Depot made heavy local purchases of Medical Stores during the years 1954-55 to 1957-58 as indicated below :—

Year	Amount of local purchases
	Rs.
1954-55	5,95,753
1955-56	7,73,173
1956-57	16,32,000
1957-58	24,32,960

According to the contention of the department, local purchases had to be made due to delay in delivery of stores indented on the Director-General, Supply and Development. It was however, noticed by Audit that effective steps had not been taken by the Department to expedite supplies of stores by the Director-General, Supply and Development. A few cases of local purchases revealed that Government incurred an extra expenditure of Rs. 99,589 due to difference between the local purchase and central purchase rates. There were also certain cases in which the Medical Stores Depot made local purchases unnecessarily involving an avoidable additional expenditure of Rs. 19,218 in three cases alone. The Chairman enquired whether it was not possible for the Department to make arrangements for getting the various stores in consultation with the Director-General, Supply and Development well before they were exhausted so as to avoid making local purchases. As the time taken in getting the supplies through the Director-General, Supply and Development was pretty long, orders could be placed by the Medical Stores Depot well in advance so that the delay was eliminated. The time likely to be taken for getting the supplies of stores was known, and it could easily be determined by what time the available stocks would exhaust. The departmental representative stated that local purchases had to be resorted to in emergency. The Committee felt that the requirements could be calculated at the normal consumption rate and regular supplies could be arranged. They recommended that the Ministry of Health, Labour and Social Welfare should devise a procedure in consultation with the Director-General, Supply and Development for replenishing the stock of medical stores so as to avoid bulk purchases locally. This would make more medicines available to the general public in the market. Another point involved in the matter was that foreign exchange was allocated specifically for the purchases and in case the purchases were made locally the foreign exchange was also held back. The Committee desired that the matter should be examined by the Ministry of Health, Labour and Social Welfare in the light of their observations and a report indicating the results submitted to them in the next session.

22. *Paragraph 179 on page 99 of the Commercial Accounts 1957-58.*—It was stated that no proper system of costing existed in the Bureau of Laboratories to arrive at the true cost of sera and vaccines. The department had been asked to introduce a suitable costing system for future and the matter was receiving the attention of Government. Mr. Yaqub Shah enquired whether a firm of Cost Accountants could not be employed on the job. The Chairman stated that there was a regular Cost Accounts Organisation in the Ministry of Finance to help them in the matter.

23. *Paragraph 194 on page 111 of the Commercial Accounts 1957-58.*—It was stated that certain receipt vouchers in respect of London Stores were not priced during the year with the result that the figures of the purchases and consequently of the closing stock were less to the extent of the value of the receipt vouchers not priced. Necessary adjustment on this account was required to be carried out in the accounts for the years 1958-59. Mr. Yaqub Shah desired to know whether it was not possible to devise a procedure under which copies of the invoices could be sent to the department concerned. The Comptroller and Auditor-General stated that the procedure had since been revised by the department for the pricing and issue of receipt vouchers and it was hoped there would be no delay in future.

24. *Paragraph 197 on page 111 of the Commercial Accounts, 1957-58.*—It was stated that only the cost of Local Audit of the account of the

Medical Stores Depot, Karachi had been included in the proforma accounts while the cost of the Central Audit remained excluded therefrom since 1955-56. The position was required to be ascertained from the Accountant-General, Pakistan Revenues and necessary adjustment carried out in the Accounts for the year 1958-59. The Committee desired that necessary information should be furnished to the department by the Accountant General, Pakistan Revenues.

25. *Paragraph 199 on page 112 of the Commercial Accounts for the year 1957-58.*—It was stated in this paragraph that recoveries amounting to Rs. 1,49,14,650 on account of sales on book adjustments and Rs. 2,27,332 on account of sales on cash payments were outstanding on 31st March, 1958 on account of medical stores supplied to various Government Departments and non-Government Institutions. There was a need for stepping up the recoveries. Referring to the statement of written replies furnished by the Ministry of Health, Labour and Social Welfare, Mr. Yaqub Shah noted that recoveries amounting to Rs. 77,82,494 and Rs. 58,227 had been effected and desired to know the present position in this regard. The Comptroller and Auditor-General stated that the position of outstanding amounts had improved further. The Committee directed that efforts should be made by the department to wash out the whole arrears.

26. *Paragraph 203 on page 112 of the Commercial Accounts 1957-58.*—According to the revised stores accounting instructions of the Medical Stores Depots, the closing stock held at the Karachi depot was valued at the latest price vocabulary rates less 1/6th representing the administrative charges included in those rates. Issues of stores were also shown in the stores accounts in accordance with the same principle. Mr. Yaqub Shah desired to know what exactly was meant by vocabulary rates. The Comptroller and Auditor-General explained that vocabulary rate was fixed after taking into account the cost of purchases made during the particular period plus incidental and departmental charges thereon.

27. The Committee then took up an examination of the accounts for the year 1958-59 pertaining to the Ministry of Health, Labour and Social Welfare.

28. *Paragraph 152 on page 103 of the Commercial Accounts 1958-59.*—The working of the Medical Stores Depot, Lahore Cantonment disclosed a net profit of Rs. 6,08,962 as compared with that of Rs. 8,18,896 in the year 1957-58. The decrease in net profit was mainly due to the fact that obsolete and un-serviceable stores valued at full cost price of Rs. 2,50,000 and included in the closing balance for the year 1957-58 were disposed of in the year under review for Rs. 61,671 only, involving a loss of Rs. 1,88,329. The sanction of competent authority for the write off of the loss was awaited. The written reply of the Ministry of Health, Labour and Social Welfare on this account indicated that the case was still under consideration. The Comptroller and Auditor-General desired to know whether there was any process by which the department could check out the obsolete stores from time to time. He was of the view that if these stores had been declared obsolete earlier, they would have probably fetched higher price. The Comptroller and Auditor-General added that such a check had been carried out by the department for the first time in the last 14 years. The departmental representative stated that this procedure would now be followed in the future years and the requisite check exercised once a year. Mr. Yaqub Shah was, however, of the view that the time expired medical stores could not fetch better

price even if they were declared obsolete earlier. The Chairman stated that few items like instruments or trollies, etc., could fetch better price in the event of their being declared obsolete earlier. The Committee directed that the loss involved in the case should be regularised by the Ministry of Health, Labour and Social Welfare expeditiously.

29. *Paragraph 154 on page 103 of the Commercial Accounts for the year 1958-59.*—The total losses in transit and shortages in the Medical Stores Depot, Lahore in the year 1958-59 amounted to Rs. 27,047 out of which a sum of Rs. 4,922 was recovered from Insurance Companies and the individuals at fault and the remaining amount of Rs. 22,125 was written off. The losses in transit alone amounted to Rs. 22,128 as against Rs. 6,620 in the year 1957-58 and Rs. 4,661 in 1956-57, which showed an upward trend. Remedial measures were required to be taken to reduce the losses in transit. The Committee desired to know the circumstances under which the amount of losses was increasing. The departmental representative stated that the losses were inevitable and were increasing due to use of more drugs consequent upon the opening of new hospitals. Necessary remedial measures had however been taken to decrease such losses in futures.

30. *Paragraph 155 on page 103 of the Commercial Accounts for the year 1958-59.*—It was stated that although it had been certified in Note 3 below the Stores Accounts of the Medical Stores Depot, Lahore that the closing balance was not in excess of the normal requirement, it was observed that a number of items appeared to be much in excess of actual requirements. A few instances were given in the Audit Report. This had resulted in unnecessary blocking of Government capital and some maximum and minimum limits of the various items of stocks were required to be fixed under the orders of the competent authority. The Committee desired to know whether the maximum and minimum limits of various items of stocks had been fixed. The departmental representative stated that it was not possible to do so due to the fact that the number of hospitals and dispensaries were regularly on the increase. The Committee felt that it was desirable to fix the limits and to keep the essentials stored in suitable quantities.

31. *Paragraph 160 on page 104 of the Commercial Accounts 1958-59.*—It was stated in this paragraph that a quantity of 69,936 lbs. D.D.T. received from the D.D.T. Factory, Nowshera for the Medical Stores Depot, Lahore Cantonment was neither taken into stores accounts nor the cost thereof charged from the indentors on the plea that their rates had not been communicated to the depot by the factory. The department had been asked to ascertain the rates and adjust the cost in the stores accounts for the year 1959-60. The Chairman desired to know whether the prices of D.D.T. had since been ascertained by the department. The departmental representative stated that they had asked the P.I.D.C. about the D.D.T. prices but they had not yet intimated prices. The Comptroller and Auditor-General pointed out that in any case the quantity of D.D.T. received by the depot should have been taken into the stores account. The departmental representative stated that the needful had been done and the correct procedure had been noted for future.

32. *Paragraph 175 on page 115 of the Commercial Accounts for the year 1958-59.*—It was stated in this paragraph that stocks to the extent of Rs. 2,65,000 were procured during the closing months of the year 1957-58 by the Government Medical Stores Depot, Chittagong. The

closing stock worth Rs. 4,52,469 on 31st March, 1958, resulting in the locking up of Government capital, was considered heavy as compared with the issues during the year amounting to Rs. 11,830 only. In their written reply on this point the Ministry of Health, Labour and Social Welfare had stated that Government capital was not blocked as the major portion of medical stores was procured during the closing month of the year. Mr. Yaqub Shah was of the view that the contention of the Ministry of Health, Labour and Social Welfare was not correct due to the fact that the purchases made in excess of the actual requirement, amounted to blocking of Government money. The Comptroller and Auditor-General stated that since Government Medical Store Depot, Chittagong was newly established, the position of sales issues of medicines was poor. The position improved during the year 1959-60 and Stores Depot actually sold medicines worth Rs. 3 lacs.

33. The representatives of the Ministry of Health, Labour and Social Welfare then withdrew and the Public Accounts Committee commenced an examination of the compliance report of the Ministry of States and Frontier Regions on the recommendations made by the Public Accounts Committee in their Report on the accounts for the years 1954-55 to 1956-57.

34. *A-General—S. No. 12 on page 375 of the Compliance Report.*—The Public Accounts Committee had recommended that their recommendations and directions should be brought to the notice of the Minister-in-Charge. The Committee desired to know whether necessary action to bring the recommendations of the Public Accounts Committee on the Accounts for the years 1954-55 to 1956-57, to the notice of the President (Minister of States and Frontier Regions) had been taken. The departmental representative explained that the report was being submitted to the President.

35. *B-Specific—S. No. 1 on page 377 of the Compliance Report.*—The Public Accounts Committee had directed that the Ministry of States and Frontier Regions should furnish information in respect of outstanding recoveries amounting to Rs. 1,24,90,665 reported in paragraph 2 of the Financial Review on page 374 of the Appropriation Accounts for the year 1950-51, by the Director of Civil Supplies, Baluchistan, relating to purchases by the local administration. On an inquiry by the Chairman, the departmental representative stated that it had not been possible to effect the recoveries in spite of the efforts made by them due to non-availability of the particulars of the persons concerned. The Committee directed that the recoveries should be effected expeditiously and in case it was not possible to do so, the position should be regularised otherwise.

36. *S. No. 2 on page 377 of the Compliance Report.*—The Public Accounts Committee had asked for a detailed report indicating the action taken by the Ministry of States and Frontier Regions in respect of outstanding cases of financial irregularities pertaining to that Ministry. The report of the Ministry of States and Frontier Regions in respect of the 8 outstanding cases mentioned in Annexure II on page 379 of the compliance report was examined by the Public Accounts Committee with the following results :—

- (i) *Item 1—Annexure-A of Audit Report, 1955.*—This related to mis-appropriation of a sum of Rs. 2,457 by an Assistant in the office of the Director of Agriculture, Quetta. The compliance

report indicated that the accused official was convicted and sentenced. Issue of formal orders of write off was pending with the department of Agriculture, West Pakistan, Lahore. The question of recovering the loss from the convicted person was also being considered by the Provincial Government. The Committee directed that urgent steps should be taken to effect recoveries in this case or the position regularised in case it was established that it was not possible to effect any recovery.

- (ii) *Item 26—Annexure-A of Audit Report, 1955.*—This related to mis-appropriation of a sum of Rs. 2,299 by a Deputy Custodian, Pishin's office who had been convicted and sentenced. The question of recovering the money from the accused was still under consideration. The Committee desired that this case should also be finalised without delay.
- (iii) *Item 27—Annexure-A of Audit Report, 1955.*—Three officials of the office of the Deputy Custodian, Chaman, mis-appropriated a sum of Rs. 11,905. The Police found only one person to be guilty of mis-appropriating a sum of Rs. 109,119. The Police further recommended that departmental action should be taken against him to recover the loss. Meanwhile the official was invalidated out of service by the Medical Board. He could not, therefore, be proceeded against departmentally. The Deputy Settlement and Rehabilitation Commissioner, Quetta was asked to recover the amount from the accused. Confirmation of the fact whether the recovery of the amount had in fact been made or not, was not, however, available as the relevant file in the office of the Deputy Settlement and Rehabilitation Commissioner, Quetta was not traceable. Mr. Yaqub Shah desired to know what action had been taken against the other two officials who had been found guilty by the department. The departmental representative stated that they were completely exonerated of the charges on report of the Special Police Establishment. The Chairman enquired as to why a sum of Rs. 109,119 only was proposed to be recovered from the accused when the amount actually mis-appropriated was Rs. 11,905. The departmental representative stated that on subsequent verification of the Audit Report, it had been found that the amount involved was actually Rs. 109,119 and not Rs. 11,905.
- (iv) *Item 29 of Annexure-A of Audit Report, 1955.*—This related to mis-appropriation of a sum of Rs. 5,557 by an official of the office of the Civil Surgeon, Quetta. The compliance report indicated that necessary action for writing off of the amount by the Government of West Pakistan was being taken by the Deputy Director, Health Services, Quetta. It was also stated that the accused was not available and it was not possible to find his permanent home address. Mr. Ebrahim Khan desired to know as to why the permanent address of a permanent government servant was not known. The departmental representative stated that he was convicted and dismissed from Government service three years ago. As the service book which was the only document containing the permanent address was not available, the local police had expressed their inability to trace the man. The Committee

directed that necessary action for the write off of the amount involved should be taken urgently and it should be examined further by the Ministry of States and Frontier Regions, whether it would be possible to trace the accused.

- (v) *Item 30—Annexure-A of Audit Report, 1955.*—This related to mis-appropriation of a sum of Rs. 12,589 by an official of the office of the Civil Surgeon, Quetta. The loss could not be made good by recovering it from his property, etc. For initiating action for formal issue of orders of write off of the loss, a detailed audit had to be undertaken. The Audit party deputed for the purpose by the Comptroller Southern Area, Karachi was accordingly conducting audit which was expected to be completed some time in November, 1961. The departmental representative explained that the Audit Report had since been received on the basis of which the local authority had addressed the Provincial Government asking them to write off the amount involved because the whereabouts of the accused were not available and the loss could not be recovered. The Chairman pointed out that in such cases the question whether any recovery could be made from the accused should be examined immediately when he was convicted. The departmental representative stated that this procedure was now being followed by them in all cases of mis-appropriation in accordance with the orders issued by the Ministry of Finance and the recommendations made by the Public Accounts Committee. The Committee desired that action to regularise the case should be taken without delay.
- (vi) *Item 31—Annexure-A of Audit Report, 1955.*—This related to defalcation of a sum of Rs. 26,343 by an official of the office of the Superintendent, Central Jail in Mach. The compliance report indicated that the amount had been written off.
- (vii) *Item 32—Annexure-A of Audit Report, 1955.*—This related to defalcation of a sum of Rs. 2,740 by an official of the office of the Senior Superintendent Police and Provincial Transport Commissioner, Baluchistan. The accused was convicted and sentenced. The question of issuing formal orders to write off the amount was pending with the Provincial Government. The Committee desired that the case should be finalised urgently.
- (viii) *Item 33—Annexure-A of Audit Report, 1955.*—This related to embezzlement of a sum of Rs. 4,950 by an official of the office of Political Agent Zhob. The Committee noted that the amount had been written off by the Provincial Government and the case finalised.

37. No questions were put to the representative of the Ministry of States and Frontier Regions regarding the grants controlled by them for the years 1957-58 and 1958-59.

38. Mr. Abdur Raouf, Secretary Public Accounts Committee placed a memorandum before the Committee addressed to him on the 12th January, 1962 by the Ministry of Kashmir Affairs, intimating that the

Joint Secretary and the Deputy Secretary-in-charge of that Ministry had been admitted in the Central Government Hospital and were not in a position to attend the meeting of the Public Accounts Committee scheduled for the 13th January, 1962 and requesting that consideration of the Accounts of that Ministry be postponed to some other day or Mr. Wali Dad Khan, Section Officer in that Ministry permitted to represent the Ministry. The Committee decided that the Deputy Financial Adviser, Ministry of Kashmir Affairs should attend the meeting of the Public Accounts Committee on the 13th January, 1962.

39. The Committee then adjourned to meet again on Saturday, the 13th January, 1962 at 9.00 A.M.

statistical information from those countries and a meeting would be convened as soon as the information was received. The Committee were also informed that the Lighthouse Organisation had a Reserve Fund of Rs. 12,02,764 on the 30th June, 1959. Accounts for 1959-60 were under compilation and a surplus of Rs. 4 lakhs approximately was anticipated. Adding thereto this anticipated surplus of Rs. 4 lakhs, the Reserve was likely to be Rs. 13,02,764 on 30th June, 1960. Adequate funds were thus available to meet expenditure on additional lighthouses. The question of raising further funds would, however, be placed before the Committee. The Public Accounts Committee directed that further progress of the case should be reported to them in the next session.

6. *B-Specific—S. No. 2 on page 354 of the Compliance Report.*—The Committee had directed that the Posts and Telegraphs Department should submit a report indicating the up-to-date position of recoveries made in the case relating to mis-appropriation of Rs. 1,00,476 of Saving Bank deposits mentioned at S. No. 8 in the Annexure on page 141 of the Appropriation Accounts (Posts and Telegraphs Department) for the year 1955-56. The compliance report of the Posts and Telegraphs Department indicated that the ultimate loss was Rs. 1,35,932. Disciplinary proceedings against the two supervisory officials due to whose negligence the fraud continued over a long period, was in the process of finalisation and orders in that respect were expected to be issued shortly. Recovery if any, that might be ordered from two supervisory officials would be a very small fraction of the total loss suffered by the Department and practically the whole loss would have to be written off. On an enquiry by the Chairman, the departmental representative stated that the Sub-Postmaster had left behind no funds out of the amount misappropriated by him. He moved about in high circle including the then Central Ministers and managed twice to get extension in service beyond the normal tenure under the orders of the Minister-in-charge although the mis-appropriation had been detected while he was still in service. The Committee observed that in view of the position explained by the departmental representative, it appeared to them that the Minister concerned was also responsible for the mis-appropriation. They felt that the matter should have been brought to the notice of the Cabinet Division as all Ministries were required to report such cases to the Cabinet. On a further enquiry by the Chairman, the departmental representative stated that the matter was not brought to the notice of EBDO Tribunal due to the fact that the case was in the stage of investigation during 1959 in which year EBDO Tribunal was constituted. The Committee suggested that it should be investigated further by the Posts and Telegraphs Department whether the amount involved in this case had actually been spent by the accused without making any investment in some property. The departmental representative promised that the special police would be requested to examine the case again and a report would be submitted to the Public Accounts Committee in the next session.

7. *S. No. 3 on page 354 of the Compliance Report.*—The Committee had directed that the Posts and Telegraphs Department should submit a report indicating the recoveries made on account of loss of pocket watches mentioned at S. No. 2 on page 132 of the Appropriation Accounts (Posts and Telegraphs) for the year 1956-57. The compliance report of the Posts and Telegraphs Department indicated that disciplinary proceedings against the officials concerned were in the process of finalisation and orders for recovery were expected to be issued shortly. Disciplinary action

against one of the officers involved had, however, to be kept pending as he was on deputation abroad at present. On an enquiry by the Chairman the departmental representative stated that it was not considered desirable to serve a charge sheet to the officer in the foreign country on the apprehension that it would bring a bad name to our country because the charge sheet had to be served through the foreign Government. The Committee desired that the official concerned should be charge sheeted through the Pakistan Ambassador in the foreign country and further progress of the case reported to them in the next session. As regards the other officials, it was explained by the departmental representative that disciplinary proceedings could not be finalised due to the fact that a number of formalities had to be observed under the Government Servants (Efficiency and Discipline) Rules, 1960. The Committee directed that the case should be finalised without further delay and the result reported to them in the next session.

8. The Committee then took up an examination of the Appropriation Accounts for the years 1957-58 and 1958-59 pertaining to the Communications and Transport Division.

9. Referring to the statements of written replies furnished by the Communications and Transport Division on the points brought out in the Appropriation Accounts for the years 1957-58 and 1958-59, Mr. Yaqub Shah pointed out that in many cases it had been stated by the Communications and Transport Division that the Accountant-General, Pakistan Revenues had not incorporated the explanations on the various points furnished by them although the same had been communicated to him. The Comptroller and Auditor-General stated that the paragraphs proposed to be included in the Audit Reports and other Audit comments under the various grants controlled by each Ministry/Department were shown to them in draft by the Accountant-General, Pakistan Revenues. The administrative Ministries were required to furnish to the Accountant-General, Pakistan Revenues their acceptance or comments with regard to these paragraphs within a period of six weeks. As the accounts had to be finalised and printed within a specified period it was not possible to incorporate any information that was furnished by the departments after the prescribed period. Mr. Yaqub Shah was of the view that the period of six weeks might be increased in the case of Posts and Telegraphs Department as they had to collect the necessary data from various offices. The departmental representative stated that similar difficulty was experienced by them in regard to the accounts pertaining to Port Directorate Chaina. The Committee desired that the question regarding extension of the time limit prescribed for the submission of replies by the administrative Ministries on the draft paragraphs for the Audit Report may be considered by the Comptroller and Auditor-General and a report submitted to them in the next session.

10. *Grant No. 25—Capital Outlay on Ports—Page 138 of the Appropriation Accounts (Civil) for the year 1957-58.*—The original amount of Rs. 15,12,000 was reduced to Rs. 11,51,200 against which the actual expenditure incurred under this grant amounted only to Rs. 8,03,388 resulting in a saving of Rs. 3,47,812. The Comptroller and Auditor-General placed before the Public Accounts Committee a statement of expenditure under this grant in respect of the years 1954-55 to 1958-59 (reproduced

below) which indicated that huge savings had occurred every year under this grant :

Year	Final Grant	Actual Expdr.	Variation	Percentage
	Rs.	Rs.	Rs.	
1954-55	40,00,000	9,06,489	(-)30,93,511	77.34
1955-56	20,56,000	9,72,131	(-)10,83,869	52.72
1956-57	34,28,000	15,56,873	(-)18,71,127	54.58
1957-58	15,12,000	8,03,388	(-)7,08,612	46.87
1958-59	35,11,000	18,88,197	(-)16,22,803	46.22

The Committee desired to know the circumstances under which excessive budget provision was being made every year under this grant. The departmental representative stated that savings under this grant had occurred in past as they experienced difficulties in regard to the selection of sites for building of Ports. The position had since become clear and definite, and budget provision was being made for the minimum amount required at the Ports. Another factor, the departmental representative added, was that the Pakistan Public Works Department with their own difficulties had not been able to spend the money in time although administrative and detailed sanctions for certain items of work existed. The Chairman pointed out that budget provisions should not have been made in the hope that it would be spent during the course of the year. The correct procedure to be followed in such cases was to ask for a supplementary grant after finalisation of the proposals. The Committee desired that the necessity of making accurate budget provisions on the basis of the known factors should be stressed by the Ministry of Railways and Communications on all concerned. A supplementary grant should be asked for in cases where necessity for additional funds arose during the course of the year.

11. *Grant No. 25—Capital Outlay on Ports—Page 138 of the Appropriation Accounts, 1957-58.*—A recovery of Rs. 1,05,983 was made on account of unanticipated receipts from sale of aluminium houses. The written reply of the Communications and Transport Division on this point indicated that 51 prefabricated aluminium houses out of the 91 houses purchased in 1950 were sold to the Khulna News Print Factory when the Chalna Anchorage was set up as these houses were not needed by the Port and were considered to be unsuitable. Mr. Yaqub Shah desired to know as to why the houses were considered as unsuitable. The departmental representative was unable to furnish information in this regard. On an enquiry by the Chairman regarding the disposal of these houses, the departmental representative stated that no loss had been incurred by Government in this case.

12. *Grant No. 25—Capital Outlay on Ports—Detailed Statement of Expenditure on Important New Works on pages 140-141 of the Appropriation Accounts, 1957-58.*—The statement of expenditure on Important New Works indicated that the actual expenditure incurred in each case was less than the final grant for the year under review. The departmental representative stated that the savings were mainly due to the fact that

Pakistan Public Works Department had not been able to utilise the funds. He added that the works had since been carried out. In this connection the Secretary, Public Accounts Committee drew the attention of the Chairman to paragraph 3 of the proceedings of the Public Accounts Committee held on Saturday the 24th December, 1960 which indicated that during the course of the examination of the Accounts pertaining to the Ministry of Rehabilitation and Works on that day, the departmental representative had informed the Committee that in some cases the administrative Ministries concerned made budget provisions for a work but as they could not obtain the site, the work could not be started resulting in the non-utilisation of the funds. The Committee had observed that there should be realistic estimation of expenditure and provision should be made only for what was likely to be incurred during the course of a year. The Public Accounts Committee directed that in accordance with the recommendation made by them in the last Report, budget provision for works should not be made by the Communications and Transport Division unless the funds were actually required during the course of the year.

13. *Grant No. 22—Central Road Fund on page 66 of the Appropriation Accounts, 1958-59.*—The Appropriation Accounts of this grant indicated that a recovery of Rs. 8,31,550 had been made during the year against an estimated recovery of Rs. 18,97,000 on account of subvention from the Central Road Fund. The written reply of the Communications and Transport Division on this point indicated that recovery from the fund was made for the actual expenditure sanctioned for the execution of works by the Provincial Governments. Less recoveries, therefore, meant less release of funds due to non-receipt of completion reports, etc., from the Provincial Governments. Mr. Yaqub Shah desired to know as to how the non-receipt of the completion reports from the Provincial Governments effected the release of funds. The departmental representative stated that the works financed from the Central Road Fund were controlled by the Central Government but actually their execution was done by the Provinces.

14. The Committee then took up an examination of the Commercial Accounts for the years 1957-58 and 1958-59 pertaining to the Communications and Transport Division.

15. *Paragraph 142 on page 85 of the Commercial Accounts, 1957-58.*—Pensionary charges relating to Karachi District had been provided for on *ad hoc* basis at Rs. 2,545 during the year under review as against Rs. 4,400 provided for likewise in the last year. Necessary adjustment on the basis of actuals obtained from the Accounts Officer was required to be carried out in the Accounts for the year, 1958-59. Similar adjustments in respect of the years, 1954-55 and 1955-56 were also required to be carried out in the next year's Accounts. The Committee desired to know the circumstances under which the adjustments had not been carried out. The departmental representative stated that the requisite information for carrying out the necessary adjustments had not been received by them from the Accountant-General, Pakistan Revenues. The Committee desired that the question regarding furnishing of actuals in such cases by the Accountant-General, Pakistan Revenues, should be examined by the Comptroller and Auditor-General and arrangements should be made for coordination of this work between the Director of Commercial Audit and the Accountant-General, Pakistan Revenues.

16. *Paragraph 145 on page 85 of the Commercial Accounts, 1957-58.*—It was stated that a sum of Rs. 15,200 had been provided for on *ad hoc* basis towards the maintenance charges of one lighthouse and necessary adjustment on the basis of actual figures of expenditure was required to be carried out. The recommendations of the Public Accounts Committee in paragraph 15 above also applied in this case.

17. *Paragraph 152 on pages 86-87 of the Commercial Accounts, 1957-58.*—The value of closing stocks of fuel and coal, oil and other lighting stores and provisions in respect of Karachi District had been adjusted in the Accounts while the closing value of the above categories of stores (Rs. 110) in respect of Chittagong District had been omitted. Due to the above omission, the balance sheet did not exhibit a true and fair position of the assets of the Department. The written reply of the Communications and Transport Division on this point indicated that the value of the closing stocks of coal and oil, etc., was not quoted in the inventory of the consumable stores on 31st March, 1958, but it was mentioned in the remarks column thereof that payment had not been made. For the purpose of proforma accounts, their approximate cost of Rs. 110 was however, provisionally charged to "Miscellaneous Charges Account" instead of debiting the various Stores Accounts and crediting Sundry Creditors Accounts. This was done to avoid correction entries in the stores account as well as the adjustment entries in the ledger. It was, therefore, not correct to say that the closing value of the stock of stores in question had been omitted to be accounted for. Final adjustment on this account had however been made in the proforma accounts of Lighthouse Department for the year, 1958-59. Mr. Yaqub Shah desired to know whether this position was acceptable to Audit. The Comptroller and Auditor-General stated that the contention of the Communications and Transport Division was not correct due to fact that the stores in question actually existed on 31st March, 1958 although their prices were not paid for. These should, therefore, have been included in the balance sheet on accrual basis. The departmental representative admitted that an incorrect statement had been made by them in their written replies and requested that it might be treated as withdrawn.

18. *Paragraph 156 on page 87 of the Commercial Accounts, 1957-58.*—A sum of Rs. 10,823 on account of customs duty on stores imported from the United Kingdom in 1954 had been accounted for in the accounts under review. The Proforma Accounts are prepared on accrual basis and as such necessary provision on account of customs duty should have been made in the Accounts for 1954-55. Mr. Yaqub Shah pointed out that in their statement of written replies, the Communications and Transport Division had given no reply regarding this paragraph and enquired whether necessary provision was now being made. The departmental representative stated that the amount of customs duty was not known and no provision for the same could, therefore, be made in the Accounts for 1954-55. The Committee hoped that necessary action in this regard would be taken by the Communications and Transport Division in future.

19. *Paragraph 157 on page 87 of the Commercial Accounts, 1957-58.*—It was stated that in view of the large number of adjustments which had yet to be made in the case of Lighthouses and Lightships Department, it could not be certified in Audit whether the surplus of Rs. 2,41,762 shown in the accounts was a real one. The written reply of the Communications and Transport Division on this paragraph indicated that necessary adjustments to be carried out would amount to Rs. 40 thousand approximately and would not affect the surplus of the year under review. The

balance of Rs. 11,98,866 at the credit of general reserve account on 31st March, 1958 would only be reduced to the extent of Rs. 40 thousand on account of outstanding adjustments. Mr. Yaqub Shah desired to know whether this position was acceptable to Audit. The Comptroller and Auditor-General stated that in this case too the contention of the Communications and Transport Division was not correct due to the fact that necessary adjustments would affect the working account of the current year also. The Committee desired that necessary action for the adjustments should be taken by the Communications and Transport Division expeditiously.

20. *Paragraph 125 on page 91 of the Commercial Accounts, 1958-59.*—It was stated in this paragraph that during the year under review a capital expenditure of Rs. 628 was incurred mainly on purchase of certain equipment in Chittagong District. Light Vessels "Pussur" and "Thibaw" had been decommissioned and declared scrap. Efforts were being made to sell them by calling tenders. Mr. Jasimuddin Ahmad desired to know as to why the expenditure of Rs. 628 was incurred. The departmental representative stated that this expenditure had been incurred before the Light Vessels were declared scrap. On an enquiry by Chairman, the departmental representative stated that Light Vessels were declared scrap in 1959. The Comptroller and Auditor-General pointed out that all the staff had been maintained by the Department from the year 1954 although the Light Vessels had been decommissioned. The Committee recommended that an enquiry should be instituted in this case and a detailed report indicating the circumstances under which the entire staff was retained after 1954 should be submitted to them in the next session. The report should also indicate the amount spent on the maintenance of the staff after 1954.

21. *Paragraph 138 on page 93 of the Commercial Accounts, 1958-59.*—It was stated in this paragraph that certain adjustments on account of pensionary charges, etc., were yet required to be carried out in the Lighthouses and Lightships Department on the basis of the actual expenditure. The written reply of the Communications and Transport Division indicated that necessary figures for the purpose were being collected by them. The Committee directed that necessary adjustment should be carried out expeditiously.

22. The Committee then took up an examination of the Appropriation Accounts (Posts and Telegraphs) for the years, 1957-58 and 1958-59.

23. *Paragraph 15(IV) on page 22 of the Appropriation Accounts (P & T) for the year 1957-58.*—It was stated that in a post office, a sum of Rs. 2,745 was drawn and charged in the cash book during March, 1957 for purchase of office furniture with a view to avoid lapse of funds at the close of the financial year. The cash drawn was retained separate from the office cash balance and paid subsequently in eight instalments. The Chairman desired to know why the amount had been charged in the cash book without being utilised. The departmental representative stated that this was a case of financial irregularity and clear instructions had since issued by the department to avoid recurrence of such cases in future. The Committee observed that departmental action should also have been taken against the official concerned, and a mere warning, stated to have been issued to him, was not sufficient. The drawal of money in this manner amounted to temporary misappropriation of Government funds which should be avoided in future.

reply of the department was not correct as there was no question of any irregularity of a common nature being allowed to persist. They directed that arrangements should be made by the department to avoid such irregularities in future.

29. *Paragraph 17 (ii) on page 23 of the Appropriation Accounts (Posts and Telegraphs) for the year 1958-59.*—It was stated in this paragraph that in certain Telegraph and Wireless Engineering Division, the rules laid down by the Cabinet Division for the use of staff cars were not observed. The Chairman observed that this irregularity was being committed in most of the offices. He added that Government offices had no staff cars before the second world war. The Committee recommended that all Ministries|Divisions should observe the rules for the use of staff cars very strictly. The necessity for the maintenance of the staff cars by the various Ministries Departments should also be reviewed by the Cabinet Division.

30. *Detailed statement of expenditure on important works [Pages 73, 78, 86 and 93 of the Appropriation Accounts (Posts and Telegraphs Department)] for the year 1958-59.*—This statement indicated that out of 71 major works for which specific provision was made in the budget, funds allotted in respect of 47 works were surrendered in the final grant. The Committee observed that funds were obtained without fully looking into the possibilities of execution of works and desired to know the circumstances under which unnecessary budget provisions had been made. The departmental representative stated that the amount had to be surrendered mainly due to the fact that the Pakistan Public Works Department had not been able to execute the work. The Chairman stated that during the course of the examination of the Accounts pertaining to the years 1954-55 to 1956-57, the Pakistan Public Works Department had informed the Committee that budget provisions were made by most of the Ministries without consulting them. The Committee directed that the matter should be examined by the Posts and Telegraphs Department in consultation with the Pakistan Public Works Department and no provision should be made in future for works which were not likely to be executed during the course of the year.

31. *Detailed statement of expenditure on important works—Telephones Apparatus and Plant (Minor Works) page 113 of the Appropriation Accounts (Posts and Telegraphs) for the year 1958-59.*—An expenditure of Rs. 30,85,059 was incurred against the modified grant of Rs. 14,78,100 resulting in an excess of Rs. 16,06,959. This excess was 108 per cent. and had been attributed to execution of some urgent works which could not be foreseen. The Committee desired to know why so many works could not be foreseen. The departmental representative was unable to explain the circumstances under which the excess could not be regularised by them by obtaining a supplementary grant during the course of the year. The Committee directed that such excesses should not be left un-covered and necessary action to regularise the same should be taken in future regularly.

32. *List of un-finalised cases of financial irregularities [Pages 116 and 117 of the Appropriation Accounts (Posts and Telegraphs)] for the year 1958-59.*—The list was examined by the Committee in full details with the following results :—

1. *Theft at a sub-post office amounting to Rs. 7,187.*—It was stated that a theft had taken place at Tushabandar Sub-Post Office

and the culprits had decamped with stamps and insured letters etc., amounting to Rs. 7,187. The Committee was informed that the case had been closed by the police declaring it as untraced.

2. *Mis-appropriation of money orders amounting to Rs. 9,271.*—It was stated that a Postman of Dacca General Post Office had misappropriated Rs. 9,271 being the value of several money orders on bogus signatures of the payees. The Committee were informed that the accused had been convicted and awarded rigorous imprisonment for 14 years and also fined in each case.
3. *Theft at a Sub-Post Office amounting to Rs. 1,24,046.*—The Committee were informed that in this case Cash Certificates and Postal Orders of the value of Rs. 1,23,786 had been robbed. Instructions had been issued by the Department to all Post Offices notifying the numbers of missing certificates so that the Cash Certificates could not be encashed. The actual loss of cash and stamps amounted to Rs. 260 only which was being recovered in instalments from the Post Master whose negligence facilitated the robbery.
4. *Saving Bank fraud amounting to Rs. 8,342.*—It was stated that a sum of Rs. 8,342 had been mis-appropriated from 15 Saving Bank Accounts by an extra departmental agent. The Committee were informed that the accused was being challaned in a court of law by the police and the case would be finalised shortly.
5. *Savings Bank fraud amounting to Rs. 25,000.*—It was stated that a sum of Rs. 25,000 was fraudulently withdrawn from a Savings Bank Account at Gujranwala Head Post Office. The Committee were informed that a sum of Rs. 19,870 had been recovered and refunded. The loss presently stood at Rs. 5,130 only.
6. *Issue of Bogus Money Orders amounting to Rs. 13,127.*—It was stated that a clerk of Charing Cross Sub-Post Office had managed to issue bogus money orders to the extent of Rs. 13,127. The departmental representative stated that the case was under trial in a court of law.
7. *Theft of Copper Wire amounting to Rs. 5,000.*—The Committee were informed that the loss was ultimately found to be of the order of Rs. 1,000 only. The officials involved were under suspension and departmental action against them was in progress.
8. *Mis-appropriation of Government money amounting to Rs. 6,000.*—The departmental representative stated that the accused had been awarded 7 years rigorous imprisonment and a fine of Rs. 5,000 or in default rigorous imprisonment of one year more. No recovery could be effected.
9. *Fraudulent withdrawal from Savings Bank Account amounting to Rs. 7,500.*—The departmental representative stated that a sum of Rs. 5,300 had been recovered from the accused. Another sum of Rs. 2,200 had been ordered to be recovered from four officials who were also supposed to be indirectly connected

41. The Committee then took up an examination of the Appropriation Accounts for the year 1957-58 pertaining to the Ministry of Kashmir Affairs.

42. *Grant No. 81—Capital Outlay on purchases by the Ministry of Kashmir Affairs—Note 4 on page 279 of the Appropriation Accounts, 1957-58.*—The financial reviews and running accounts in respect of purchases made by the Ministry of Kashmir Affairs for the year under review and for the years 1951-52 to 1956-57 had not been included as the same were not available in time. The running accounts and financial reviews in respect of Gilgit Agency for the years 1948-49 to 1957-58 had also not been given as the relevant data was not rendered to audit. The Committee desired to know the position of the case. The departmental representative stated that the stores accounts and the running accounts had not been finalised on account of shortage of staff. A committee had been set up to examine the question of reconstruction and compilation of accounts. The report of this Committee had since been received and the Ministry of Finance were being approached to sanction additional staff for a period of one year for the compilation and reconstruction of running accounts and stores accounts etc. The Committee directed that the Comptroller and Auditor-General should reconsider this question and inform the Ministry of Kashmir Affairs whether it was really necessary to reconstruct and compile these accounts.

42. *Grant No. 93—Frontier Regions—Note 5 on page 297 of the Appropriation Accounts, 1957-58.*—It was stated that the annual certificate of check in respect of Secret Service Expenditure had not been received from the Political Agent, Gilgit. The departmental representative stated that the requisite certificate, had since been furnished to Audit and had been accepted by them. This position was confirmed by the Comptroller and Auditor-General.

44. At this stage the Chairman stated that he was required to attend a meeting at 12 O'clock. The Committee decided to examine the remaining items pertaining to the Ministry of Kashmir Affairs on Monday, the 15th January, 1962.

45. The Committee then adjourned to meet again on Monday, the 15th January, 1962 at 4.00 P.M.

Proceedings of the Seventh Meeting of the Public Accounts Committee held on Monday, the 15th January, 1962 at 4-00 P.M.

The seventh meeting of the Public Accounts Committee was held in Pakistan Secretariat-I, Rawalpindi, at 4-00 P.M. on Monday, the 15th January, 1962 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Sardar Barkat Hyat Khan, Member.
3. Mr. Ebrahim Khan, Member.
4. Mr. Jasimuddin Ahmad, Member.
5. Mr. Ghulam Abbas, Comptroller and Auditor-General.
6. Rana M. Yasin, P.A.&A.S., Accountant-General, Pakistan Revenues.
7. Mr. F. M. Aziz P.A.&A.S., Assistant Comptroller and Auditor-General.
8. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives

MINISTRY OF KASHMIR AFFAIRS

9. Dr. M. H. Rehman, Deputy Secretary.
10. Mr. M. Ayub, Deputy Financial Adviser.

MINISTRY OF REHABILITATION AND WORKS

11. Mr. M. H. Soofi, C.S.P., Acting Secretary.
12. Mr. M. Shafi, S.Q.A., Chief Engineer, Pakistan Public Works Department.
13. Mr. A. R. Qureshi, Deputy Secretary.
14. Mr. M. Anwar Shaikh, Deputy Financial Adviser.

Secretary of the Public Accounts Committee

15. Mr. Abdur Raouf, P.A.&A.S., Deputy Secretary, Ministry of Finance.

2. The day's proceedings began with an examination of the Appropriation Accounts for the year 1958-59 pertaining to the Ministry of Kashmir Affairs.

3. In paragraph 19 on page 105 of their report on the Accounts for the years 1954-55 to 1956-57, the Public Accounts Committee had recommended that the Ministry of Kashmir Affairs should report the progress of the case relating to furnishing to the Audit of the certificates of Secret Service Expenditure for the years 1953-54 to 1955-56. In the compliance report of the Ministry of Kashmir Affairs which was examined by the

Public Accounts Committee in their meeting held on the 13th January, 1962 (paragraph 36 of the proceedings) it was stated by that Ministry that the Secretary, Ministry of Finance had audited the certificates for the year 1960-61 and had stated that he would obtain his Minister's orders for the Audit of the rest of the certificates by his Deputy Secretary. The Committee directed that the Secretary, Ministry of Finance should be asked to report the present position of the case to the Committee on the 17th January, 1962. The Secretary, Ministry of Finance to whom this direction of the Committee had been communicated for compliance had submitted a note in this connection which was read out by the Chairman. This note indicated that on his assumption of charge as Secretary, Finance, he was informed that the Minister of Finance wanted him to scrutinise the Accounts in question relating to the years 1953-54 to 1955-56. Thereupon he had called upon the Ministry of Kashmir Affairs to produce the accounts. That Ministry had not so far been able to prepare the accounts for the years in question. It seemed that no regular accounts had been maintained. He had again impressed on the representatives of the Ministry of Kashmir Affairs to make earnest efforts to trace the vouchers and to construct the accounts without further delay. It was, therefore, the responsibility of the Ministry of Kashmir Affairs to submit accounts for audit scrutiny by the Ministry of Finance and any explanation that had to be furnished regarding delay, must be provided by that Ministry.

The Chairman stated that the note submitted by the Secretary, Ministry of Finance indicated that there had been no delay on the part of the Ministry of Finance. The departmental representative stated that it was not possible for them to reconstruct the accounts due to the fact that frequent changes of Ministers and Joint Secretaries in charge of the funds for Secret Service Expenditure had taken place. The Committee observed that the absence of the Ministers and the Joint Secretaries should not present any difficulty in the matter and that the accounts could be reconstructed by the present Joint Secretary on the basis of the records available in the Ministry of Kashmir Affairs. They directed that the matter should be taken up by the Ministry of Kashmir Affairs with Secretary, Ministry of Finance and all records available with them should be shown to him. In case it was not possible to reconstruct the accounts for any reason, a case should be made out by the Ministry of Kashmir Affairs for the dispensation of the reconstruction of the accounts in question, and submitted for consideration of Secretary, Ministry of Finance. The Committee desired that a report in the matter should be submitted to them in the next session.

4. *Annexure A—List of unfinalised cases of financial irregularities (pages 252—255 and 257-58 of the Appropriation Accounts for the year 1958-59).*—Unfinalised cases of serious financial irregularities mentioned in this Annexure were examined by the Public Accounts Committee with the following results :—

S. No. 4 (page 252 of Audit Report, 1960).—It was revealed during the course of physical verification of stock that 3,786 serviceable, 262 repairable and 8,377 unserviceable bags were replaced by half size bags. No action for the regularisation of the loss had been taken. The Committee were informed that the bags in question had become unserviceable due to wear and tear owing to use in transportation to far flung areas and had been disposed of by the Directorate of Civil Supplies and Transport. The Public Accounts Committee desired

that the loss should be regularised by the Ministry of Kashmir Affairs without further delay.

S. No. 10.—Consignments of 5,541 maunds of wheat despatched from one whole-sale depot to another were not taken on charge by the consignee. The Ministry of Kashmir Affairs had reported that the matter was still under examination and investigation by the departments concerned. Mr. Yaqub Shah pointed out that the case was more than three years old and should have been finalised by now. The departmental representative stated that in this case the receiving depot did not account for wheat on the contention that they were responsible for its distribution only. The sale proceeds were paid back into the treasury and there had been no mis-appropriation of funds. The Committee observed that this information should have been furnished earlier to the Comptroller and Auditor-General and also in the written reply of the Ministry of Kashmir Affairs.

S. No. 12.—Fictitious account of receipt and issue of 380 maunds of wheat appeared to have been prepared from the issue vouchers of the consignee in a whole-sale depot during 26th July, 1957 to 10th August, 1957 simply to admit the claim of the carriage contractor, as no carriage of foodgrains appeared to have taken place during this period. The departmental representative stated that the Accountant-General, Pakistan Revenues had been requested to furnish more particulars of the case in order to finalise the same. The Comptroller and Auditor-General pointed out that the requisite details had since been made available to the Ministry of Kashmir Affairs. The Committee observed that this was also an old case and desired that it should be finalised by the Ministry of Kashmir Affairs without delay.

5. The Committee observed that in most of the other cases of financial irregularities, final action had not been taken by the Ministry of Kashmir Affairs. Mr. Ebrahim Khan pointed out that the number of unfinalised cases was very large. He gave full details of all unfinalised cases pertaining to the Ministry of Kashmir Affairs, the number of which amounted to 53 and observed that these cases had been pending for a period ranging from 3 to 7 years; some of the cases being still older. It appeared to him that some of the persons involved had either died or absconded while in some other cases it had been managed to remove the files. Further delay, he added, would naturally enhance the number of unfinalised cases of financial irregularities. The unusual delay in finalising the large number of cases of culpable character revealed an abnormal state of affairs and forced one to the honest mis-giving that, at least in majority of these cases, the delay was due either to mysterious stagnation or significant indifference. If this state of affairs was allowed to continue, the number of financial irregularities would become more epidemical. Mr. Ebrahim Khan was of the opinion that these cases should be brought to the notice of the highest appropriate authority so that it might be possible to take remedial measures at an early date. The Committee directed that all unfinalised cases should be brought to the notice of the Minister-in-charge. The Joint Secretary-in-charge of the Ministry of Kashmir Affairs should take personal interest in the matter and an officer should be put on special duty to deal with all of these cases.

The Committee hoped that the number of cases would be substantially reduced by the time the Public Accounts Committee met again. They directed that a report indicating the progress of all unfinished cases mentioned below should be submitted to them in the next session :

Year of Account	Item No.	Page
1958-59	1, 3 & 5	252
1958-59	7, 8 & 13	253
1958-59	14, 15 & 16	254
1958-59	20 & 21	255

In this connection the departmental representative stated that shortages of wheat took place between Karachi and up country stations, due to the fact that wheat received from America was affected by weather conditions at Karachi and lost its weight by the time it reached its destination. He added that shortage to the extent of 1.2 percent was normally permissible in the case of wheat transported by West Pakistan Government from Karachi to up country stations. In order to avoid shortages, the Ministry of Kashmir Affairs had made a proposal for getting their supplies from Lahore, Lyallpur, etc., but as it was found to be expensive, it was decided to continue to get supplies from Karachi. Losses also occurred some time due to the fact that the Ministry of Kashmir Affairs did not get wagons of the proper type.

6. *Grant No. 87—Capital Outlay on purchases by the Ministry of Kashmir Affairs (Note 4 on page 194 of the Appropriation Accounts for the year 1958-59).*—It was stated in this note that the financial reviews and running accounts in respect of purchases made by the Ministry of Kashmir Affairs for the year 1958-59 and for the years 1951-52 to 1957-58 had not been included as the same were not available in time. The running accounts and financial reviews in respect of Gilgit Agency for the years 1948-49 to 1958-59 had also not been given as the relevant data was not sent to Audit. The departmental representative stated that it had not been possible for them to reconstruct the accounts due to lack of adequate staff. The Committee desired that the Comptroller and Auditor-General should examine whether the reconstruction of the accounts in question would serve any useful purpose. They also directed that the result should be reported to them in the next session.

7. The representatives of the Ministry of Kashmir Affairs then withdrew and the Public Accounts Committee commenced an examination of the compliance report of the Ministry of Rehabilitation and Works on the recommendations made in their Report on the Accounts for the years 1954-55 to 1956-57.

8. *S. No. 1 on page 358 of the Compliance Report.*—The committee had directed that the Ministry of Rehabilitation and Works should explain the position with regard to mis-appropriation of Government stock of wheat worth Rs. 1,870,12/- reported in Note 6 on page 203 of the Appropriation Accounts for the year 1956-57. The compliance report of the Ministry of Rehabilitation and Works indicated that the case had been investigated and departmental action taken against the officials involved.

Full recoveries had been effected from one official and two other officials had been removed from service. The unrecovered amount of Rs. 808|11.6 had to be written off. Mr. Ebrahim Khan desired to know whether any efforts had been made to recover the remaining amount from the properties of the officials concerned. It was explained that on the advice of the Public Prosecutor, no recovery was effected from the property of these two officials.

9. S. No. 2 on page 359 of the Compliance Report—Note 13(iii) on page 318 of the Audit Report, 1956.—The Public Accounts Committee had directed that the Ministry of Rehabilitation and Works should set up a small committee consisting of the representatives of the Works Division, the Ministry of Finance and an indenting Ministry to devise a detailed procedure to ensure proper budgeting and utilisation of funds for Works. They had also desired that the Ministry of Rehabilitation and Works should ensure that no works other than those necessitated by emergencies like floods, were started without obtaining prior sanction to the works. In their compliance report the Ministry of Rehabilitation and Works had stated that it was not considered necessary to set up the committee in view of the revised budget procedure and that instructions had been issued by them to all concerned to the effect that funds should be provided in the budget, only for such works which had duly received administrative approval and expenditure sanction, and for which sites were available. Instructions had also been issued to all concerned to the effect that no works other than those necessitated by emergencies should be started without prior sanction to works. On an enquiry by Sardar Barkat Hyat Khan, the departmental representative stated that these instructions were being followed rigidly by all concerned.

10. S. No. 4 on page 359 of the Compliance Report.—The Committee had directed that the Ministry of Rehabilitation and Works should submit a report regarding the certificates of inventories in respect of the furnitures, etc., at the residences of the Ministers. The departmental representative stated that the inventories had been signed by 8 Ministers and it was expected that in the remaining three cases of Ministers who were on tour, the certificates would be furnished to the Accountant-General, Pakistan Revenues shortly. The Committee directed that the requisite certificates of inventories in respect of the outstanding cases should be furnished to Audit expeditiously.

11. S. No. 14 on page 362 of the Compliance Report—Note 11 on page 316 of Audit Report, 1956.—The Committee had directed that the Ministry of Rehabilitation and Works should submit a report regarding the supply of information to the Accountant-General, Pakistan Revenues, in connection with the compilation of the Capital and Revenue Accounts of residential buildings under the charge of the Public Works Department. The compliance report of the Ministry of Rehabilitation and Works indicated that the Rent Data Statements had since been finalised by the Pakistan Public Works Department and it was hoped that material for the Capital and Revenue Accounts would be submitted to the Director of Audit and Accounts (Works), West Pakistan, Lahore, within 3 months time. Mr. Yaqub Shah desired to know whether the statement had been furnished to the Director of Audit and Accounts (Works), West Pakistan. The departmental representative stated that the Rent Data Statement had since been prepared and sent to the Audit Office.

12. S. No. 22 on page 365 of the Compliance Report—Paragraph 42(d) of Audit Report, 1957.—The Public Accounts Committee had directed that

the loss sustained by Government due to acceptance of inferior quality of galvanised iron pipe in a Division of the Public Works Department should be worked out and action taken to regularise the same; also that departmental action should be taken in future against the officers concerned. The compliance report of the Ministry of Rehabilitation and Works indicated that action had been taken to regularise the loss of Rs. 1,41,750 involved in the case. Departmental action had also been taken by stopping the increments of the Assistant Engineer and the Overseer concerned for a period of two and three years respectively without future effect. Similar action was also being taken against the Executing Engineer concerned. The Committee felt that the action taken against the officials involved was not sufficient. The stoppage of increments without future effect did not constitute sufficient punishment. It was, however, for the Ministry of Rehabilitation and Works to decide what suitable punishment should be awarded to the officers concerned.

13. *S. No. 23 on page 365 of the Compliance Report.*—The Committee had directed that the Ministry of Rehabilitation and Works should submit a report indicating the action taken to recover the amount of Rs. 6,11,217 from the Trust created for the execution of the work mentioned in paragraph 42(e) on page 38 of the Appropriation Accounts for the year 1955-56. The compliance report of the Ministry of Rehabilitation and Works indicated that the amount was expected to be recovered from the Trust by the end of December, 1961. The Committee desired to know the present position of recoveries. The departmental representative stated that a sum of Rs. 2 lakhs had since been recovered from the Trust authorities and legal notice was being issued for recovery of the balance. The Committee desired that the result should be reported to them in the next session.

14. *S. No. 25 on page 366 of the Compliance Report.*—The Committee had desired that the Ministry of Rehabilitation and Works should submit a report indicating the up-to-date position of recoveries made in the case mentioned in paragraph 52(iii) on page 31 of the Appropriation Accounts for the year 1956-57, regarding the deterioration of materials due to careless storage and the action taken against the officers held at fault. The compliance report of the Ministry of Rehabilitation and Works indicated that no recoveries had yet been made from the officials at fault. The Superintending Engineer concerned had been reminded by the Chief Engineer to effect recoveries immediately. The Committee desired to know the present position of the case. The departmental representative stated that some amounts had since been recovered from the persons involved who happened to be in Pakistan. It was not possible to recover any amount from some Overseers whose whereabouts were not known. The Committee directed that the loss should be regularised in case it was not possible to effect any recoveries.

15. *S. No. 26 on page 366 of the Compliance Report—Paragraph 55(i) of Audit Report, 1958.*—The Ministry of Rehabilitation and Works had been asked by the Public Accounts Committee to submit a report indicating the recoveries made from high officials in a Public Works Division on account of electric charges. It was stated in the compliance report of the Ministry of Rehabilitation and Works that electric charges were due from 7 high officials out of which recoveries had been effected from 5 persons. One of the persons had refused to pay the dues and action was being taken to give legal notice to him. The seventh person had absconded to India and as no recovery could be made from him, the loss had been

written off. The Committee directed that legal notice should be served without delay in the case of person who had refused to make payment.

16. *S. No. 28 on page 367 of the Compliance Report—Note 6 on page 100 of Audit Report, 1958.*—The Committee had desired that Proforma Accounts of the expenditure on the State Guest House should be prepared expeditiously by the Ministry of Rehabilitation and Works. The compliance report of that Ministry indicated that the Proforma Accounts were being prepared and it was hoped that these would be finalised by the time the meeting of the Public Accounts Committee was held. On an enquiry by the Chairman, the departmental representative stated that the Comptroller of the Guest House had reported that he was not in a position to finalise this case as he thought that the Proforma Accounts had to be prepared in the form prescribed for Commercial concerns. The exact form had since been communicated to him and it was hoped that he would be able to finalise the accounts shortly.

17. *S. No. 29 on page 367 of the Compliance Report.*—The Committee had directed that the Ministry of Rehabilitation and Works should examine the matter with regard to the shortage of furniture in the President's House, Karachi, reported upon in S. No. 44 on page 419 of the Appropriation Accounts, 1956-57 and submit a report indicating the action taken to finalise the case. The compliance report of the Ministry of Rehabilitation and Works indicated that the original inventory and the T. & P. Accounts of the furniture of the President's House, Karachi for the period 1947 to 1953 were not available despite the efforts made to trace them out. The inventory prepared in the year 1953 was the only authentic document on the basis of which verification of the furniture was conducted in 1959, and statements of shortages and surpluses were prepared. As the surpluses and shortages were to be shown separately and the shortages could not be adjusted against the surpluses, the Chief Engineer, Pakistan Public Works Department had been directed to prepare a survey report for the write off of the shortages. The survey report had since been received and according to this report, the shortages came to Rs. 35,865 on the basis of the prevailing market rates. This was required to be revised on the basis of pre-independence rates. Mr. Yaqub Shah pointed out that since the amount involved was to be written off, it was immaterial whether it was worked out on the basis of the pre-independence rates or the prevailing prices. The Comptroller and Auditor-General stated that it was necessary to determine the amount to establish the competence of the authority whose orders were required for a write off. The Committee desired that necessary action to regularise the case should be taken expeditiously.

18. The Committee then took up an examination of the Appropriation Accounts for the years 1957-58 and 1958-59 pertaining to the Ministry of Rehabilitation and Works.

19. *Paragraph 40 on page 31 of the Appropriation Accounts for the year 1957-58.*—An amount of Rs. 6,35,040 sanctioned by the Ministry of Kashmir Affairs for payment to Jammu and Kashmir refugees as artisan grant in a district, was drawn from the Treasury on the 21st January, 1954 and kept in a local bank by the District Officer concerned. A sum of Rs. 1,73,876 was disbursed and the balance of Rs. 4,61,164 which was drawn in excess of actual requirements, was deposited into the Treasury on the 23rd July, 1955. This resulted in unnecessary retention of a large sum of money out of Government account for more than a year. This

was obviously done to avoid lapse of budget grant for the year 1953-54. It was stated by the department that the amount could not be disbursed due to unwillingness of the refugees to accept the artisan grant. Even then, the balance should have been credited into the Treasury as soon as their unwillingness had become manifest. The balance of Rs. 4,61,164 lying in the bank was claimed on the 10th September, 1954 but the bank did not make the payment till 13th July, 1955. The amount was ultimately credited into the Treasury on the 23rd July, 1955 without any interest from the 10th September, 1954 to 23rd July, 1955. The Chairman desired to know why the amount involved had not been disbursed and why it was kept for so long when it was not actually utilised. The departmental representative stated that the amount had been retained for more than one year on the presumption that larger number of displaced persons would be needing the money, but ultimately it was found that they were not willing to take it. The Committee observed that the amount should not have been retained for a long period without disbursement.

20. *Paragraph 41 on page 32 of the Appropriation Accounts for the year 1957-58.*—This related to a loss of Rs. 4,531 sustained by Government due to in-ordinate delay in investigating the case of mis-appropriation of the sale proceeds on account of 2981 empty gunny bags auctioned in March, 1950 at a Ration Depot and not deposited in the Government Treasury. The case remained under investigation for a period of 9 years and ultimately it had been decided to write off the loss involved. The Committee observed that prompt action should have been taken in time in investigating the case. Mr. Yaqub Shah was of the view that the Ministry of Finance should also have been consulted by the Ministry of Rehabilitation and Works in finalising this case.

21. *Paragraph 43(i) on page 33 of the Appropriation Accounts for the year 1957-58.*—As a result of physical verification of stores in a Division, shortage worth Rs. 1,37,661 was noticed. The value of stores was, however, debited to a suspense head pending recovery of the amount from those responsible for the shortage or write off. In their written reply on this paragraph the Ministry of Rehabilitation and Works had stated that the details of shortages in some cases were not traceable either from the record of the Pakistan Public Works Department or from those of the Accountant-General, Pakistan Revenues Office. Sardar Barkat Hyat Khan observed that this was a very old case and desired to know why it had not been possible to trace the details from the available records. The Comptroller and Auditor-General pointed out that full details of the case were furnished to the Department at the time when the original audit objection was raised. The Committee directed that the matter should be examined by the Ministry of Rehabilitation and Works expeditiously so as to fix responsibility and a report indicating the action taken should be submitted to them in the next session.

22. *Paragraph 43(ii) on page 33 of the Appropriation Accounts for the year 1957-58.*—No recovery had been made for the supply of water to the allottees of Nazimabad area from 1953 onwards and the total amount due on this account worked out to Rs. 28,63,707. In spite of the Ministry of Rehabilitation and Works ordering the recovery from the consumers, nothing had been done so far in this behalf. The Committee desired to know the present position of the case. The departmental representative stated that recoveries amounting to Rs. 10,28,000 and Rs. 4,57,000 had been effected by the Pakistan Public Works Department and Karachi

Development Authority respectively. The area had since been handed over to the Karachi Municipal Corporation who would be responsible for the recovery of water charges from the 13th October, 1958. The Committee observed that necessary recoveries should have been made during the period when the Nazimabad area was under the administrative control of the Ministry of Rehabilitation and Works. They directed that the question as to why recoveries were accumulated should be examined by the Ministry of Rehabilitation and Works, responsibility for the omission fixed and compliance reported to them in the next session.

23. *Paragraph 43(vii) on page 33 of the Appropriation Accounts for the year 1957-58.*—In a Division, a sum of Rs. 8,025 had been paid to a contractor on account of cartage of materials from the place of delivery to the site of the work which should have been borne by the contractor himself as per terms of the contract. In the same division, the contractor was supplied 200.1 tons of coal for Rs. 3,95,723 bricks supplied by him as against 160 tons stipulated in the agreement for the supply of 6 lakhs of bricks. The terms of agreement stipulated recovery for excess coal consumed at Rs. 180 per ton which was not effected. This resulted in an over payment of Rs. 17,209. In their written reply on this paragraph, the Ministry of Rehabilitation and Works had indicated that the loss suffered by the Government in this case amounted to only Rs. 2,620.83. The details of this loss indicated that the cost of coal had been calculated @ Rs. 80 per ton although the terms of agreement stipulated recovery @ Rs. 180 per ton. Mr. Yaqub Shah desired to know why recovery had been made from the contractor @ Rs. 80 per ton as the excess supply was to be recovered @ Rs. 180 per ton. The departmental representative stated that the explanation given by them in their written reply was incorrect. The Committee desired that the case should be re-examined by the Ministry of Rehabilitation and Works and the action taken to regularise the loss reported to them in the next session.

24. *Paragraph 43(viii) on pages 33-34 of the Appropriation Accounts for the year 1957-58.*—In one Division, it was observed that material worth Rs. 2,81,000 became unserviceable. It was apparent that the Division acquired the materials in the year 1950-51 without due regard to the consumption in the past and probable requirements in the near future. This had the effect of the materials becoming unserviceable in the long run, resulting in a loss to Government. Such unnecessary advance acquisition of materials also blocked up Government money which could have been diverted to other Government works.

The written reply of the Ministry of Rehabilitation and Works on this paragraph indicated that the procurement of some of the material from abroad had to be made in advance in terms of paragraph 125 of C.P.W.D. Code against some expected works. It was hardly possible to start the works without completing all codal formalities. Procurement of material in advance did not really amount to blocking of Government money, because this arrangement was made in the interest of Government works. Unfortunately, however, some of the expected works, against which the materials were collected in the case under consideration, did not materialise due to financial stringency. Details of stock that became unserviceable, the works for which the materials were collected and the Division concerned were being obtained from the Chief Engineer. Mr. Yaqub Shah observed that this reply explained the position in general and no definite reply to the specific points raised by Audit had been given. The departmental representative stated that according to the information collected later on, a survey report had been prepared and forwarded to the

Executive Engineer who sent it to the Superintending Engineer. The Superintending Engineer did not accept that report and since then the articles had either been utilized in the works or sold to local parties. The departmental representative could not give details of the items that had become unserviceable. The Committee observed that the information furnished by the departmental representative was incomplete and directed that a detailed report in the case should be submitted to them in the next session.

25. *Paragraph 43-A on page 34 of the Appropriation Accounts for the year 1957-58.*—Infructuous expenditure of Rs. 76,533 was incurred in 1954 on the renovation of a private building acquired at Abbottabad as a summer residence. Out of this, a sum of Rs. 76,387 had since been written off and the balance of Rs. 146 was still to be regularised. Further, carpets worth Rs. 18,450 were found missing at the time of winding up of the residence for which responsibility had not been fixed so far. The matter was being pursued by Audit with the authorities concerned. The committee were informed that the actual figures of expenditure as intimated to the Accountant-General, Pakistan Revenues, Karachi through the monthly accounts of the Division concerned stood at Rs. 64,701.3 and not Rs. 76,533 as mentioned in the Audit Report. The write off sanction was therefore required to be revised and steps were being taken to get the sanction reduced to Rs. 64,701.3. The report from the Chief Engineer indicated that no carpets were missing. The figures of Rs. 18,450 related to furniture purchased for the summer residence at Abbottabad which had now been transferred to and was shown on the stocks of the President's Estate at Rawalpindi. The Committee observed that the amount spent on renovation should have been recovered because the building was an evacuee property and anybody to whom it was transferred should have paid for the renovation. They desired the question should be re-examined by the Ministry of Rehabilitation and Works and sanction to the write off revised, if necessary.

26. *Paragraph 45 on page 35 of the Appropriation Accounts for the year 1957-58.*—The local audit of the accounts of an organisation in an area disclosed that arrears of rent amounting to Rs. 5,33,92,837 were outstanding against the parties in respect of the years 1947-48 to 1957-58. The heavy outstanding was due to the fact that neither adequate regulations had been framed nor any effective check exercised for the prompt realisation of the amount. This state of affairs was brought to the notice of the authority concerned through Inspection Report, but no action seemed to have been taken for the recovery of the amount. The written reply of the Ministry of Rehabilitation and Works on this point indicated that the Karachi Development Authority had started collection of rent, water charges, etc., from the allottees in the colonies concerned with effect from the 1st July, 1959, and up to 30th November, 1961, a total sum of Rs. 1,01,46,291 had been realised from the allottees on this account by the Karachi Development Authority. Out of this, a sum of Rs. 50 lakhs had been deposited in Government Treasury. Sardar Barket Hyat Khan desired to know the latest position of recoveries. The departmental representative stated that the paying capacity of the persons involved was very low. In the past some interested politicians had intervened and had not allowed recoveries to be made. It was only after the new regime came into being that a regular agency had been set up to make collections. The Committee desired that a detailed report indicating the arrears, the recoveries effected, the date on which the agency was set up, the amount

of arrears outstanding at that time, and recoveries made against the current demand should be submitted to them in the next session.

27. *Paragraph 46 on page 35 of the Appropriation Accounts for the year 1957-58.*—During the course of audit it was found that rent was being recovered at 5 per cent. of the emoluments instead of at 10 per cent. as provided under rules, from certain categories of staff in occupation of Government residences. This short recovery, it was contended by the authorities concerned, was being made on the basis of the orders of the undivided Government of India. These orders provided that the rent should be recovered at the usual rate of 10 per cent. except in the case of some employees who were in possession of orthodox quarters in Delhi from whom the rent was to be charged up to 5 per cent. of their emoluments for so long as they remained in occupation of those quarters. With the staff concerned coming over to Pakistan, the exception became automatically in-operative. The rent was, however, all along recovered at 5 per cent. of the emoluments in all cases allowing thereby concession even to that staff to whom it was not admissible under the Government of India. The irregularity was pointed out by Audit year after year but it was not until towards the close of the year 1959 that the Government issued orders for the recovery of rent at 10 per cent. of emoluments and for effecting recoveries of rent already short recovered. The rent was now being assessed accordingly since January, 1960 but the departmental authorities had not acted upon the assessed demand and continued to recover rent from their staff at 5 per cent. of the emoluments. The recoveries in respect of the rent already short recovered were also not being effected. The matter was brought to the notice of the Ministry of Industries in September, 1959. The amount of rent short recovered up to 31st May, 1960 amounted to Rs. 12,752. The written reply of the Ministry of Rehabilitation and Works indicated that the matter had been taken up with the Ministry of Industries for an executive order to be issued by that Ministry with the concurrence of the Ministry of Finance for regularisation of the recovery of rent at 5 per cent. The Ministry of Industries however insisted that since necessary provisions in this regard existed in the Press Hand Book, there was no need of a separate order to be issued by that Ministry. The Comptroller and Auditor-General pointed out that the provisions of the Press Hand Book applied to a particular class of persons. The Committee directed that the matter should be examined jointly by the Ministries of Industries, Finance and Rehabilitation and Works and the decision that might be taken reported to them in the next session.

28. *Grant No. 95—Civil Works (Page 302 of the Appropriation Accounts for the year 1957-58).*—An excess of Rs. 3,80,01,478 occurred in the actual expenditure over the final grant in the voted portion. In their explanation the Ministry of Rehabilitation and Works had stated that the excess expenditure was mainly due to execution of rehabilitation works for which funds were not asked for and more expenditure under Suspense Accounts due to more purchase of material. The Committee desired to know the circumstances under which the additional expenditure was incurred without provision of funds. The departmental representative was unable to explain the circumstances under which the excess had not been regularised. The Committee took a very serious view of this position and desired that departmental action should be taken against the officials whose negligence of duty resulted in the huge excess having remained uncovered.

29. *Grant No. 95—Civil Works (page 304 of the Appropriation Accounts for the year 1957-58).*—An excess of Rs. 1,18,13,767 occurred in the actual expenditure over the final grant relating to 'Major Works—Buildings—Voted'. The Committee desired to know the circumstances under which this excess had occurred. The departmental representative stated that in this case the Pakistan Public Works Department were under the impression that the amount was chargeable to the Fund for Rehabilitation of Refugees. The Committee observed that in this case too, heavy expenditure had been incurred by the Ministry of Rehabilitation and Works without provision of funds. This also indicated defective budgeting and lack of control over expenditure. The Committee directed that responsibility for the omission should be fixed in this case too and compliance reported to them in the next session.

30. *Grant No. 10—Cabinet—Note 4 on page 103 of the Appropriation Accounts for the year 1957-58.*—It was stated that the question of compilation of the proforma accounts in respect of the Pakistan Guest House and their exhibition in the Appropriation Accounts was under consideration of Government. The Committee desired to know the present position of the case. The departmental representative stated that necessary action in the matter had been initiated and the accounts would be compiled in the near future.

31. *Grant No. 95—Civil Works—Note 7 on page 305 of the Appropriation Accounts 1957-58.*—The table below this note indicated the outlay for the year 1957-58 on different categories of works including deposit and contribution works and gross Establishment and Tools and Plant Charges of the Pakistan Public Works Department, and compared the percentage rates fixed by the Government of Pakistan on the basis of average cost of Rs. 100 of outlay on works. The Comptroller and Auditor-General pointed out that the establishment charges in the Pakistan Public Works Department were 14½ per cent. whereas in the M.E.S., which was doing similar work, the charges were fixed at 9 per cent. It was only for the year 1954-55 that the actual establishment charges in the Public Works Department approximated those in M.E.S., the respective figures being 9.5% against 8½ per cent. For other years the Comptroller and Auditor General pointed out that the establishment charges in the M.E.S. and P.W.D. compared as under and desired to know the reasons for the difference :—

Year	Pak-P.W.D.	M.E.S.
1955-56	16.33%	9½%
1956-57	14.90%	8¾%
1957-58	14.20%	6.½%

The departmental representative stated that the charges depended on the magnitude of original and new works and their maintenance. The charges on maintenance of old works were more than the new works. The Committee desired that the question of fixation of establishment charges should be examined by the Ministry of Rehabilitation and Works with reference to the actual expenditure incurred by the Department and a report submitted to them in the next session. For this purpose the figures should be compared with other agencies like M.E.S., Railways and Provincial Public Works Department etc., that undertook similar works.

32. *Grant No. 95—Civil Works (Note 10 on pages 308 and 309 of the Appropriation Accounts for the year 1957-58.*—In note 8 below the Appropriation Accounts of Grant No. 58-Civil Works for 1951-52, it was mentioned that the Accountant-General Pakistan Revenues, was required to compile, once in three years, Capital and Revenue Accounts of the residential buildings in the charge of the Pakistan Public Works Department with the object of reviewing and bringing to notice, *inter alia* the financial results of each triennium and determining whether the allowance fixed for the maintenance and repair of the buildings in question was sufficient to protect Government against any loss arising from the operation of the rules for the recovery of rent. The data needed for the compilation of these accounts was to be furnished to the Accountant-General by the Public Works Divisional Officers and the Estate Officer, Karachi. These accounts had not been compiled for a single triennium since Independence due to non-receipt of the necessary information, complete in all respect, from the Public Works Department and the Estate Officer. A meeting of the representatives of the Ministry of Rehabilitation and Works, the Accountant-General, Pakistan Revenues, the Public Works Department and the Estate Officer, was, therefore, held in March 1959 to devise ways and means for getting over the impediments in the way of compilation of these accounts. The following decisions were taken in the meeting :—

- (i) The capital cost of the buildings constructed by the Provincial Public Works Department and the Military Engineering Service as furnished by the Pakistan Public Works Department should be accepted by the Accountant-General, Pakistan Revenues in order to finalise the Capital and Revenue Accounts provisionally.
- (ii) The discrepancies between the audit and departmental figures, if any, would be settled by the Divisional Accountant concerned with the Audit Office.
- (iii) As for the Accountant-General, Pakistan Revenues demand that the recoveries of rent not made from the allottees of the quarters, should be reported to him in respect of each quarter, it was decided that this information would be furnished by the various departments to the Estate Officer for onward transmission to the Audit Office.

None of these decisions had been implemented so far. In their written reply on this note, the Ministry of Rehabilitation and Works had stated that necessary material for the preparation of Capital and Revenue Accounts had been submitted to the Accountant-General, Pakistan Revenues but the same had not been accepted by him. On an enquiry by Mr. Yaqub Shah the departmental representative stated that necessary data was subsequently accepted by the Accountant-General, Pakistan Revenues. The Committee observed that this information should have been furnished by the Ministry of Rehabilitation and Works in their written reply.

33. The Committee then took up an examination of the Appropriation Accounts for the year 1958-59 relating to the Ministry of Rehabilitation and Works.

34. *Paragraph 28(i) and (ii) on page 20 of the Appropriation Accounts for the year 1958-59.*—In two Divisions material not available in the market was issued to contractors much in excess of the requirement inspite of the fact that the contract contemplated procurement of material

by the contractors. The issue of material in excess (*viz.*, 3,642.22 cft. teak wood) constituted financial aid to contractors at the cost of tax payers. In another Division, the work was distributed between the first and second lowest tenderers at their own rates instead of at the lowest rate. This resulted in an extra payment of Rs. 3,804 to the contractor. Yet in another case the accepted rate was higher than the lowest rate by Rs. 2,225.

The Committee directed that the written reply of the Ministry of Rehabilitation and Works on these paragraphs should be examined by the Comptroller and Auditor-General and a report indicating the further action if any, on the part of the Ministry of Rehabilitation and Works, submitted to them in the next session.

35. *Page 21 Paragraph 28(iv) of the Appropriation Accounts for the year 1958-59.*—In Pakistan Public Works Department—33 tons of steel valued at Rs. 34,775 was found short on physical verification in 1957. The shortage was neither investigated nor reported to Government or Audit as required under the rules. The matter was brought to the notice of Government in July, 1960 but the action taken had not been intimated to Audit so far. The Chairman observed that there should be a percentage of wastage on re-rolling which should be charged in all cases. The departmental representative explained that the steel had to be re-rolled with the result that on measurement at the site it fell short of standard length and weight. In this particular case the total quantity of 347 tons of re-rolling steel was issued to different contractors for construction of 3,000 quarters at Karachi. On actual weighing the total quantity of steel, it was found that only 268 tons were consumed on works. It was measured in length and was calculated on the basis of standard weight. Subsequently 45 tons were not consumed and were received back from the contractors for which necessary adjustment had been made. A shortage of 33 tons as pointed out by the Accountant-General Pakistan Revenues was due to wastage. The Comptroller and Auditor-General stated that the shortage was neither investigated nor reported to Government. The explanation furnished by the departmental representative was also not made available to him earlier although the Audit objection had been raised three years ago. The matter was examined further by the Ministry of Rehabilitation and Works in consultation with the Comptroller and Auditor-General and a procedure should be devised so as to eliminate all loopholes in future.

36. *Para. 28(v) on page 21 of the Appropriation Accounts for the year 1958-59.*—The physical verification of stores in a Public Works Division conducted from June to September 1959 revealed that Government material comprising glass panes, asbestos corrugated cement sheets, pipes and water closet pans, etc., worth Rs. 72,97,102 were declared surplus in December, 1955. Of these, stores valued at Rs. 7,57,336 were not disposed of and articles worth Rs. 6,28,355 became un-serviceable or damaged due to negligence, mishandling and improper maintenance. Neither the serviceable stores valued at Rs. 1,28,981 (Rs. 7,57,336 minus Rs. 6,28,355) had been disposed of nor the un-serviceable or damaged ones written off so far.

The Committee directed that the written reply of the Ministry of Rehabilitation and Works on this paragraph should also be examined by the Comptroller and Auditor-General and a report submitted to them, if necessary.

37. *Grant No. 88—Capital Outlay on Rehabilitation of Displaced Persons from Kashmir—Page 195 of the Appropriation Accounts for the year 1958-59.*—The original provision of Rs. 56,92,000 was reduced to Rs. 2,79,000 by a surrender of Rs. 54,13,000. The Committee desired to know why un-necessary budget provision had been made. It was explained that the amount could not be utilised due to the fact that land was not available and provision was made on the hope that it would be available during the course of the year.

38. *Annexure 'A' Un-finalised cases of financial irregularities :—*

(i) *Item 24 on page 255 of the Appropriation Accounts 1958-59.*—This related to shortage of stock material amounting to Rs. 7,239. Referring to the written reply of the Ministry of Rehabilitation and Works on this item, Mr. Yaqub Shah enquired whether the amount could be recovered from the G. P. Fund Account of the official concerned. The departmental representative stated that an incorrect statement had been made by them in the written reply. The Committee directed that action should be taken to regularise this case. They also desired that the disciplinary aspect of the case should be examined and compliance reported to them.

(ii) *Item 26 on page 255 of the Appropriation Accounts for the year 1958-59.*—This related to a loss of Rs. 16,575 due to abandonment of work by a contractor. The departmental representative stated that 10 per cent. of the amount involved had since been recovered and efforts were being made to recover the balance. The Committee directed that the case should be finalised expeditiously.

(iii) *Item 28 on page 256 of the Appropriation Accounts for the year 1958-59.*—This related to non-realisation of cost of stock material from a contractor amounting to Rs. 17,212 as the contractor abandoned the work and absconded after receiving payment on the second Running Account bill. The Comptroller and Auditor-General pointed out that although this case pertained to 1956, it had not been finalised so far. The departmental representative stated that full facts of the case were being collected. The disciplinary aspect of the case had also to be examined. On an enquiry by Sardar Barkat Hyat Khan, the departmental representative stated that the security of the contractor was not adequate to be deducted to cover the loss. The Committee desired that the case should be finalised without delay and compliance reported to them.

39. The Committee directed that a report showing the progress of the unfinalised cases mentioned below should also be submitted to them in the next session :—

<i>Year of Account</i>	<i>Item. No.</i>	<i>Page</i>
1955-56	10	619
1956-57	8	410
1956-57	9 & 10	411
1956-57	14	412
1956-57	25, 29 & 30	415
1956-57	39	417
1956-57	42 & 43	418

<i>Year of Account</i>	<i>Item. No.</i>	<i>Page</i>
1956-57	44	419
1957-58	6 & 7	406
1957-58	6 & 7	407
1958-59	9	253
1958-59	18 & 19	254
1958-59	22, 25 & 27	255
1958-59	29	256.

40. The Committee observed that huge variations under the various grants controlled by the Ministry of Rehabilitation and Works had occurred during the years 1957-58 and 1958-59. This indicated that the budget had been framed very carelessly and due regard had not been paid at the time of regularisation of savings and excesses under the various grants, to the instructions issued by the Ministry of Finance. The Committee directed that all Ministries Divisions should take appropriate steps to avoid such variations in the accounts in future.

41. The Committee then adjourned to meet again on Tuesday, the 16th January, 1962 at 10 A.M.

Proceedings of the Eighth Meeting of the Public Accounts Committee held on Tuesday the 16th January, 1962 at 10.00 A.M.

The Public Accounts Committee met in Pakistan Secretariat—I, Rawalpindi, at 10.00 A.M. on Tuesday the 16th January, 1962, under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Sardar Barkat Hyat Khan, Member.
3. Mr. Ebrahim Khan, Member.
4. Mr. Jasimuddin Ahmad, Member.
5. Mr. Ghulam Abbas, Comptroller and Auditor-General.
6. Rana M. Yasin, P.A. & A.S., Accountant-General, Pakistan Revenues.
7. Mr. M. A. Subzwari, P.A. & A.S., Director of Commercial Audit.
8. Mr. Mushtaq Ahmad Khan, Audit Officer, Industries Supply and Food.
9. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor General.
10. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives.

ELECTION COMMISSION.

11. Mr. Mohammad Ayub, Deputy Financial Adviser.
12. Mr. S. G. Mahboob Ali, Section Officer.

MINISTRY OF FOOD AND AGRICULTURE.

13. Mr. I. U. Khan, C.S.P., Secretary.
14. Mr. S. M. Sulaiman, Financial Adviser.
15. Mr. M. Yamin Qureshi, Deputy Secretary.
16. Mr. Barkat Ahmad, Director of Foodgrains.
17. Mr. A. R. Mamun, Director, Procurement and Distribution (Sugar).
18. Dr. S. A. Husaini, Co-operating and Marketing Adviser.
19. Mr. G. H. Khan, Deputy Director, Survey of Pakistan.
20. Agha G. Hussain, Deputy Director, Central Fisheries Department.
21. Mr. Ahmad Tamizuddin Khan, T.Pk., Director of Accounts.

Secretary to the Public Accounts Committee

22. Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

2. The Chairman stated that the Secretary, Election Commission had not been able to come to attend the meeting of the Public Accounts Committee on account of illness. A communication received from the President's Secretariat was placed before the Public Accounts Committee in this connection indicating that other representatives of the Election Commission might be examined by the Public Accounts Committee

3. The Committee then took up an examination of the compliance report of the Election Commission on the recommendations made by them in their report on the Accounts for the years 1954-55 to 1956-57.

4. *A.—General.*—The Committee observed that all recommendations of a general nature made in their Report on the Accounts for the years 1954-55 to 1956-57 had been noted by the Election Commission. They directed that specific action should be taken in future on their recommendations and compliance reported as such by the Election Commission.

5. No questions were put to the representatives of the Election Commission regarding the Appropriation controlled by them.

6. The Committee then took up an examination of the compliance report of the Ministry of Food and Agriculture on the recommendations made in their Report on the Accounts for the years 1954-55 to 1956-57.

7. *A-General—S. No. 12 on page 139 of the Compliance Report.*—The Committee had directed that their recommendations and directions should be brought to the notice of the Minister-in-charge. The compliance report of the Ministry of Food and Agriculture indicated that this recommendation had been noted by them. The Committee desired to know whether their report had actually been submitted to the Minister-in-charge. The departmental representative stated that this had been done.

8. *B-Specific—S. No. 1 on page 140 of the Compliance Report paragraph 33 of Audit Report 1955.*—The Committee had observed that the difficulties involved in making purchases of stores from abroad should be known by now to the Ministry of Food and Agriculture who should apprise them of the procedure laid down for the purchase of foodgrains from abroad. The Committee were informed that under the existing procedure, purchases of agricultural commodities from U.S.A. were arranged through the Embassy in Washington, who did it by inviting competitive tenders, and wheat purchases were made from the lowest tenders in consultation with the Financial Adviser in the Washington Embassy. Tenders were also simultaneously initiated for chartering of ship for shipment of wheat. Purchases of wheat, rice, sugar, etc., were also made by inviting world wide tenders and the lowest tender was accepted.

9. *S. No. 2 on page 140 of the Compliance Report—Page 237 of Audit Report 1955.*—The Committee had directed that the Agriculture Division should work out the amount due from the Government of West Pakistan on account of contribution due from the former units in West Pakistan towards Co-ordinated Locust Control Scheme and submit a report indicating recoveries actually effected so far. They had also desired that the Agriculture Division should devise a suitable procedure for effecting the recoveries pertaining to a year in that very year. The Committee were informed that contributions due from the West Pakistan Government

amounting to Rs. 30,26,552 had been recovered by the Central Government during 1960-61. The approval of the Provincial Government for accepting further debit of Rs. 19,26,495 on this account for the expenditure incurred up to 1959-60 had been asked for and the recovery would be effected as soon as it was received. The question of devising effective means for prompt recoveries of contributions had also received the attention of the Central Government and a procedure had been evolved whereby the recoveries pertaining to a year were effected after consultation with the Provincial Government in that very year.

10. *S. No. 3 on page 141 of the Compliance Report.*—It was reported in paragraph 20 on page 27 of the Audit Report 1956 that a contract was placed in June, 1956 for the supply of 200 tons of milk ghee to meet the requirements of the Pakistan Army, but on the due completion of the contract the total quantity was increased to 436 tons through an amendment to the original contract in order to meet an additional demand of the Army. Out of the total quantity, 277 tons 590 lbs. of milk ghee conforming to the Army specification were accepted by the inspection authority and the sub-standard quantity of 158 tons 165 lbs. was rejected. Out of the rejected quantity, 8 tons 80 lbs. were sold to a contractor at the rate of Rs. 170 per maund whereas the balance quantity was sold to the original supplier at the rate of Rs. 151 per maund with the result that Government had to sustain a loss of Rs. 1,94,183. During the course of the examination of this paragraph, the Public Accounts Committee in their meeting held on the 17th December, 1960 (para. 9 on page 81 of the P. A. C. Report on the Accounts for the years 1954-55 to 1956-57) had desired to know why sub-standard ghee was accepted in the first instance. They had been informed by the departmental representative that the Pakistan Army had relaxed the specifications for the period of 6 months starting from the 12th June, 1956 in view of the fact that the ghee of the Army specifications was not available in the country. Subsequently the Army raised their demand. In the meanwhile, the period of relaxation of the specifications had also expired. As the demand was urgent, an extension of the order was placed on the supplier for supplying the additional quantity of ghee in accordance with the relaxed specifications of the Army. The order was placed on the assumption that the Pakistan Army would take a factual view of the situation and would accept the ghee although the relaxation period had expired. Immediately on receipt of the additional demand from the Pakistan Army, a reference had been made to the Ministry of Defence asking them to relax the specifications for the reason that the prices were expected to rise. The loss had occurred due to the fact that the necessary relaxation in the specifications was not ordered; the ghee was not accepted by the Pakistan Army and had to be disposed of. The Committee had desired to know whether any communication from the Ministry of Defence was available with the Ministry of Food and Agriculture indicating that the ghee was not acceptable to them even though it was according to the specifications for the period of 6 months starting from the 12th June, 1956. The Committee had been informed that an intimation had been received from the Ministry of Defence that they would not accept the ghee even though it conformed to the specifications for the period beginning from the 12th June, 1956. The Committee had directed that the relevant file should be shown to them in due course.

The departmental representative stated that the relevant records were available and could be examined by the Public Accounts Committee as desired by them. The Comptroller and Auditor-General pointed out that

in this case the Committee had felt that the Defence Department would have, surely accepted the ghee, if they had been advised that its rejection would result in a heavy loss to Government. He, therefore, enquired whether relevant communication in this regard was available on the file. The departmental representative stated that a demi-official letter was written by the Secretary Ministry of Food and Agriculture to the Secretary Ministry of Defence in April, 1957 in which it was clearly brought out that Government might have to pay a penalty as a result of their refusal to accept the ghee. The Committee directed that the file should be sent by the Ministry of Food and Agriculture to the Comptroller and Auditor General who should examine the various communications in accordance with the observations made by the Public Accounts Committee and report the matter to them, if necessary.

11. *S. No. 4 on page 141 of the Compliance Report.*—During the course of examination of paragraph 21 on pages 27-28 of the Audit Report, 1956, the Public Accounts Committee in their meeting held on the 17th December, 1960 had desired that legal proceedings should be instituted for recovery of the Government dues from the firm who failed to execute the order for the supply of cotton seeds oil cakes, and the result reported to them. On an enquiry by Mr. Ebrahim Khan, the departmental representative stated that the Ministry of Law had pointed out that the period of limitation in his case was 60 years and a suit against the firm was to be filed at any time when one or all the partners of the firm were found to possess any property, out of which Government dues could be recovered. Previously, the police reported that the partners of the firm had no property of their own and as such legal action was not instituted. The West Pakistan Police had been requested to intimate, if any partner had since acquired any property. Meanwhile it had been decided that the case for institution of proceedings should not await any further reply from police regarding the partner or partners' property. Further action regarding institutions of proceedings was being taken as advised by the Ministry of Law. The departmental representative added, that delay had occurred in this case due to the fact that there was no point in instituting legal proceedings when the hope of recovery was absolutely nil. The Committee desired that a report indicating further progress of the case should be submitted to them in the next session.

12. *S. No. 5 on page 141 of the Compliance Report.*—During the course of examination of paragraph 22 on page 28 of the Audit Report, 1956, the Public Accounts Committee, in their meeting held on the 17th December, 1960 had desired that the whole correspondence pertaining to the case reported in that paragraph regarding a contract placed in 1952 for the supply of milk ghee to Pakistan Army should be shown to them and action should be taken to regularise the loss of Rs. 78,855 involved in the case. The Committee were informed that action regarding regularisation of the loss could not be taken so far, as the relevant papers were with the Government Advocate in connection with an application filed by the ghee agents in the High Court of the West Pakistan, Karachi. The file had since been received back and necessary action to regularise the loss was being taken. The departmental representative added that in this case the proprietor of the supplying firm happened to be one of the West Pakistan Ministers and the Provincial Police had instituted a case against the firm when they were making the supply. Certain quantities of ghee were tendered by the firm but this quantity could not be inspected because the police treated them as case property and much time was lost.

The Provincial Government had not also permitted the inspection and disposal of ghee. Approaches to the police made in this behalf had failed and ultimately the ghee was found to be below specifications and had to be disposed of by public auction resulting in a loss which had to be written off. Correspondence made with the Provincial Government in this connection was read out by the departmental representative. Mr. Yaqub Shah observed that the ghee was taken by the police before it was tendered for inspection by the Ministry of Food and Agriculture. The tenderer was responsible for making the ghee available to the Ministry of Food and Agriculture on the date of inspection. He desired to know whether in the event of police action, the responsibility for the non-inspection of the ghee on the date of inspection rested with the Ministry of Food and Agriculture. The departmental representative stated that in accordance with the agreement, the supplier had to bring the ghee to the heating centre for inspection and could not be held responsible for the delay that occurred on account of police action. The Committee desired that the file should be shown by the Ministry of Food and Agriculture to the Comptroller and Auditor-General who should examine the whole correspondence made by the Ministry of Food and Agriculture with the Government of West Pakistan and the Provincial Police authorities and bring the matter again before the Public Accounts Committee, if necessary.

13. *S. No. 10 on page 143 of the Compliance Report, Note 6 on pages 291-292 of Audit Report, 1958.*—The Public Accounts Committee had desired that the position regarding the cases pertaining to outstanding shortages in the import of wheat and sugar should be reviewed by the Food Division and the result reported to them. The compliance report of the Ministry of Food and Agriculture indicated that losses to the extent of 0.84 per cent. were generally recognised by trade to be normal. The maximum limit had been fixed after ascertaining the position from other countries and after due consultation with Audit and the Ministry of Finance. The losses were within the limits and a provision had been made in the issue price to meet such losses. In the case of shortage of sugar, cases for 74.54 tons were in a court of law and cases for 179.704 tons were being pursued with the agents and shipping companies. In case of wheat, there had been actually no loss for shortages or damages, as actually 118 tons of wheat had been accounted for as excess receipt. Mr. Yaqub Shah pointed out that during the course of the examination of the Accounts pertaining to the Ministry of Kashmir Affairs, the departmental representative of that Ministry had informed the Public Accounts Committee (paragraph 5 of the proceedings, dated 15th January, 1962) that the percentage of wastage fixed by the West Pakistan Government was 1.2 per cent., and desired to know why the percentage fixed by the Central Government was so low. The departmental representative stated that the losses referred to by the Food Division occurred at Karachi in handling of sugar from shipment etc., whereas the losses referred to by the Ministry of Kashmir Affairs were caused in transit and were, therefore, higher. The Committee desired that all cases of shortages should be regularised by the Ministry of Food and Agriculture expeditiously.

14. *S. No. 11 on page 144 of the Compliance Report, Paragraph 181, on page 135 of Commercial Accounts, 1955-56.*—The Committee had directed that only the normal contribution to the Reserve for Heavy Repairs should have been charged to the Working Account of the Mechanical Cultivation Scheme in Baluchistan each year and the actual expenditure on repairs during the year should have been met from this

Fund instead of charging it to the Working Account. In their compliance report the Ministry of Food and Agriculture had stated that the Mechanical Workshop, Quetta had been transferred to West Pakistan Government in 1955. The directions and observations of the Public Accounts Committee had been communicated to the Provincial Government for necessary action. Their report would be placed before the Public Accounts Committee in due course. The Committee desired that the report of the Provincial Government should be sent by the Ministry of Food and Agriculture to the Comptroller and Auditor-General who should bring the matter back to the Public Accounts Committee, if necessary.

15. S. No. 12 on page 144 of the Compliance Report, paragraph 119 on page 71 of Commercial Accounts, 1956-57.—The Public Accounts Committee had directed that the Ministry of Food and Agriculture should either revise the prices of sera and vaccine produced by the Pakistan Animal Husbandry Research Institute, Peshawar, so as to meet the cost, or get a decision to the effect that the sale would be subsidised. In their compliance report the Ministry of Food and Agriculture had stated that the production of sera and vaccine was now the responsibility of the Provincial Government. The question of fixation of price of sera and vaccine by the Central Government had therefore, been dropped as this would now be done by the Provincial Government. On an enquiry by Mr. Yaqub Shah, the departmental representative stated that the views of the Committee in the matter had been communicated to the Provincial Government.

16. S. No. 15 on page 144 of the Compliance Report, paragraphs 99-100 on page 61 of Commercial Accounts, 1956-57.—The Public Accounts Committee had directed that the question regarding the percentage of mortality among birds that might be considered as normal should be examined and the result reported to them. In their compliance report the Ministry of Food and Agriculture had stated that the Poultry Experiment Station Landh had since been transferred to West Pakistan Government. The data received from the Provincial Government and private poultry breeders had been passed on to the Experiment Station for necessary action. The Chairman desired to know the progress made towards the increase of production of poultry in the country during the last 15 years. The departmental representative stated that it had been found that if really good birds were produced, they were costly than the price they were likely to fetch. The production had not, therefore, become a commercial proposition. Efforts were, however, being made to devise a new procedure to increase the production. On an enquiry by Mr. Yaqub Shah regarding the poultry diseases, the departmental representative stated that the research had now been undertaken by the Farm to evolve a breed that could face all the difficulties in regard to diseases. The Animal Husbandry Research Institute had also found disease resistant vaccine and a scheme had been evolved for its distribution. The policy so far followed was not only to evolve cross breed but also to upgrade the local breed. The departmental representative added that the real problem in case of poultry was the feedings of the birds. If a poultry farm had to be maintained as a business concern, it was necessary to have supplies of the feed at reasonable price. The price of poultry feed in Pakistan which was mainly maize or millets, was very high and the establishment of poultry farm was not an economic proposition within the present level of prices. A meeting had recently been held in which tentative conclusion had been reached regarding the price of maize so as to make it available to the country side at a cheap rate.

17. *S. No. 1 on page 145 of the Compliance Report.*—During the course of discussion of paragraph 23 on page 28 of the Audit Report, 1956, the Public Accounts Committee, in their meeting held on the 17th December, 1960 had directed that the Ministry of Food and Agriculture should furnish to Audit full particulars of the case mentioned in this paragraph regarding the irregularities made in the purchase of 9 thousand tons of Burma rice. With his compliance report (pages 151—153 of the Compliance Report), the Comptroller and Auditor-General had given a detailed note containing the views of the Ministry of Food and Agriculture and his observations in the matter. The views of the Ministry of Food and Agriculture and the Comptroller and Auditor-General were examined by the Public Accounts Committee with the assistance of the departmental representative and it was agreed that the case need not be pursued further.

18. *S. No. 2 on page 145 of the Compliance Report.*—It was reported in paragraph 24 of the Audit Report, 1956 that during the month of September, 1956, a contract was placed with a foreign Government for the supply of 20,000 tons of rice at £ 43 per ton F. O. B. The primary condition for this purchase was shipment during the first week of October, 1956. Before finalising the contract, shipping position was not ascertained with the result that no rice could reach East Pakistan during the months of October and November, 1956. The object for which this expensive rice was purchased could not thus be achieved. At the same time when negotiations with the foreign Government were in progress, some very economical and attractive offers were received from local firms but they were either rejected on insufficient grounds or not considered at all. The most economical offer was for 30,000 tons of rice at £ 38 C. & F. Chittagong with almost the same specification and quality as the foreign rice, but no efforts were made to avail of this offer and the contract was concluded with the foreign Government. The C. & F. Chittagong cost of foreign rice worked out to £ 53 per ton inclusive of £ 10 per ton as freight. If the local offer had been availed of, extra expenditure to the extent of £ 3,00,000 could have been avoided.

The case was examined by the Public Accounts Committee in their meeting held on the 17th December 1960 and they had concluded that the Comptroller and Auditor-General should examine the relevant files of the Food Division and furnish a report in the matter. With his compliance report, the Comptroller and Auditor-General had furnished a detailed note containing his observations. His conclusion was that the Ministry of Food and Agriculture had failed to avail of a more attractive offer of a local firm and should not have purchased Italian rice at a higher price.

The departmental representative explained that the offer in question was made by a local firm without offering a sample, a delivery schedule, proper specifications or even earnest money. The local firm took about 23 days in furnishing a sample but did not deposit the earnest money of rupee one per ton even then. The negotiations conducted with the Italian Government had reached a stage of finality even before the sample from the local firm was received. The food situation in East Pakistan was so serious that Food Ministry could not afford to take the risk of disturbing the Government to Government supply arrangements on the basis of a stray offer which was neither firm nor earnest.

The Committee desired that the position explained by the representative of the Ministry of Food and Agriculture should be checked by the

Comptroller and Auditor-General with the relevant files, and the case brought to them back in the next meeting, if necessary.

19. *S. No. 3 on page 145 of the Compliance Report.*—During the course of examination of paragraph 27 on page 26 of the Audit Report 1957, the Public Accounts Committee in their meeting held on the 17th December, 1960 observed that on 5th December, 1956, a Pakistan Mission abroad invited tenders for the supply of 18,000 tons of sugar. On receipt of quotations, Government accepted on 22nd December, 1956 the lowest offer of £ 57-17-3 (Rs. 771-8-0) per ton forwarded by the Mission. Simultaneously the original demand of 18,000 tons reduced to 9,000 tons reportedly on the grounds that (a) tendered prices were higher than those prevailing two months earlier and (b) Government might negotiate better terms with India which had considerable surplus sugar for disposal. The departure of a delegation to buy sugar from India was, however, delayed and the stock position of sugar again became difficult with the result that within two weeks of the rejection of 9,000 tons of sugar, the same Mission was instructed to arrange for a further supply of 18,000 tons of the commodity. The reduction of the earlier demand of 18,000 tons to 9,000 tons, when sugar was available at a lower price resulted in an extra expenditure of Rs. 9,14,000, as the same quantity was subsequently purchased at a much higher rate of £ 65-9-7 per ton. Government also rejected the lowest tender of a firm for the supply of 18,000 tons of Indian sugar at the rate of £ 58-6-1 per long ton F. O. R. The rejection of that offer resulted in an extra expenditure of Rs. 11,70,721.

The Committee had been informed in the meeting held on the 17th December, 1960 by the departmental representative of the Ministry of Food and Agriculture that the lowest quotation in this case could not be accepted because it was conditional on the grant of permits by the Government of India and also because a decision had already been taken to conduct the negotiation on inter-government basis for the purchases of sugar from India. The Committee were also informed that as the world prices of sugar were rising at that time because of the Suez trouble, a decision had to be taken by the Food Division in the matter after analysing the whole case so that as a result of the acceptance of this offer, the proposal to buy a much greater quantity from India was not prejudiced. The Committee had directed that a detailed note indicating the whole position of the case alongwith the relevant files should be submitted by the Food Division to the Comptroller and Auditor-General for re-consideration. With his compliance report the Comptroller and Auditor-General had furnished a detailed note containing his observation with reference to the relevant files of the Ministry of Food and Agriculture. His conclusion was that Government had no explanation for buying only 9,000 tons of sugar in the first instance instead of 18,000 tons, and it was not a sound decision to buy at a higher rate from outside in the hope of buying cheaply later from India. It had been stated in the relevant files more than once that it was a seller's market in those days. The basis on which it was considered that India would agree to sell sugar cheaply was not clear. It was also pointed out by the Comptroller and Auditor-General that the original offer of 8,250 tons of Argentine sugar was for £ 59 per ton but as decision for its purchase was not taken within the time the offer was open and the Government had to buy it later on from the same party at £ 60-5-0 per ton. This meant that Government had lost another £ 10,312-10-0 in this transaction. The observations made by the Comptroller and Auditor-General were examined by the Committee in full

details with the assistance of the departmental representative who explained that a number of offers were pouring in from various countries and they had information that the country from which the stray offers from private parties were not taken into consideration, was holding very large surpluses of sugar which it had to dispose of, and the acceptance of small offers would have seriously jeopardised the negotiations for large purchases on Government to Government level. However, to meet emergency requirements they decided to purchase only 9,000 tons of sugar in the first instance. The departmental representative further explained that that country could afford to supply sugar to Pakistan rather than to any other country because of high incidental charges involved in the latter case.

The Public Accounts Committee however noted in this context that an offer of Argentine sugar at a lower price could not be availed of because of the fact that the period of validity of the offer was stated to have been incorrectly communicated to the Food Division by a Pakistan Mission abroad. This involved Government a loss of £10,312-10. The Committee directed that a reference should be made to the Foreign Mission concerned to ascertain how the error crept in and a report submitted to them in the next session.

20. The Committee then took up an examination of the Appropriation Accounts for the years 1957-58 and 1958-59 pertaining to the Ministry of Food and Agriculture.

21. *Paragraph 26 on page 21 of the Appropriation Account for the year 1957-58.*—It was stated in this paragraph that it was decided by Government to purchase Banaspati Ghee required for Defence Services during April—May, 1958. The April—May demand of the Defence Services was 289 tons. The Ministry of Food had already procured 52 tons of Banaspati Ghee in excess of their demand for January—March and consequently the April—May demand stood reduced to 237 tons. The contracts were placed by the Ministry of Food at rates higher than the rates tendered by the various firms for the supply. In placing contracts in this manner the Government did not take full advantage of the lowest offer as according to the offers available, the purchases could have been made more economically. The loss of Rs. 9,380 had thus been suffered by ignoring the lowest offers and by purchasing at higher rate from the second and third lowest tenderers. Although the April—May demand stood at 237 tons, an extra quantity of 63 tons was also purchased simultaneously by the Ministry of Food against the advice of the Ministry of Finance. This was purchased from the 3rd lowest tenderer at Rs. 1-12-6 per lb. As subsequent purchases for the June demand were made at a lower rate of Rs. 1-9-10 per lb., the advance purchase of 63 tons at a higher rate resulted in a loss of Rs. 23,520. The total loss sustained by the Government thus worked out to Rs. 32,900 and was entirely attributable to disregard of the financial interests of the State.

The Committee desired to know the circumstances under which the lowest tender was not accepted in this case. The departmental representative stated that the main factor which guided the action of the Ministry of Food and Agriculture was whether the firm was really capable of making supplies and it had to be made certain that the supplies would become available within the delivery period. In the present case, the capacity of the firm was up to 250 tons per month whereas it had entered into contract with the army for the supply of 450 tons in one and a half

month. While negotiating the contract, the firm had already indicated that they would require extension in the delivery period by about 15 days and in view of this position and in view of the scarcity of Banaspati Ghee in the market, the contract could not be made and it was thought advisable to make the contract with another firm. The departmental representative added that the Ministry of Finance had advised the Ministry of Food and Agriculture to purchase April—May demand which amounted to 289 tons. It had nowhere been laid down by the Ministry of Finance while purchasing April—May demand that they should cut it so as to exclude 52 tons which had already been purchased against a previous contract. The purchases had to be made in advance in order to meet the Army's requirements and it had been decided not to deduct that quantity because the Ministry of Finance had not laid down anything in this regard. The Comptroller and Auditor-General pointed out that the quantity had been changed by the Ministry of Food and Agriculture contrary to the decision of the Ministry of Finance on their own initiative, and the additional purchase was thus un-remunerative. The relevant file on the subject containing the notes of the Ministry of Food and Agriculture and the Ministry of Finance was produced before the Public Accounts Committee who directed that it should be sent by the Ministry of Food and Agriculture to the Comptroller and Auditor-General for examination and reporting back to the Public Accounts Committee, if necessary.

22. *Grant No. 53—Capital Outlay on purchases by the Ministry of Food—pages 203-204 of the Appropriation Accounts for the year 1957-58.*—It was stated that the issue price of wheat, rice and sugar was not regulated according to the cost of purchase but it was decided by the Central Government to continue to give relief to the consumers by subsidising the losses and thereby to maintain the existing issue prices. The subsidy had been worked out on the difference between the higher estimated expenditure on the purchases of foodgrains and sugar and lesser recoveries made from sales to recipient at a fixed subsidised rate. Referring to the statements of written replies by the Ministry of Food and Agriculture, which indicated the amount of subsidy for the years 1956-57 to 1957-58, Mr. Yaşub Shah enquired whether the subsidy was still being allowed. The departmental representative stated that it had been decided by the Central Government to discontinue the subsidy on foodgrains.

23. *Grant No. 53—Capital Outlay on Purchases by the Ministry of Food—Note 2 on page 212 of the Appropriation Accounts for the year 1957-58.*—It was stated in this note that the Running Accounts of the purchases of food stuffs by the Karachi Administration were neither maintained properly and satisfactorily nor were checked by a responsible officer. Sardar Berkat Hyat Khan desired to know why the Accounts were not being maintained properly. The departmental representative stated that the purchase of food stuffs by the Karachi Administration did not concern them. The Committee directed that the Commissioner, Karachi Division should submit a report in this regard in the next session.

24. The Committee then took up an examination of the Commercial Accounts for the years 1957-58 and 1958-59 pertaining to the Ministry of Food and Agriculture.

25. *Paragraph 77 on page 51 of the Commercial Accounts for the year 1957-58—Scheme for Exploitation of Ephedra in Quetta Region—Working Results.*—It was stated in this paragraph that the working of the year 1951-52 disclosed a net profit of Rs. 1,10,413 as compared with that of

Rs. 1,05,362 for 1950-51. Mr. Jasimuddin Ahmad pointed out that according to the information given in paragraph 91 on page 59 of the Commercial Accounts for the year 1957-58, the working of the year 1952-53 disclosed a net profit of Rs. 21,004 only, and desired to know the reasons for the variations in the amounts of the profit. The departmental representative stated that the variations could be due to some adjustments and also due to the fact that prices were not always uniform. The Committee observed that the explanation furnished by the departmental representative was of a general nature and did not specify the reasons for the substantial variations in the working results of the scheme. They directed that the question should be examined by the Ministry of Food and Agriculture with reference to the Accounts for the years 1951-52 to 1954-55 and a report indicating the exact reasons for the variations in the working results submitted to them in the next session.

26. At this stage the Chairman raised a point as to why it was considered necessary that the Scheme for Exploitation of Ephedra in Quetta should continue to be a Government concern and not owned by the people. The departmental representative explained that the scheme had been introduced to help the people of Baluchistan. The Committee recommended that a review of the commercial activities of the Government should be undertaken to see which of them were essentially governmental, and whether any commercial scheme could be passed on to the people in the form of private enterprise.

27. The Chairman desired to know why the table eggs were sold at subsidised rates. The departmental representative stated that the subsidised rates applied only to the sale of eggs for breeding purposes. The Committee observed that in the case of subsidised rates, the beneficiaries were usually the high paid Government officials. If the eggs were to be sold at subsidised rates, they should also be given to private citizens and to the Hatcheries, so that the purpose in view was served. The departmental representative stated that the views of the Public Accounts Committee would be conveyed by them to the Government of West Pakistan to whom the poultry farm had since been transferred.

28. No questions were put to the representatives of the Ministry of Food and Agriculture regarding the Appropriation Accounts and the Commercial Accounts for the year 1958-59.

29. In their meeting held on the 8th January, 1962, the Committee directed (*vide* paragraph 12 of the proceedings) that the statements of accounts in respect of secret service expenditure for the years 1954-55 and 1955-56 should be submitted by the President's Secretariat to the Comptroller and Auditor-General who should report before the conclusion of their session whether the matter could be regularised. The Comptroller and Auditor-General reported to the Public Accounts Committee that the position was reconsidered in consultation with the Cabinet Division and the certificates for the years 1954-55 and 1955-56 had been accepted in Audit.

30. The Committee then adjourned to meet again on Wednesday, the 17th January, 1962 at 9.00 A.M.

Proceedings of the Ninth Meeting of the Public Accounts Committee held on Wednesday, the 17th January, 1962 at 9.00 A.M.

The Public Accounts Committee met in Pakistan Secretariat No. I, Rawalpindi at 9.00 A.M. on Wednesday, the 17th January, 1962 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Mr. Ebrahim Khan, Member.
3. Mr. Jasimuddin Ahmad, Member.
4. Mr. Ghulam Abbas, Comptroller and Auditor-General.
5. Rana Mohd. Yasin, P.A. & A.S., Accountant-General, Pakistan Revenues.
6. Mr. M. A. Subzwari, P.A. & A.S., Director of Commercial Audit.
7. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor-General.
8. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives.

KARACHI ADMINISTRATION.

9. Mr. G. A. Madni, C.S.P., Commissioner.
10. Mr. S. M. H. Zaidi, Assistant Secretary.

MINISTRY OF COMMERCE.

11. Mr. S. Osman Ali, S.Q.A., C.S.P., Secretary.
12. Mr. M. Rehman, Accounts Officer, Jute Board.

MINISTRY OF FINANCE.

13. Mr. Mumtaz Mirza, P.M.A.S., Secretary.
14. Mr. Ejaz Ahmad Naik, T.Pk., C.S.P., Joint Secretary.
15. Mr. M. Aslam, Member, Central Board of Revenue.
16. Mr. M. A. H. Qarni, C.S.P., Member, Central Board of Revenue.
17. Mr. Riyaz H. Bokhari, Joint Director Finance, Railway Board.
18. Mr. Faiz Fasul, Deputy Director Accounts, Railway Board.
19. Mr. Khurshid Ahmad, Assistant Director General (P. & T.).
20. Mr. Mohammad Hussain, Deputy Director, Central Board of Revenue.
21. Mr. A. A. Shah, Deputy Secretary.

Secretary of the Public Accounts Committee.

22. Mr. Abdul Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

2. The day's proceedings began with an examination of the compliance report of the Karachi Administration on the directions given and recommendations made by the Public Accounts Committee in their Report on the Accounts for the years 1954-55 to 1956-57.

3. *S. No. 5 on page 206 of the Compliance Report—S. No. 12 of Annexure A to Audit Report, 1955.*—The Committee had directed that a report indicating the final action taken in the case of embezzlement of Rs. 17,670 by a cashier of the Civil Supplies Department during the year 1953-54 should be submitted to them in the next session. The Committee were informed that the cashier involved in the case had undergone rigorous imprisonment for a period of one year and had since been released from the Karachi Central Prison in November, 1961. The Chairman desired to know whether he had any property which could be attached. The departmental representative stated that the City Deputy Collector, Karachi had been asked to ascertain the moveable and immoveable property in the name of the accused and the value thereof with a view to taking further action to realise the misappropriated amount. On receipt of the report, the competent authority would be moved to issue a warrant of attachment of the property. The Committee desired that action regarding write off of the loss involved should be taken in case it was established that no recovery could be effected from the moveable or immoveable property of the accused.

4. *S. No. 7 on page 207 of the Compliance Report—S. No. 4 on page 409 of Audit Report, 1958.*—The Committee had directed that the action taken in the case of misappropriation of an amount of Rs. 2,391 by a disbursing officer of a school under the Karachi Administration should be reported to them in the next session. The compliance report of the Karachi Administration indicated that the amount actually misappropriated in this case was Rs. 247 out of which a sum of Rs. 127 had already been recovered from the officer concerned. No responsibility could be fixed on him for the balance of Rs. 120. On an inquiry by Mr. Yaqub Shah the departmental representative stated that the officer concerned had since been screened out of service.

5. *S. No. 3 on page 206 of the Compliance Report.*—The Committee had desired that the matter with regard to furnishing of certificates of physical verification of stores held by the Karachi Jail should be settled without further delay and compliance reported to them. The Chairman desired to know whether physical verification was being carried out regularly. The departmental representative stated that the physical verification of stores had since been carried out by all the departments and necessary certificates furnished to the Audit Office.

6. The Committee then took up an examination of the Appropriation Accounts for the years 1957-58 and 1958-59 pertaining to the Karachi Administration.

7. *Grant No. 11-Karachi—Note 7 on page 105 of the Appropriation Accounts for the year 1957-58.*—In an office under the Karachi Administration, a sum of Rs. 4,822 was misappropriated by a cashier. The embezzlement came to notice during the course of inspection by the Inspector of Accounts and Offices. A case was registered by the police against the cashier who was still absconding. Departmental enquiries were also instituted as a result of which some other officials besides the cashier were also held responsible for the loss and had been punished departmentally.

A sum of Rs. 1,200 was recovered from the individuals responsible for the loss and the remaining amount of Rs. 3,622, being irrecoverable, was written off. The Committee observed that loss had occurred in this case as a result of disregard of the rules and orders of Government regarding obtaining of security from the cashier, maintenance and scrutiny of the cash book and the proper custody of the keys of the safe by the drawing and disbursing officer, and desired to know the action that had been taken to prevent such cases in future. The departmental representative explained that necessary security was now being obtained from the Head Munshi working as cashier to avoid recurrence of such irregularities. Internal audit system had also been introduced in this connection.

8. *Annexure A—Unfinalised cases of financial irregularities—S. No. 34 on page 257 of the Appropriation Accounts for the year 1958-59.*—It was stated that a sum of Rs. 20,000 kept in an envelope in the chest of an office was found missing. The matter was reported to the police authorities who, in their first report, had declared it to be a case of misappropriation rather than of theft. In their written reply on this point the Karachi Administration had stated that the officer concerned who was in-charge of disbursements kept the amount in a sealed cover in the office safe which was at that time being locked with only one key because the other key held by the Accountant was reported to have been broken. The Administrative Officer concerned was transferred but the new officer was not given charge of the cash for some time. When the safe was opened, the seal of the envelope which contained a total amount of Rs. 1,11,932/7 was found broken and it was found that a sum of Rs. 20,000 was missing. As a result of a departmental enquiry, two officers were considered to be responsible but it had not been possible to fix responsibility on any individual. On the basis of the report of the Enquiry Committee, a sum of Rs. 2,000 was to be recovered from the Administrative Officer concerned and departmental action had been ordered against the Accountant as well. Mr. Yaqub Shah desired to know why such a big amount was kept in a chest which had only one key. The departmental representative stated that the amount included subscriptions for the Arts Council which were being collected at that time by the Administration. The funds were kept in a chest of only one key due to mistake on the part of the Accountant. The Committee observed that consequent on his transfer, the cash in hand should have been handed over by the Administrative Officer to the new officer. He had been very careless in this regard and a recovery of Rs. 2,000 from him did not constitute a sufficient punishment. On an enquiry by Mr. Yaqub Shah, the Comptroller and Auditor-General stated that he was satisfied with the disciplinary action taken in this case.

The representatives of the Karachi Administration then withdrew and the Committee took up an examination of the compliance report of the Ministry of Commerce.

10. *A—General.*—The Committee observed that their recommendations and suggestions of a general nature had been merely noted by the Ministry of Commerce. They desired to know whether specific action on the various recommendations had been taken by them. The departmental representative stated that specific action had been taken in all cases where it was necessary to do so. Other recommendations of the Committee had been noted by them for future compliance. The Committee observed that this information should have been given in the compliance report of the Ministry of Commerce.

11. *B—Specific—S. No. 1 on page 4 of the Compliance Report.*—In their meeting held on the 16th December, 1960, the Public Accounts Committee had examined paragraphs 35 and 36 of the Audit Report 1955 relating to financial irregularities noticed in the accounts of Jute Board and had directed that the Ministry of Commerce should submit detailed notes indicating the over-all position and the progress made in the cases relating to these irregularities. In the first case, it was mentioned in the Audit Report that as per trade agreement between India and Pakistan which was in the nature of barter agreement, the Indian Jute Mills Association was to be supplied by the Jute Board with Cuttings, Habi Jabi and Ropes and Rejections. These were purchased by the Board from agents appointed by them and supplied to the Indian Jute Mills Association. Half the quantity of Cuttings and Rejections were supplied to Indian Jute Mills Association in pacca bales and the Board paid to the agents Rs. 3 and Rs. 5 extra per bale of Cuttings and Rejections respectively as baling expenses, resulting in an extra expenditure of Rs. 16 lakhs. In the second case, in pursuance of an agreement with a foreign country in April, 1950, a Government Commercial concern appointed a Handling Agent in that country to make purchase of Jute manufactures of that country and to arrange their shipment to Pakistan. Local Audit of initial accounts of the Handling Agent in 1952 revealed that 402 bales of Jute goods purchased for Rs. 1,87,834 had been kept by the Handling Agent for his own use. Similarly 394 bales of Jute manufactures worth Rs. 1,60,468 supplied by the Mill Association were not shipped by the Handling Agent. The value of these Jute goods had not so far been refunded inspite of repeated reminders.

A detailed note (Annexure IV) indicating the over-all position of the case was circulated to the Public Accounts Committee by the departmental representative of the Ministry of Commerce. The conclusion made in this note was that in the entire transactions with the Indian Jute Mills Association, the Jute Board had made no loss but had earned a profit of Rs. 188 lakhs. The Comptroller and Auditor-General observed that the note placed before the Public Accounts Committee introduced new facts which had not so far been brought to his notice by the Ministry of Commerce. In the second case, it was stated in the compliance report of the Ministry of Commerce that it had not been possible to resolve the difference between the claims of Jute Board and the amount admitted by the Handling Agent. A proposal for arbitration by senior Government officials was put forward by the Jute Board but the Handling Agent pointed out that as it was an Indian company, the arbitration had to be made in accordance with the Indian Arbitration Act on the ground that if the dispute was not settled in that manner, the Reserve Bank of India would not grant permission for remitting the amount to Pakistan for payment to the Jute Board. The Handling Agent had in turn proposed that the representative of the Jute Board should meet the Director of the Company at Calcutta in order to settle the points under dispute.

The Committee observed that both of these cases were very old and that the explanation now furnished in the first case should have been given to them and the Comptroller and Auditor-General much earlier. The Comptroller and Auditor-General stated that the main object was to bring these cases to the notice of the Public Accounts Committee and suggested that in both the cases the matter might be left between him and the Ministry of Commerce. He added that the cases would be brought before the Public Accounts Committee in case these could not be settled otherwise. This suggestion was accepted by the Committee.

12. *S. No. 2 on page 5 of the Compliance Report.*—During the course of examination of paragraph 22(a) of the Audit Report on page 15 of the Commercial Accounts 1956-57, the Public Accounts Committee, in their meeting held on the 16th December, 1960 had desired that the Ministry of Commerce should report progress of civil suits filed against the Agents who were appointed by the Jute Board under the Jute Support Scheme in 1952-53 for the purchase and handling of Jute on Government account, and who failed to supply whole quantities or made supplies of inferior quality. The compliance report of the Ministry of Commerce indicated that civil suits had been filed by the Jute Board against 9 Agents for a sum of Rs. 1,61,741. The Agents on the other hand had filed civil suits against the Jute Board in 14 cases claiming Rs. 2,49,799 as storage charges. The Board was contesting these cases also with its counter claims amounting to Rs. 7,58,245. The Comptroller and Auditor-General pointed out that according to the information available with him no action had so far been taken in respect of total amount of Rs. 9,71,175 outstanding against the Agents. The departmental representative stated that action to file civil suits had not been taken by them in some cases as they were waiting for a decision in the cases in which civil suits had already been filed. It was considered by the Ministry of Commerce that with some precedents in their favour, it might be possible to get favourable decisions in other cases. The Committee directed that immediate action should be taken to file civil suits in respect of the remaining cases involving a total amount of Rs. 9,71,175 pointed out by the Comptroller and Auditor-General. They observed that a precedent had already been set in one case which was stated to have been decided in favour of the Jute Board. They desired that there was no need to bring these cases back to their notice unless there was some difficulty which could not be resolved by the Ministry of Commerce.

13. *S. No. 3 on page 6 of the Compliance Report.*—The Public Accounts Committee had directed that the Ministry of Commerce should submit a report indicating the latest position of the recoveries made from the Agents on account of sale price of Jute, etc., as reported in paragraph 22(b) on page 15 of the Commercial Accounts for the year 1956-57. The compliance report of the Ministry of Commerce indicated that a total amount of Rs. 66,05,083 was outstanding on account of sale price of Jute from 12 parties. The amount involved in each case and the action taken by the Jute Board was indicated in detail in the compliance report. Mr. Yaqub Shah pointed out that the details of the amount pertaining to the various parties as given in the compliance report did not add up to the total amount of Rs. 66,05,083. The Comptroller and Auditor-General placed before the Committee a statement (reproduced below) indicating the correct position in respect of the parties involved.

No.	Name of the buyer	Amount due
		Rs.
1.	M/s. Islam & Sons	11,758
2.	„ Sk. Lebu Mia	32,393
3.	„ Samirud in Talukdar	4,232
4.	„ S. Rehman & Co.	93,326
5.	„ Hossain Corporation	16,756

No.	Name of the buyer	Amount due
		Rs.
6.	M/s. Chittagong Baling & Shipping Co.	5,817
7.	.. East Pakistan Co-operative Jute Marketing Society ..	15,66,000
8.	.. Pakistan Baling & Shipping Co.	13,26,000
9.	.. Chathumall	8,64,000
10.	.. Jauhrilal Kanhaiyalal	14,46,000
11.	.. Green and White	7,74,923
12.	.. Abdul Jabbar & Co.	13,829
13.	.. Afsaruddin Mandal	35,363
14.	.. Magamma! Kushalchand	42,204
15.	.. Ebrahim Corporation	1,61,060
16.	.. Nemani & Co.	1,02,089
17.	.. Amin Jute Baling	4,04,725
	Total	69,00,915

The Committee desired that the Comptroller and Auditor-General should look into these cases in order to ensure whether proper action was being taken. He could bring these cases to the notice of the Public Accounts Committee again if any assistance was required in the matter or if there was any delay on the part of the Ministry of Commerce.

14. *S. No. 4 on page 7 of the Compliance Report—Paragraph 333 of Commercial Accounts, 1956-57.*—The Public Accounts Committee had directed that the Ministry of Commerce should submit a note with regard to the arrangements made by them for internal audit in the Pakistan Insurance Corporation. The Comptroller and Auditor-General explained that arrangements for the internal audit in the Corporation had been made by creating an Internal Audit Department.

15. *S. No. 5 on page 8 of the Compliance Report—Paragraph 334 of Commercial Accounts, 1956-57.*—The Public Accounts Committee had directed that the Ministry of Commerce should take regularising action with regard to the investments made by the Pakistan Insurance Corporation in the shares of two public companies without the approval of the Central Government. In their compliance report the Ministry of Commerce had stated that the Pakistan Insurance Corporation had been asked to submit complete details of the investments in question made by it in the shares capital of the public companies. On receipt of the report the matter would be regularised and the Corporation would be advised to ensure that such irregularities do not occur in future. On an enquiry by the Chairman regarding further progress in this case, the departmental representative stated that the case had since been submitted to the Ministry of Finance for their formal sanction. The Comptroller and Auditor-General pointed out that in accordance with section 25 of the Pakistan Insurance Corporation, the Corporation could invest only in Insurance companies. The intention was that if they had any money, they should support insurance business in the country and should not subscribe directly in any other company. The Committee directed that the position

should be regularised by the Ministry of Commerce in respect of the investments made by the Pakistan Insurance Corporation, without further delay.

16. *S. No. 6 on page 8 of the Compliance Report.*—The Public Accounts Committee had directed that the unfinalised cases of financial irregularities mentioned at S. Nos. 2—9 of Annexure—A to the Audit Report, 1955 should be finalised expeditiously by the Ministry of Commerce and a report submitted to them. The compliance report of the Ministry of Commerce in respect of these cases was examined by the Public Accounts Committee with the following results :—

- (i) *S. No. 2 of Annexure—A, Audit Report, 1955.*—This related to an extra expenditure of about Rs. 10 lakhs incurred by supplying X-Bottom instead of Rejections to the Indian Jute Mills Association under the Barter Trade Agreement of 1950. In the compliance report of the Ministry of Commerce, it was concluded that in the transaction with the Indian Jute Mills Association under the Barter Agreement, the Jute Board had earned a profit of Rs. 188 lakhs and there was no loss in the transaction. The Comptroller and Auditor-General stated that the position now explained by the Ministry of Commerce was acceptable to him.
- (ii) *S. No. 3 of Annexure—A, Audit Report, 1955.*—A sum of Rs. 5 lakhs was shown by Audit to have been paid in excess to the supplying agents by treating bales of 400 lbs. as equivalent to 5 maunds instead of taking the actual weight of 5 maunds as 411.5 lbs. As the details of the excess payment had not been shown, Audit was requested to furnish them. The transactions were re-examined by Audit in 1960 and it appeared that they had now calculated the overpayment to be Rs. 1,55,135, instead of Rs. 5 lakhs, out of which, according to them, a balance of Rs. 1,10,566 was still to be recovered. The details as to how they had arrived at these new figures had not so far been furnished and the examination of the accounts would be taken up on receipt of the details from the Audit Department. The Comptroller and Auditor-General stated that the requisite details had since been furnished to the Department. The departmental representative stated that the details were under scrutiny and a further report in the matter would be submitted to the Public Accounts Committee in the next session.
- (iii) *S. No. 5 of Annexure—A, Audit Report, 1955.*—This related to a claim against M/s. Isphani Ltd., Calcutta for an amount of Rs. 6,496. The compliance report of the Ministry of Commerce indicated that it had not yet been possible to realise the amount from them. On an enquiry by the Chairman, the departmental representative stated that the matter was under correspondence between the Jute Board and M/s. Isphani Ltd., for the last four or five years. The Committee observed that this was a very old case and directed that it should be finalised without much longer delay.
- (iv) *S. No. 9 of Annexure—A, Audit Report, 1955.*—This related to misappropriation of Rs. 8,51,195. The compliance report of the Ministry of Commerce indicated that the charges against the cashier concerned had been split up into 54 separate cases

by the Pakistan Special Police Establishment, Dacca. Seven cases had been tried and had ended in prison sentences and fines and the remaining cases were pending trial in court. On an enquiry by the Chairman, the departmental representative stated that the accused had some property which had been attached by the Special Police Establishment. The Committee directed that efforts should be made by the Ministry of Commerce to realise the amount involved from the property of the accused.

17. No question was put to the departmental representative regarding the grants controlled by the Ministry of Commerce for the year 1957-58.

18. The Committee then took up an examination of the Appropriation Accounts for the year 1958-59 pertaining to the Ministry of Commerce.

19. *Grant No. 18—Other Expenditure of the Ministry of Commerce on page 62 of the Appropriation Accounts, for the year 1958-59.*—The original grant of Rs. 5,12,000 under the major head "57-Miscellaneous" was reduced to Rs. 3,48,300 by a surrender of Rs. 1,63,700. The actual expenditure amounted to Rs. 18,27,814 resulting in an excess of Rs. 14,79,514. The Committee desired to know the circumstances under which the excess had not been regularised. Mr. Yaqub Shah referred to the statement of written replies of the Ministry of Commerce regarding this excess in which it was stated that the figures of actuals under this head pertaining to Tariff Commission had not been reconciled by them, as they could not contact the Accountant-General, Pakistan Revenues' Office in time before the finalisation of the Appropriation Accounts. The Comptroller and Auditor-General pointed out that a reply to the communication received from the Ministry of Commerce in connection with reconciliation of figures pertaining to the Tariff Commission was duly sent to that Ministry and it was for them to make arrangements to reconcile the figures of expenditure. The Committee observed that this was a case of bad budgeting and directed that full reasons for the excess and the circumstances under which it could not be regularised should be furnished to them in the next session.

20. *Paragraph 31 on page 23 of the Appropriation Accounts for the year 1958-59.*—It was stated in the Audit Report that physical verification of stores was not conducted in respect of certain organisation under the Ministry of Commerce. Mr. Yaqub Shah referred to the statement of written replies furnished by the Ministry of Commerce in which it was stated that the Department of Insurance had already done the necessary verification of stores and the rest of the departments had been directed to take immediate steps for physical verification and to furnish the necessary certificates to Audit. He pointed out that it was not sufficient to issue instructions in the matter and that the Ministry of Commerce should ensure that physical verification of stores was done by their subordinate departments in time. The Committee directed that the needful should be done by the Ministry of Commerce and compliance reported to them.

21. The Committee then took up an examination of the Commercial Accounts for the year 1958-59, pertaining to the Ministry of Commerce.

22. *Paragraph 195 on page 124 of the Commercial Accounts for the year 1958-59.*—It was stated in this paragraph that 20,086 maunds of

Jute on account of 1950-51 Agency Deal, and Jute Manufactures remained undisposed of throughout the year 1953-54. It was also stated 8,684 maunds of Jute Manufactures valued at Rs. 2,40,677 was still held at the end of the year 1956-57. Long storage of Jute might have resulted in deterioration and depreciation in its value. The Committee desired to know when this stock was subsequently disposed of and with what results. The departmental representative stated that the whole problem was that of finding buyers and the stocks had since been disposed of.

23. *Paragraph 196 on page 124 of the Commercial Account for the 1958-59.*—It was stated that the rates of depreciation charged on various assets in respect of Jute Board, Narayanganj had not been approved by competent authority. The written reply of the Ministry of Commerce indicated that depreciation had been charged at the same rates at which it was charged in the Commercial Accounts of the Jute Board for the years 1949-50 to 1952-53 and accepted by Audit after due scrutiny. During the audit of the Accounts for the year 1953-54, the Audit party of the Directorate of Commercial Audit wanted to see the orders of the competent authority. The orders were not traceable in the old records of the previous ten years. Audit were requested either to accept these rates as had been done by them previously, or to point out if the rates were incorrect. But they did neither. Mr. Yaqub Shah desired to know the circumstances under which the rates were not acceptable to Audit party when the accounts of Jute Board for the previous years had been certified by them. The departmental representative stated that the matter had since been referred to the Ministry of Finance and it was hoped that it would be settled expeditiously.

24. *Paragraph 198 on page 124 of the Commercial Accounts for the year 1958-59.*—It was stated in this paragraph that the stocks tendered by Jute Board were kept in the custody of the Agents but no adequate security in the form of mortgage of real assets was obtained to cover the risks involved. The written reply of the Ministry of Commerce on this point indicated that they had to appoint a large number of agents to purchase Jute under the Support Scheme. The Agents took advances mainly from the National Bank of Pakistan to purchase Jute from growers at the minimum price fixed by Government. The bank's loans were repaid as soon as the Jute Board made payments of the value of Jute at the same minimum price. The agents of Jute received only a commission at the rate of 1.75 per maund and very few of them had adequate real assets to furnish as security against the jute. Insistence on security in the form of mortgage of real assets could have defeated the very purpose of the Support Scheme viz. to ensure a fair return to the growers and to save them from loss due to a falling market. The overall shortage worked out to less than 3 per cent. This showed a good performance on the part of the agents in view of the fact that the provinces were affected by floods in 1954 and 1955 during which most of the godowns were sub-merged by flood water. On an enquiry by Mr. Yaqub Shah, the departmental representative stated that a security bond had been obtained from the agents without any physical assets but audit wanted to have the bonds executed by some insurance companies. The Committee observed that the objection had been met technically but the appropriate course in this case was to get an appropriate bond as pointed out by Audit.

25. The representatives of the Ministry of Commerce then withdrew and the Committee took up an examination of the memorandum of incorrect evidence given before the Public Accounts Committee by the departmental representative of the Ministry of Finance in their last session.

26. During the course of examination of paragraph 28 on page 30 of the Appropriation Accounts for the year 1954-55 relating to the re-assessment by the Collector of Customs of custom duty on consignment of artificial silk yarn on the basis of reduced price, the departmental representative of the Ministry of Finance had informed the Public Accounts Committee that the amount involved being irrecoverable had been written off. Subsequent scrutiny of this position by the Comptroller and Auditor General revealed that the amount of Rs. 2,500 had not actually been written off. The Committee desired to know the circumstances under which an incorrect statement had been made before them. The departmental representative stated that the evidence given before the Public Accounts Committee was based on the information furnished to the Central Board of Revenue by the Collector of Customs who made a technical mistake in indicating the position of the case. What actually happened was that the case had been closed by the Collector in accordance with the provisions of the Customs Manual of the Department under which the question of a write off did not arise in cases where a mistake in the assessment of Customs duty was detected too late to admit of supplementary claim being made. In such cases, no intimation was required to be sent to the Accountant General, Pakistan Revenues. Instead a procedure had been laid down under which the party concerned was requested to make good the difference, although the department had no claim on them legally in this regard. Big firms made payments sometimes in such cases. The Committee desired that the question whether the existing procedure followed in such cases was in order should be examined by the Ministry of Finance and a report submitted to them in the next session.

27. The Committee then took up an examination of the compliance report of the Ministry of Finance on the recommendations made by them in their Report on the Accounts for the years 1954-55 to 1956-57.

28. *A—General.*—The Committee noted with satisfaction that the Ministry of Finance had issued instructions to the various Ministries/Divisions in regard to the recommendations and directions of a general nature made by them in their Report on the Accounts for the years 1954-55 to 1956-57.

29. *S. No. 6 on page 117 of the Compliance Report.*—The Committee had desired that the Ministry of Finance should furnish information regarding the disciplinary aspect of the case with regard to fraudulent payments made in the Accounts Division of a Pakistan Mission as reported in Note 6 on page 124 of the Appropriation Accounts for the year 1954-55. The Committee were informed that suitable disciplinary action had already been taken in the matter.

30. *S. No. 7 on page 117 of the Compliance Report.*—The Public Accounts Committee had directed that the Ministry of Finance should set a high standard of accuracy in the regularisation of savings and excesses in respect of the grants controlled by them and should tighten

like the one in Pakistan, customs receipts depended mainly on Government import policy. The percentages of cost of collection given in the Appropriation Accounts were based only on collection of imports duty whereas the Customs Department had been collecting sales-tax as well on imports since 1st July, 1951. Including sales tax figures, the average percentages for last ten years worked out to 1.69 as against 1.87 in India. The Comptroller and Auditor General stated that it was not clear on what basis the averages of 1.69 and 1.87 had been worked out by the Central Board of Revenue. The Committee directed that full details giving the basis of calculation should be furnished by the Central Board of Revenue to the Comptroller and Auditor General who should examine the position in this regard and submit a report to them in the next session, if necessary.

36. *S. No. 7 on page 124 of the Compliance Report—Paragraph 17(i) of Audit Report, 1957.*—The Public Accounts Committee had directed that the Ministry of Finance should find out from the Ministry of Commerce the circumstances under which they failed to notify the Customs authorities, about the extension in the period in which the protective rates of duty on diesel oil engines were originally applicable under Pakistan Customs Tariff, and report compliance to them. The compliance report of the Central Board of Revenue indicated that timely intimation of the proposal regarding the extension had been given to them by the Ministry of Commerce who held that the Central Board of Revenue should have themselves issued necessary instructions to the Customs authorities. An intimation from the Ministry of Commerce was however received nearly a month after the expiry of the period of protection and the amendment to the Tariff Act extending the protection beyond 30th June, 1957 was not enacted till the 28th March, 1958. Thus, even if executive instructions had been issued by the Central Board of Revenue, the enforcement of the higher protective rates would have had no legal force earlier than three months before the date of the amendment. To avoid similar situation in future, the Central Board of Revenue had drawn the pointed attention of the Ministry of Commerce to the desirability of taking action in such cases well in advance of the expiry date. Instructions would also be issued by the Central Board of Revenue to the Collectors not to effect any change in such cases in future without the prior approval of the Central Board of Revenue and the Ministry of Commerce.

37. *S. No. 8 on page 124 of the Compliance Report.*—The Public Accounts Committee had directed that the Ministry of Finance should take action for issue of a Presidential Order to regularise the position with regard to excess payments to the Government of East Pakistan on account of share of export duty on jute from 1947-48 to 1951-52, as reported in paragraph 25 on page 25 of the Appropriation Accounts, 1955-56. The Committee were informed that the matter was under consideration in consultation with the Ministry of Law and would be finalised shortly. The Committee desired that a report indicating the action taken should be submitted in the next session.

38. *S. No. 9 on page 124 of the Compliance Report—Item 5 on page 618 of Audit Report, 1957.*—The Public Accounts Committee had directed that the Central Board of Revenue should submit a report regarding the departmental action taken in the case in which a clerk of the Customs House received payment of Rs. 11,014 on a forged refund order. The compliance report of the Central Board of Revenue indicated that no

departmental action could be taken against the clerk concerned as he had left the service before the fraud came to notice. The matter was however reported to the special police who instituted proceedings against him but the culprit having absconded, the Court had to drop the matter at that stage. The amount had been written off. Action to debar the clerk from future Government employment was also being taken. The Comptroller and Auditor General pointed out that necessary action for effecting the recovery could be taken even now if the clerk concerned had any property and if he could be traced. The departmental representative promised to examine the matter further accordingly and to submit a report to the Public Accounts Committee in the next session.

39. *S. No. 10 on page 124 of the Compliance Report—Paragraph 19 of Audit Report, 1958.*—The Public Accounts Committee had recommended that the omissions to carry out the orders laid down in the Departmental Manual should be avoided by the Customs authorities. Also that the Central Board of Revenue should examine the question of revising the statutory time-limit for enforcement demand for duty under the Pakistan Customs Tariff. The Public Accounts Committee noted with satisfaction that necessary instructions had since been issued by the Central Board of Revenue to all the Customs Officers and that a special Committee had been set up by Government to examine the question of revising the statutory time-limit for enforcing demand for duty.

40. *S. No. 11 on page 124 of the Compliance Report.*—The Public Accounts Committee had directed that the Central Board of Revenue should finalise cases of financial irregularities mentioned in Annexure IX on page 255 of their Report on the Accounts for the years 1954-55 to 1956-57. The compliance report of the Central Board of Revenue with regard to these items was examined by the Committee with the following results :—

- (i) *Para. 20(g) (iii) on page 22 of the Appropriation Accounts for 1952-53.*—This related to recovery in respect of the excess representing the ascertained/declared weight of the consignments of dates. During the course of the examination of this item, the Public Accounts Committee, in their meeting held on the 23rd December, 1960, had been informed that out of Rs. 25,000 short levied as custom duty, Rs. 1,500 had been recovered. The compliance report of the Central Board of Revenue indicated that the amount of Rs. 23,500 would have to be written off as the Audit objection was not traceable in the Customs House. It appeared that it got lost alongwith many other objections and an Enquiry Committee had been appointed by Government in March, 1960 to look into this matter. The report of this Committee had been received and necessary action was being taken. The Committee desired that the case should be finalised expeditiously.
- (ii) *Item No. 14 on page 565 of the Appropriation Accounts for the year 1953-54.*—This related to misappropriation of a sum of Rs. 9,491 by a clerk of an office of Superintendent, Land Customs. The misappropriation was mainly due to negligence of rules and laxity in supervision. The compliance report of the Central Board of Revenue indicated that necessary information regarding recovery from the accused was being

collected from the Commissioner, Peshawar Division as the accused originally belonged to that office. The Committee desired that necessary action to regularise the loss should be taken in case it was not possible to make any recovery in this case.

41. The Committee then took up an examination of the Appropriation Accounts for the years 1957-58 and 1958-59 pertaining to the Ministry of Finance.

42. *Paragraph 20 on page 16 of the Appropriation Accounts for the year 1957-58.*—It was stated in this paragraph that during the course of statutory audit, it was noticed that there had been a tendency of under assessment of duty in one of the Collectorate of Customs resulting in loss of revenue to Government. Some of the cases which were noticed in the audit of a small percentage of assessment documents and where recoveries were made at the instance of audit were also brought to notice. On an enquiry by the Chairman, the departmental representative stated that the under assessment had occurred due to mis-classification of goods under a different item. In all cases which came to the notice of Central Board of Revenue, an explanation was called for from the officials concerned. The departmental representative added that the number of objections under review was not much in proportion to the total number of cases, as the review was carried out in 100 percent cases. The Comptroller and Auditor General stated that hundred percent audit was done by Internal Audit in the department itself whereas the statutory audit was done on a percentage basis only. The position stated by the departmental representative was therefore, not correct. The Comptroller and Auditor General added that the sum total of important instances of short assessment noticed in the Accounts for the year 1958-59 amounted to Rs. 2,85,182, which also represented a small percentage of the total cases. The Committee hoped that appropriate action would be taken by the Central Board of Revenue to avoid short assessments in future.

43. *Paragraph 21 on page 17 of the Appropriation Accounts for the year 1957-58.*—This related to delay in the disposal of audit notes. The total number of audit notes for the years 1955-56 to 1957-58 was reported to be 126. It was also stated that 613 audit notes were outstanding in respect of the objections issued up to the period ending the 31st March, 1955. The Chairman referred to the statement of written reply of the Central Board of Revenue on this paragraph in which it was stated that against 613 outstanding audit notes, it had been reported by the Collector that at present only one audit note had not been disposed of, and enquired whether audit notes reported to have been lost had since been traced out and disposed of. The Comptroller and Auditor General pointed out that according to his information, 411 audit notes were still missing and had not been disposed of. The Committee desired that this question should be examined by the Central Board of Revenue and the exact information furnished to them in the next session.

On an enquiry by Mr. Yaqub Shah whether it was not possible to prepare fresh audit notes and to send them to the department, the Comptroller and Auditor General stated that the notes in question pertained to a period when Audit used to pass them on in original and it was therefore not possible to make copies of the same.

44. *Grant No. 49-A—Capital Outlay on Purchase of Salt—Note 4 on page 188 of the Appropriation Accounts.*—It was stated in this note that out of the ships chartered for carrying salt from Karachi to Chittagong, 12 ships went under demurrage amounting to Rs. 2,70,026—Rs. 2,02,748 for 7 ships in 1956-57 and Rs. 67,278 for 5 ships in 1957-58—and the question of liability for payment of demurrage was still under examination of the Government. An amount of Rs. 1,70,000 was, however, sanctioned during the year 1957-58 to meet urgent demand for payment of demurrage. Against this amount, a sum of Rs. 1,68,910 was actually drawn and adjusted by the Collector of Central Excise and Land Customs, Karachi during 1957-58. The storage of salt in East Pakistan was being prolonged due to non-clearance. The salt bags were found giving way under pressure and a good deal of salt was falling down on the ground which had to be collected in the shape of sweepings. The bottom layers of the bags gave out a lot of water under pressure and the stocks were thus losing in quantity. It was, quite visible that an appreciable loss was taking place, although the extent of the loss could not be ascertained. The question of write off had not yet been considered. The Committee desired to know the position of the case. The departmental representative stated that the purchases of salt were made on Government Account and the Central Board of Revenue were involved in the despatch of salt to the East Pakistan. Government chartered ships which were delayed in East Pakistan at Chittagong, and a lot of demurrage was incurred on that account. The importers did not agree to pay the demurrage on the contention that it was not their fault. In the circumstances, the case was delayed and the salt was unloaded and put in the godowns for a long time after which it was decided that the Central Board of Revenue should pay the demurrage and then try to recover it from the importers. In the meantime, the salt deteriorated and had to be auctioned. Another factor to be taken into consideration was that the ships were delayed for a long period. On an enquiry by the Chairman, the departmental representative stated that the recoveries which were being pursued by them pertained only to the salt that got deteriorated because of storage and not in respect of the whole quantity. The Ministry of Law who had been consulted in the matter had advised that Government should pay the demurrage.

45. *Grant No. 54—Loans and Advances by the Central Government, page 117 of the Appropriation Accounts for the year 1958-59—Advances to Provincial Governments.*—The original grant of Rs. 70,62,22,000 was reduced to Rs. 54,06,90,000 and the actual expenditure amounted to Rs. 43,79,20,334, resulting in a saving of Rs. 10,27,69,666. The Committee desired to know the reasons for the huge saving. The departmental representative stated that the saving was mainly due to the fact that the Provincial Governments did not inform the Ministry of Finance that they had drawn lesser amounts of loans than were allocated to them in the budget, in order to enable them to surrender the un-utilized amount. Arrangements had however been made to get timely information regarding the utilisation of the loans from the Provincial Governments, and it was hoped that the extent of variations in the accounts of future years would be reduced considerably.

46. *Annexure A of un-finalised cases of financial irregularities—S. No. 32 on page 257 of the Appropriation Accounts for the year 1958-59.*—This related to defalcation of Government money amounting to Rs. 585 from the office chest of a Superintendent of Central Excise and

Land Customs. It was stated that the pay, allowances and contingencies amounting to Rs. 726 were lying undischursed since 1952. Out of this amount, a sum of Rs. 585 was defalcated from the office chest in 1954. A criminal case was instituted in a Court of Law against the clerk-cum-cashier of the office. The Committee desired to know the present position of the case. The departmental representative stated that the clerk concerned had been acquitted by the Court of Law and departmental action was now being taken against him. Departmental action was also being taken against the Superintendent who had allowed the amount to remain undischursed for many years.

47. *Annexure A of un-finalised cases of financial irregularities—S. No. 33 on page 257 of the Appropriation Accounts for the year 1958-59.*—This related to misappropriation of Government money amounting to Rs. 20,428 on account of customs revenues collected at a certain custom office by a lower division clerk for depositing in the local branch of State Bank of Pakistan. It was reported that he prepared a forged Challan and embezzled the amount. The accused was sentenced to 10 years rigorous imprisonment and awarded a fine of Rs. 20,928 by the Court of Law. On an enquiry by the Chairman, the departmental representative stated that it had not been possible to effect any recovery in this case. Departmental action was however being taken against other officers whose negligence facilitated the fraud. The Committee desired that efforts should be made to effect recoveries from the property of the accused.

48. *Annexure B—S. No. 5 on page 263 of the Appropriation Accounts for the year 1958-59.*—Physical verification of stores was reported to have not been carried out in a number of offices under the Ministry of Finance and reasons for the failure had also not been furnished to Audit. Mr. Jasimuddin Ahmad desired to know the present position of the outstanding cases. The departmental representative stated that physical verification of stores had been carried out except in the case of Stamps Department which had since been transferred to Posts and Telegraphs Department. The Chairman pointed out that necessary action was required to be taken by the Ministry of Finance in respect of the period for which the Department was under the control of that Ministry.

49. The Committee then adjourned to meet again on Thursday, the 18th January, 1962 at 9.00 A.M.

Proceedings of the Tenth Meeting of the Public Accounts Committee held on Thursday, the 18th January, 1962 at 9.00 A.M.

The Public Accounts Committee met in Pakistan Secretariat-I, Rawalpindi at 9.00 A.M. on Thursday, the 18th January, 1962, under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Mr. Ebrahim Khan, Member.
3. Mr. Jasimuddin Ahmad, Member.
4. Mr. Ghulam Abbas, Comptroller and Auditor General.
5. Mr. F. M. Haque, P.A. & A.S., Director, Railway Audit.
6. Rana M. Yasin, P.A. & A.S., Accountant General, Pakistan Revenues.
7. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor General.
8. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives

MINISTRY OF EDUCATION AND SCIENTIFIC RESEARCH

9. Mr. S. M. Sharif, H.Q.A., Secretary.
10. Mr. Dilawar Hasan, Deputy Secretary.

(RAILWAY BOARD)

11. Mr. S. A. Suhrawardy, S.Pk., Chairman.
12. Mr. Mushtaq Ahmad, Financial Commissioner.
13. Mr. S. B. Azid, Member.
14. Mr. M. Hayat, Director Finance.
15. Mr. Hameeduddin, Director Traffic.
16. Mr. A. Hamid Ghani, Director M.E. & S.
17. Mr. C. E. Mahmud, Director Establishment.
18. Mr. Riyaz H. Bokhari, Joint Director Finance.
19. Mr. M. A. W. Siddiqui, Joint Director C. & P.
20. Mr. C. A. Vali, Joint Director Civil Engineering.

Secretary of the Public Accounts Committee

21. Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

The proceedings commenced with an examination of the compliance report of the Ministry of Education and Scientific Research on the

directions given and recommendations made by the Public Accounts Committee in their Report on the Accounts for the years 1954-55 to 1956-57.

3. *A-General (Pages 51 to 53 of the Compliance Report).*—The Compliance report indicated that the directions of a general nature made by the Public Accounts Committee in their Report on the Accounts for the years 1954-55 to 1956-57, had been noted by the Ministry of Education and Scientific Research for compliance and that the attached and subordinate offices of that Ministry had also been requested to comply with these instructions. The Committee desired to know whether any specific action on the recommendations of a general nature made by them had been taken by the Ministry of Education and Scientific Research. The departmental representative stated that it was the duty of the Ministry of Education and Scientific Research to ensure that the directions made by the Public Accounts Committee were duly complied with. Instructions had therefore been issued to all the attached and subordinate offices to send performance reports in order to ensure that all directions were complied with. The Committee observed that the calling of the performance reports from the attached and subordinate offices was a very commendable action on the part of the Ministry of Education and Scientific Research and hoped that all other administrative Ministries/Divisions would take similar action in respect of their attached and subordinate offices.

4. *B-Specific—S. No. 1 on page 54 of the Compliance Report—Paragraph 26 on page 70 of the P.A.C. Report on the Accounts for 1953-54.*—The Committee had directed that suitable steps should be taken by the Ministry of Education and Scientific Research to avoid delays in the implementation of scholarships schemes in future. The departmental representative stated that necessary information furnished by them in this regard in their compliance report was not complete. The matter had been further examined by that Ministry and the position was, that during 1960-61, 55 scholarships from 12 different countries/organisations were received and 53 were actually utilised. In 1961-62, the number of offering countries/organisations increased from 12 to 22 and 75 scholarships were received out of which 54 scholarships had been utilised and 14 were under consideration of the awarding countries. The departmental representative added that with the introduction of the Commonwealth Scholarships Scheme two years ago, the procedure had been streamlined so as to ensure the selection of students by the competent agency and the submission of the names by the prescribed dates. In the case of Commonwealth Scholarships, it had been possible to utilise 91% during the year 1960-61 and 98% during the year 1961-62. Only one candidate had accepted to go to India against the offer of 4 scholarships. During the past two years the Ministry of Education and Scientific Research had thus been able to send nominations in time and to utilise the offers to the maximum. Besides, in pursuance of the recommendations of the Commission on National Education, the Ministry of Education and Scientific Research was engaged in formulating a comprehensive plan for overseas studies in consultation with the Provincial Education departments and funds would be utilised to meet the deficiencies in existing or new fields in the light of that plan.

5. The Committee then took up an examination of the Appropriation Accounts for the years 1957-58 and 1958-59 pertaining to the Ministry of Education and Scientific Research.

6. *Paragraph 39 on page 31 of the Appropriation Accounts for the year 1957-58.*—In an institution, loss of stores worth Rs. 29,306 approximately was suspected during the course of the local test audit. Proper charge of stores was not made over by the Chief Instructor who resigned his post and proceeded abroad, and on verification of stores and scrutiny of stock accounts at a later stage, it was revealed that stores worth Rs. 21,868 were either found to have been received short or missing. Loss amounting to Rs. 7,438 appeared to have been caused due to payment of price of stores at a much higher rate than that prevailing in the market at that time. The matter was reported to Government in 1957 but no action had been taken either to assess the total loss or to fix the responsibility for the same. In their written reply, the Ministry of Education and Scientific Research had given a complete history of the case which indicated that the Chief Inspector concerned had absconded to Canada before an enquiry instituted in the case could be completed. The Ministry of Law who had been consulted in the matter did not consider it advisable to enforce his return to Pakistan pending completion of the enquiry. It was decided to dismiss the Chief Inspector from Government service and to debar him from future employment and also to take steps to recover the loss involved by attachment of his property, if any. The orders dismissing the official concerned from Government service and debarring him from future employment under government had been communicated to the Canadian Government, through their High Commission in Pakistan. Efforts were also being made to obtain information about the assets left behind by the Chief Inspector but it had been reported that he left no property in Pakistan. The Chairman pointed out that the Canadian Government would not allow a man to settle down as a national there, against the quota for becoming nationals, without consulting the Government concerned. A person had also to show some assets before he could be allowed to settle down. It therefore appeared that in this case the accused had got some property. The Committee desired that efforts should be made by the Ministry of Education and Scientific Research to effect recoveries from the accused failing which necessary action should be taken to regularise the loss.

7. *Annexure 'B' Item 13 on page 413 of Appropriation Accounts for the year 1957-58.*—Physical verification was reported to have not been conducted by some departments under the Ministry of Education and Scientific Research and reasons for the failure to do so had also not been furnished. On an enquiry by Mr. Jasimuddin Ahmad, the departmental representative stated that the physical verification of stores had since been conducted in the Ministry of Education and Scientific Research. Mr. Yaqub Shah referred to the statement of written reply of the Ministry of Education and Scientific Research on this point in which it was stated that the Heads of the Departments in the Karachi University carried out the physical check, but certificate to that effect had not been recorded in the stock register, and desired to know why it was not possible to appoint separate staff for this work. He was of the view that the Heads of the Departments in the University could not be entrusted with this work. The Committee desired that this question should be examined by the Ministry of Education and Scientific Research and a report submitted to them in the next session. They also directed that physical verification of stores should be conducted in all the departments regularly in future.

8. *Grant No. 37—Education (Page 154 of the Appropriation Accounts for the year 1957-58).*—In their written reply pertaining to this

grant, the Ministry of Education and Scientific Research had stated that the final excess of Rs. 14,21,454 was mainly due to some belated adjustments relating to the years 1955-56 and 1956-57 made by the Accountant General, Pakistan Revenues. Mr. Yaqub Shah pointed out that in all cases of excess expenditure over the budget allotment, the Accountant General, Pakistan Revenues was required to inform the department concerned in order to enable them to apply for a supplementary grant to cover the excess. The excess in this case should not, therefore, have been left uncovered. The Comptroller and Auditor General pointed out that in accordance with the procedure prescribed for audit against appropriation, the Accountant General, Pakistan Revenues kept a watch over the progress of expenditure and gave timely intimation to all departments to take steps to cover the excess, if any. Necessary action to regularise the excesses during the course of the year by a supplementary grant was not, however, possible in case any adjustment was made after the close of the financial year. The Committee desired that a report indicating the exact procedure followed by the Accountant General, Pakistan Revenues in this regard should be submitted to them in the next session.

9. The representatives of the Ministry of Education and Scientific Research then withdrew and the Public Accounts Committee commenced an examination of the compliance report of the Railway Board on the recommendations made and directions given in their Report on the Accounts for the years 1954-55 to 1956-57.

10. *A-General—S. No. 16 on page 345 of the Compliance Report.*—The Committee had directed that all Ministries and Divisions should initiate action on the various items concerning them as soon as the Public Accounts Committee's report was circulated to them and in cases of specific directions given to their representative during the course of the meetings of the Committee, immediate action should be started without waiting for the circulation of the Report. In their compliance report, the Railway Board had stated that this direction had been noted by them. Mr. Yaqub Shah desired to know what specific action had been taken by the Railway Board on this recommendation. The departmental representative stated that necessary action had been taken by the Railway Board in respect of the recommendations of the Committee on the Accounts for the years 1954-55 to 1956-57.

11. *B-Specific—S. No. 1 on page 346 of the Compliance Report.*—The Committee had directed that the findings of the arbitrators in the case pertaining to irregularities detected in the accounts of pay and cash of Eastern Bengal Railway reported in item 1 of the Annexure on page 27 of Audit Report 1955 should not be allowed to be delayed and the case settled at an early date. The Committee were informed that the arbitrators had been nominated and every effort was being made to settle the case expeditiously as directed by the Public Accounts Committee. On an enquiry by Mr. Ebrahim Khan, the departmental representative stated that the arbitrators had come to a general agreement. The statement of the case had been called for from both the parties, and it was expected that the matter would be finalised very early.

12. *S. No. 3 on page 346 of the Compliance Report.*—The Committee had directed that all un-finalised cases of financial irregularities reported in the Railways Audit Report, 1956 should be settled without further delay. The Committee were informed that out of a total of 12 cases of

financial irregularities, 9 cases had since been finalised. Out of the remaining 3 cases, one was pending trial in a court of law, another was taken up for departmental action after the acquittal of the accused by a court of law, and in the third case recoveries amounting to Rs. 657 were in progress. The Comptroller and Auditor General pointed out that the total amount involved in these cases was quite substantial. In one case only, which pertained to a fraud in a Food Organisation, it amounted to Rs. 1,59,902. The Committee directed that the outstanding cases should be finalised without delay.

13. *S. No. 4 on page 346 of the Compliance Report.*—The Committee had directed that the progress of the case mentioned at serial No. 3 on page 27 of the Railway Audit Report, 1957 pertaining to a defalcation of Rs. 42,640 in respect of demurrage charges should be reported to them in the next session. The Committee were informed that the case remained pending because of the Industrial Disputes Act which had since been amended by Industrial Disputes Ordinance 1961 making it possible to take departmental action against the staff concerned. The matter had been referred to a departmental enquiry committee and recoveries of the amount involved were now in progress in accordance with the findings of that committee.

14. *S. No. 5 on page 347 of the Compliance Report—Paragraph 16(a) and 19(a) of Railway Audit Report, 1958.*—The Committee had directed that in view of the ruling given by the Ministry of Law, that no liquidated damages could be recovered in cases of extended dates of delivery or complete failure to supply the stores, in accordance with the clause appearing in the contracts entered into by the Railway Board, the matter should be examined further by the Railway Board with a view to amending the relevant clause and compliance reported to them. The Committee were informed that the relevant clause of the standard conditions of contract had since been modified in consultation with the Ministry of Law.

15. *S. No. 6 on page 347 of the Compliance Report.*—During the course of discussion of item 1 on page 26 of the Railway Audit Report 1958, the Public Accounts Committee in their meeting held on the 1st February, 1961 (paragraph 32 of the proceedings) noticed that the Railway Administration were reported to have been paying the Municipal Taxes since Independence in respect of Railway property built or acquired on or after the 1st April, 1937, the date on which Part III of the Government of India Act 1935 came into operation, as well as an increase in the amount of these taxes that were being paid on 1st April, 1937. On an enquiry by Mr. Yaqub Shah, the departmental representative had stated that such taxes were never paid by the Railway before Independence. Mr. Yaqub Shah had pointed out that while the 1935 Act exempted the Railway Administration from the payment of Municipal and Union Board Taxes, his recollection was that the Railway Board had issued certain instructions to the Railway Administration in prepartition India accepting this liability under certain conditions and had suggested that these instructions might be looked up. The Chairman had expressed the view that the Railway should not be exempted from any taxes because they were a Commercial Organisation.

In their compliance report, the Railway Board had stated that the Municipal and Union Board Taxes were paid by the Railways in prepartition India under the Railways (Local Authorities Taxation) Act,

1941. Mr. Yaqub Shah pointed out that it was not clear from the compliance report of the Railway Board whether the enhancement in the rate of taxes in question had been accepted by the Railways in pre-partition India. It was also not clear as to what decision had been taken in regard to the payment of these taxes by the Railways in the light of the observations made by the Public Accounts Committee, in the meeting held on the 1st February, 1961. The departmental representative stated that the position in this regard had not been checked up by them. The Committee desired that this question should be examined further by the Railway Board and a report on the following points submitted to them in the next session :—

- (i) whether enhancement in the Municipal Taxes had been accepted in pre-partition India by the Railway Administration ;
- (ii) the existing practice followed by the Railway Board in regard to the payment of the Municipal Taxes ; and
- (iii) the circumstances under which Railways should be exempted from these taxes in case payments thereof were not being made by them.

16. *S. No. 7 on page 347 of the Compliance Report.*—The Committee had directed that the Railway Board should submit a report indicating the final position of the case reported in S. No. 2 on page 27 of the Railway Audit Report, 1958 relating to non-recovery of the cost of electric energy supplied in bulk by a Railway Administration to a company under the terms of an agreement. The Committee were informed that the case was referred for arbitration and following its award, a revised bill for Rs. 2,92,332 against the original demand of Rs. 4,67,818 was sent to the company on 8th December, 1960 for making payment within 40 days. As no payment had been made by them even after the expiry of this period, a civil suit had been filed. The Committee desired that further progress of the case should be reported to them in the next session.

17. *S. No. 8 on page 347 of the Compliance Report.*—The Committee had directed that the arbitration proceedings in the case relating to purchase of 471 Railway Wagons, reported upon in paragraph 14(a) of Railway Audit Report 1955 should not be allowed to drag on unnecessarily and the matter should be finalised without much longer delay. The Committee were informed that all out efforts were being made to finalise the case as early as possible. On an enquiry by the Comptroller and Auditor General, the departmental representative stated that in referring the case to arbitration, several other factors including the accrual of interest on the amount of Rs. 25 lacs that had remained with the supplier since the year 1953, had been taken into consideration. The final settlement reached in this case would be reported to Audit in due course.

18. The Committee then took up an examination of the Railway Audit Report, 1959.

19. *Paragraph 14(a) on page 10 of the Audit Report, 1959.*—In 1950-51 a large number of wagons which were placed at the disposal of Engineering Department, Port Railway, for transportation of materials were stabled at different sidings adjacent to the site of works. On return of wagons to Traffic Department, it was noticed in January, 1951 that brass fittings of almost all the wagons were missing. The deficiency was reported to Police on the 13th February, 1951, to Security Officer (Port) on the 30th August, 1951 and to Watch and Ward Department on the

10th March, 1952. These belated reports did not prove successful and on the contrary the fittings continued to disappear, when the matter was discussed in a meeting of Heads of Departments on 4th September, 1953. As a result of the implementation of the decisions arrived at the meeting and strengthening the Watch and Ward Staff, this theft had considerably diminished. The loss suffered by Railway Administration on this account in the year 1951 and upto 31st March, 1952 amounted to Rs. 24,422 which was written off in May, 1957. Had adequate precautionary measures been taken immediately after the detection of the loss in the first instance, the loss suffered could have been reduced to a great extent. There had also been inordinate delay in progressing and finalising this case.

The Committee were informed that since the material was required at sites of work in outlying areas, it was not always possible to ensure adequate watch and ward arrangements and responsibility of the staff for this loss could not therefore be fixed. The departmental representative also stated that all possible precautionary measures had since been taken by the Railway Administration to avoid recurrence of such cases, in future.

20. *Paragraph 14(b) on pages 10-11 of the Audit Report, 1959.*—Certain stores were transferred from the Main Stores Depot to two new depots during 1951-52 according to a certain scheme. About 800 wagon loads had been transported when it was decided to give up that scheme and the stores had to be brought back to the Main Stores Depot. A sum of Rs. 1,99,000 was spent in this way. Certain objectionable aspects came to notice in this connection which indicated that there had been a lack of proper planning. The transfer of stores was started without making adequate arrangements for proper stocking and watch and ward at the new sites which resulted in shortages in many cases. The selection of material for transfer was also not properly made, i.e., materials were transferred to places where these were locally available and certain materials meant for workshop were transferred to the new places.

The Committee were informed that the shortages in stock had been regularised and disciplinary action had been taken against the staff held responsible in the matter. The departmental representative also stated that owing to an unforeseen emergency, the scheme had to be implemented immediately and there was hardly any time for proper planning. The material transferred under the scheme was stored as best as the facility at the new site permitted. Steps had also been taken by Government to avoid similar situation in future. The Comptroller and Auditor General was of the view that no proper arrangements had been made in this case for stocking the articles and the stores remained un-accounted for a long time although the emergency lasted a little while. The Committee agreed that there had been a lack of proper planning in this case.

21. *Paragraph 15 on page 12 of the Audit Report, 1959.*—Lump sum charges agreed upon in 1933 by a Company in respect of sidings constructed by the Railway within the premises of the firm, were to be revised and refixed every 5 years on the basis of actual maintenance charges incurred by the Railways during the preceding 3 years. Accordingly the lump sum payment for the period ending 31st December, 1948 was fixed at Rs. 21,423 per annum and should have been revised for the period beginning from the 1st January, 1949. It was not done and the charges continued to be recovered at the old rate till the 28th February, 1950. In the meantime, the company, was taken over by

another firm on the 1st March, 1950 but even then the recoveries continued to be effected at the old rate. In April, 1953, the rate was revised to Rs. 26,622 per annua and in September, 1953, Railway preferred a bill against the new firm for Rs. 20,797 being the difference between the old and the revised rate for the period 1st January, 1949 to 31st December, 1952. The firm refused payment of the increased charges on the plea that no notice of revision of rate had been given. They, however, agreed to consider payment of a nominal lump sum amount to be agreed between the parties as an act of grace. A meeting between the representatives of the Railway Administration and the Company was held on the 28th March, 1955 as a result of which the new Company agreed to pay the charges at enhanced rate from 1st March, 1950 and accordingly a sum of Rs. 14,731 was recovered from the firm in June, 1955. The balance of Rs. 6,066 was considered irrecoverable from the old firm which had ceased to exist from 1st March, 1950 and the amount was written off. The Committee were informed that the failure to revise the rate was due to the staff being in-experienced and the disturbed and disorderly condition of office records left by the out-going non-Muslim staff at the time of Independence. Mr. Yaqub Shah observed that the review in rates was due to be carried out in 1948 and again in 1953. The revised rates related to improvements carried out upto the year 1953, and the rates would have been less in case these had been fixed in 1948. The Committee observed that it was very derogatory to Government that the payment had been made by the firm as an act of grace. Government did not receive payments as an act of grace and no Government would agree to get a few thousands rupees as such. They desired that the question as to how such an agreement was reached with the firm should be examined by the Railway Board and a report submitted to them in the next session.

22. *Paragraph 16(a) pages 12-13 of the Audit Report, 1959.*—In accordance with a Government's Order issued on 5th October, 1954, an officer of the PRAS was provisionally confirmed as a Senior Accounts Officer Grade II (at Rs. 850 per mensem) with effect from the 15th August, 1947 and then as a Senior Accounts Officer Grade I (at Rs. 950 p.m.) with effect from the 12th April, 1949. A sum of Rs. 7,052 representing the arrears of pay and allowances for the period from 15th August, 1947 to 26th March, 1952 was, consequently paid to him. On the 26th November, 1954, however, a revised order was issued by Government reverting the officer to the Senior Accounts Officer Grade II with effect from the 13th August, 1949. The wrong order, issued in the first instance, had the effect of overdrawal of a sum of Rs. 3,297 by the officer concerned representing the difference in pay and allowances between the two grades for the period from 13th August, 1949 to 26th March, 1952. The overpayment came to the notice of Audit in July, 1955 and was taken up with the Accounts Office. No action was, however, taken by the Accounts Office to effect recovery from the officer but on the contrary, they applied for the sanction of the competent authority in November, 1955 on their own initiative, for the waiver of the recovery in question on the ground that the officer had drawn the amount in good faith and under the reasonable belief that the payment was actually due to him. The sanction of competent authority to the write off of the entire overpayment of Rs. 3,297 made to the officer was accorded on 2nd September, 1957 and the Accounts staff responsible for taking no action to effect recovery was, warned to be careful in future. No action was however, taken against the staff responsible for issuing an incorrect order in the first instance.

The Committee were informed that the confirmation was made in grade I against a higher post of Deputy Chief Accounts Officer that had been created from 13th August, 1949. It was only as a result of ordering confirmation against the higher post of Deputy Chief Accounts Officer on 26th November, 1954 that the lower post ceased to exist resulting in reversion of the officer concerned. No body could be held responsible in the matter. Mr. Yaqub Shah pointed out that the recovery in this case must have been stopped under the orders of the Chief Accounts Officer and it was therefore not clear why the Accounts staff had been warned to be careful in future. The Comptroller and Auditor General stated that no action for effecting recovery from the officer concerned had been taken by the Accounts Office although the irregularity was pointed out by Audit in July, 1955. The Committee observed that the Accounts Officer and the officer concerned were responsible for the overpayment in this case and directed that the question regarding the write off already sanctioned in this case should be reviewed by the Railway Board and compliance reported to them. They also desired that the disciplinary aspect of the case should be examined thoroughly and suitable action taken against the officers held at fault.

23. *Paragraph 16(c) on pages 13-14 of the Railway Audit Report, 1959.*—A Senior Personnel Officer, who was due to attain the age of superannuation on 15th June, 1954 applied for 4 months leave preparatory to retirement on 22nd March, 1954. The General Manager was inclined to grant the leave admissible to the officer. He, however, directed the Deputy General Manager personally to inform the officer of this fact and to ascertain whether he really wanted to proceed on leave or to serve till the date of his retirement. The Deputy General Manager while apprising the officer of these orders handed over the file to him to record his final intention in the matter. There the matter rested and in the meanwhile neither the Deputy General Manager called back the file nor the officer returned it himself. On attaining the age of superannuation on 15th June, 1954, the officer claimed the leave previously applied for on the ground that the refusal of leave was not communicated to him in writing. The Railway Administration informed the officer that the leave had not been refused to him but that he himself had not communicated his real intention in the matter. In November, 1955 the Railway Division decided to treat the leave for the period 23rd March, 1954 to 14th June, 1954 applied for as having been refused and instructed the Railway Administration to arrange payment of the leave salary and the allowances to the officer. Accordingly the officer was paid leave salary and allowances amounting to Rs. 2,420. In this case the leave applied for by the officer was never refused and the Railway Administration was prepared to grant the same. The silence of the officer without any formal orders of the refusal of leave was a clear indication that he wanted to serve till the date of his retirement otherwise he should have obtained the refusal in writing. In the circumstances the officer was not entitled to any leave after the date of superannuation. The decision of the Railway Division to treat the leave as refused one and a half year after the event of retirement was, therefore, not only against the spirit of the rules, but was also not justified in the circumstances of the case. The Committee were informed that the officer concerned had been informed in July, 1954, by Pakistan Western Railway Administration that as he did not press for the leave preparatory to retirement applied by him, it was considered that he had withdrawn his application and was prepared to work up to the last date of his superannuation. The officer represented against

this decision and it was decided that since he was not permitted to go on leave preparatory to retirement from the date he applied for it, the leave applied for should be treated as refused. The General Manager accordingly granted leave preparatory to retirement to the officer after his retirement. The case was a solitary one of its kind and no one was held responsible. The Committee observed that the relevant file should not have been given to the officer concerned. It was not correct that no one was responsible in this matter as the officer dealing with the case should have asked for the file in case it was held up by the Senior Personnel Officer. They desired that responsibility should be fixed in this case by the Railway Board, and action taken against the officer held at fault should be reported to them in the next session. The Committee also observed that it was not a solitary case of its own kind and desired that instructions should be issued by the Railway Board to all concerned to avoid recurrence of such cases in future. The relevant provisions of the Fundamental Rules regarding the grant of refused leave should also be examined by the Ministry of Finance and suitable amendment made in case the relevant Rule was not clear.

24. Paragraph 16(d) on pages 14-15 of the Railway Audit Report, 1959.—An ex-Chief Controller of a Division was sanctioned leave on average pay from 21st May, 1953 to 20th July, 1953 on grounds of family circumstances. After his joining duty for one day on 21st July, 1953, he proceeded on leave preparatory to retirement from 22nd July, 1953 for twentyeight months. The grant of leave in two spells with a gap of a single day was against the provisions of extant rules. Grant of leave on average pay from 22nd July, 1953 should have been restricted to six months only. Thus, the officer was allowed two months leave on average pay in excess, resulting in an overpayment of Rs. 1,000. The officer also remained in occupation of Railway quarter upto 3rd October, 1953. According to rules in force he should have occupied the quarter upto 20th September, 1953 only, i.e. four months during leave preparatory to retirement. The officer thus over stayed for thirteen days and consequently a penalty of Rs. 130 @ Rs. 10 per day should have been recovered from him. The Railway Division decided in December, 1956 that the two periods of leave could not subsequently be counted as one spell of leave as it would tantamount to change in the nature of leave already availed of. In January, 1959, a sanction was accorded to the effect that the second spell of leave granted from 22nd July, 1953 should stand, as a special case. No recovery was made from the officer. The entire responsibility for irregular sanction of leave and non-recovery of penalty for un-authorised occupation of Railway quarter was fixed on a Head Clerk who had recorded a misleading note. No disciplinary action was however, taken against him as he had retired from service on 30th September, 1955. The irregular grant of leave was first noticed in February, 1954, when the Head Clerk was still in service and there was opportunity to initiate disciplinary action against him. It was unusual to throw the entire responsibility on a subordinate without apportioning any blame to the officers concerned. The Committee were informed that it was not until 22nd April, 1957 that a suggestion was received from Audit to take action against the staff at fault. By this time the official responsible had retired from service and the blame could not be shifted to other officers as no malafide intention was involved. So far as the retention of the quarter by the officer was concerned, he could retain it for 4 months with effect from 22nd July, 1953 but he vacated it on 4th October, 1953, i.e. one and a half months earlier. The departmental

representative added that another factor which entered into this case was whether the leave in question could be treated as in continuation of the previous leave. In doing so the Railway Board had relied on a ruling given in 1947 by the Auditor General of India to the effect that the provisions of Fundamental Rule 67 were not attracted in the case of leave applied for at the time of retirement. The relevant file containing the decision of the Auditor General of India was placed before the Committee. The Committee directed that the Comptroller and Auditor General should examine the question regarding the correct interpretation of the rule and report compliance to them in the next session.

25. *Paragraph 17(b) on pages 15-16 of the Railway Audit Report, 1959.*—This related to disposal of Audit Notes and Inspection Reports. The total number of outstanding Audit Notes and Inspection Reports up to 31st December, 1958 was reported to be 2,326. The departmental representative stated that the number of outstanding Audit Notes and Inspection Reports had been reduced to 573. The Committee observed that some of the Audit Notes and Inspection Reports were very old and desired that these should be disposed of without further delay. The Comptroller and Auditor General pointed out that in several cases in which Audit had raised objections, the Railways concerned referred the matter to the Railway Board who later confirmed the Audit view. Meanwhile considerable un-authorised payments had occurred. If the Railway had acted on the Audit objection and later referred the matter to the Board, these payments would have been avoided. The Comptroller and Auditor General added that a definite rule existed on the Defence side (Rule 163 of Financial Regulations, Part I Army and Air Force) which required compliance with audit requirements immediately. He suggested that the Railway Board might consider the question of framing a similar rule to provide that objections raised by Audit shall be complied with first and the matter referred to Government for clarification afterwards. The Committee directed that the suggestion made by the Comptroller and Auditor General should be examined by the Railway Board.

26. *S. No. 2 of the Annexure on page 26 of the Railway Audit Report, 1959.*—This related to irregular issue of privilege passes and privilege ticket orders to the officials of the Government Railway Police. Total loss involved in the case since Independence had yet to be assessed. The question of failure on the part of the Accounts Office to detect the irregularity and fix responsibility was still to be finalised. Out of the total loss of Rs. 16,121|10 - assessed so far, a sum of Rs. 47.15|- had been recovered. In their written reply the Railway Board had stated that as a result of protracted correspondence with the Inspector General Police as well as the Chief Secretary to the Provincial Government, it had been arranged by the General Manager, Pakistan Eastern Railway that recoveries from the Police officials still in service, should be enforced. This would, however, take some time, as the persons concerned had gone to other units as a result of transfers and their postings would have to be located. No action had been taken by the Inspector General, Police against the staff responsible for the irregularity and the matter was being pursued. No blame could be apportioned to Railway Accounts Office, as due action had been taken by them. The Comptroller and Auditor General pointed out that the concession was admissible to the personnel who were appointed on or before the 31st March, 1937 and desired to

know whether the Railways had any means to check that it was not misused. The departmental representative stated that it came to their notice only when the Audit party detected it. The Committee desired that there must be some means of checking the dates of appointment and that general instructions, laying down a procedure for the issue of passes, should be issued by the Railway Board to avoid their misuse.

27. *S. No. 5 of Annexure A on page 29 of the Railway Audit Report, 1959.*—This related to a loss of revenue amounting to Rs. 10,000 approximately on account of conversion of a bungalow into a Rest House and Officers' Club. The loss sustained by the Railway Administration for the period the bungalow was utilised as a Officer's Club had still to be assessed and regularised. The departmental representative stated that necessary action to regularise the case would be taken and result reported to the Committee in the next session.

28. *S. No. 7 of Annexure A on page 30 of the Railway Audit Report, 1959.*—This related to a theft of stores from a District Stores Depot amounting to Rs. 1,402. In their written reply, the Railway Board had stated that no further action in this case was called for due to the fact that the accused had been awarded punishment of withholding of increments permanently for two years. On an enquiry by the Chairman, the Committee were informed that the accused was caught red handed in this case. The Committee observed that in that case the withholding of increments did not constitute an adequate punishment. They recommended that the case should be re-examined by the Railway Board and compliance reported in the next session.

29. *S. No. 1 of Annexure A on page 33 of the Railway Audit Report, 1959.*—This related to fraud in the privilege ticket orders at a station amounting to Rs. 6,932. In their written reply, the Railway Board had stated that an amount of Rs. 102 11/- had been recovered from four employees. Seven employees had been removed from service. Cases against five others including Chief Booking Clerk were subjudiced. Further action would be taken after the Court had given their verdict. The Committee desired that efforts should be made to finalise the case at an early date.

30. The Committee then took up an examination of the Appropriation Accounts of Pakistan Railways for the year 1957-58.

31. *Paragraph 8(v) on page 3 of the Appropriation Accounts Pakistan Railways 1957-58 (Part I).*—Mr. Yaqub Shah referred to paragraph 8(v) on page 3 of the Appropriation Accounts of Pakistan Railways for the year 1957-58 relating to reconciliation of Priced Ledgers with Class Ledgers and of the Class Ledgers with the General Books and desired to know what exactly was meant by Class Ledgers. The departmental representative stated that the Railways maintained accounts for every item in stores but these were arranged according to various classes like Engineering Stores and Mechanical Stores and were abstracted in this class form. Priced Ledger was divided class wise for facility of reconciliation. This constituted a sort of control account on the stores account. On a further enquiry by Mr. Yaqub Shah, the departmental representative stated that the accounts in question had since been reconciled. The matter had received intensive attention of Railway Board and efforts were being made to keep the work up-to-date.

32. *Paragraph 9 on page 4 of the Appropriation Accounts of Pakistan Railways, 1957-58 (Part I).*—It was stated in this paragraph that the forms of Provident Institution Check-sheets had been revised with effect from April, 1958. This revision had facilitated to some extent the maintenance of State Railways Provident Institution Accounts under the mechanised system. Mr. Yaqub Shah desired to know how the system was working. The departmental representative stated that the use of accounting machines had been tried for some time. The machines remained out of order and a firm was asked to do the servicing but they could not cope with it. Spare parts were not available and the machines remained out of order. The system had, therefore, to be abandoned.

33. *Paragraph 24 on page 10 of the Appropriation Accounts of Pakistan Railways for the year 1957-58 (Part I).*—In paragraph 90 of the review for the year 1956-57, it was stated that the balance-sheets for the years 1954-55 to 1956-57 were under preparation. As the value of the capital assets taken over by the Pakistan Railways had not yet been finally determined by the Application Committee set up by the Partition Council and final figures in this respect were not yet available, the question of preparation of the capital statements and balance-sheets for the years 1954-55 and onwards had been held in abeyance till the value of capital assets taken over by the Pakistan Railways was finally determined. For budget purposes, however, the capital-at-charge of the Pakistan Railways on the 15th August, 1947, had been assumed as Rs. 1,15 crores (11.5 millions). The contribution from Revenue to the Depreciation Reserve Fund and the Interest on the amounts of the Railway Debt had been calculated on the basis of this approximate figure.

Mr. Yaqub Shah desired to know why the figures adopted for budget purpose could not be adopted for preparing the balance-sheets. The departmental representative stated that the balance-sheets had since been prepared.

34. *Annexure C on page 15 of the Appropriation Account of Pakistan Railways for 1957-58 (Part I).*—It was stated that on the North Western Railway, the earnings and the working expenses rose to Rs. 2,97 lakhs and 97 lakhs respectively. The increase in earnings was chiefly due to running of additional and special trains to cope with the increase in traffic on account of rapid industrial development and increase in population etc. The increase in expenditure was chiefly due to expenditure on coal, oil, fuel, repairs to structural works, rolling stocks etc. Mr. Yaqub Shah observed that running of additional trains meant extra expenditure and it was not clear how the earnings arose as a result thereof. The departmental representative stated that the basic cause for the increase in earnings was increased traffic and although extra expenditure was involved in running more trains the end result was favourable.

35. The Committee then adjourned to meet again on Friday, the 19th January, 1962 at 9.00 A.M.

Proceedings of the Eleventh Meeting of the Public Accounts Committee held on Friday, the 19th January, 1962 at 9.00 A.M.

The Public Accounts Committee met in Secretariat-I, Rawalpindi at 9.00 A.M. on Friday, the 19th January, 1962 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Mr. Ebrahim Khan, Member.
3. Mr. Jasinuddin Ahmad, Member.
4. Mr. Ghulam Abbas, Comptroller and Auditor General.
5. Mr. F. M. Haque, P.A. & A.S., Director, Railway Audit.
6. Rana M. Yasin, P.A. & A.S., Accountant General, Pakistan Revenues.
7. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor General.
8. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives

RAILWAY BOARD

9. Mr. S. A. Suhrawardy, S.Pk., Chairman.
10. Mr. Mushtaq Ahmad, Financial Commissioner.
11. Mr. S. B. Azid, Member.
12. Mr. M. Hayat, Director Finance.
13. Mr. Harreeduddin, Director Traffic.
14. Mr. A. Hamid Ghani, Director M.E. & S.
15. Mr. C. E. Mahmud, Director Establishment.
16. Mr. Riyaz H. Bokhari, Joint Director Finance.
17. Mr. M. A. W. Siddiqui, Joint Director C. & P.
18. Mr. C. A. Vali, Joint Director Civil Engineering.
19. Mr. Faiz Rasul, Deputy Director Finance.

Secretary of the Public Accounts Committee

20. Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

2. The proceedings commenced with an examination of the Appropriation Accounts (Railways) for the year 1958-59 and Audit Report 1960.

3. Paragraph 15 on page 9 of the Railway Audit Report, 1960.—It was stated in this paragraph that certain changes in the form of the Appropriation Accounts (Railways) and classification had been introduced with effect from the year 1958-59 with the approval of the Public

Accounts Committee (*vide* para. 2 of the proceedings of meetings of the Public Accounts Committee held on the 3rd February, 1961). One of these changes was that the statement showing details of items of un-sanctioned expenditure formerly included as Annexure A(i) had been discontinued. Mr. Yaqub Shah desired to know the reasons for discontinuation of the statement. The departmental representative stated that in the detailed working of the Railways, decisions had to be taken from time to time to incur expenditure of commercial character. While the over-all position remained under review, the individual items of such expenditure which ultimately appeared in the report, made it so bulky that it was not possible to examine it and it was therefore considered that the details served no useful purpose. The Comptroller and Auditor General pointed out that it had been felt that the Public Accounts Committee might not be interested to know details of all items of un-sanctioned expenditure. It had, therefore, been decided to include a consolidated statement of un-sanctioned expenditure relating to the year under report as also the previous years. Mr. Yaqub Shah stated that this question required re-examination. He was of the view that items of un-sanctioned expenditure up to a certain limit might be shown in detail in the Appropriation Accounts. The Public Accounts Committee felt that un-sanctioned items of expenditure amounting to Rs. one lakh and above might be shown in detail in the Appropriation Accounts for each year. They recommended that the matter should be re-examined accordingly by the Railway Board and the Comptroller and Auditor General, and a report submitted to them in the next session.

4. Another change introduced in the Appropriation Accounts (Railways) was that the limits for the purpose of furnishing explanations for the variation in the Accounts had been revised. In the previous form of Accounts, no explanations for the variations were given if the variation was five percent of the grant or appropriation or Rs. one lakh, whichever was less or in the case of capital grant for new construction 10 per cent or Rs. 5 lakhs, whichever was less. Against this, the revised limit was 10 percent of the grant or appropriation or Rs. two lakhs whichever was less or in the case of capital grant for new construction 20% or Rs. 10 lakhs, whichever was less. Mr. Yaqub Shah desired to know why in the case of Railways, the limit had been enhanced to 20 percent in the case of capital grant for new constructions when on the civil side, the corresponding limit was only two percent. The Comptroller and Auditor General stated that the limit had been enhanced due to the fact that under the previous limits the Appropriation Accounts included many explanations for variations which could not be examined in details. Another difficulty was, that the number of sub-heads in the Railway Accounts was so small that the explanations for the variations were often not properly understood. The Railway Board had been urged to increase the number of their detailed heads so that the explanations for the variations could become understandable with reference to each head as in the case of Civil Accounts. The Public Accounts Committee recommended that the question of re-fixing of limits for explaining the variations in the Appropriation Accounts should be re-examined by the Railway Board in consultation with the Comptroller and Auditor General and the result reported to them.

5. *Paragraph 17 on pages 12-13 of the Railway Audit Report, 1960.*—As a part of the scheme for the extension of Chittagong Port, the work of the construction of seven new Steamer Jetties was let out to a foreign

firm of contractors in the year 1951. The design and supervision of the work was entrusted to another foreign firm of Engineers who were also then working as Consulting Engineers to the Government of Pakistan. The contract agreement *inter alia* provided that the extra cost (if any) incurred by the contractors in giving effect to the instructions of the Engineers regarding the suspension of work shall be borne and paid by the Employer (Railway Administration) unless such suspension was otherwise provided for in the contract, or necessary for the proper execution of work, etc., or necessary for the safety of work or any part thereof. This clause also provided that the contractors shall not be entitled to recover any such extra cost unless they gave notice in writing of their intention to claim to the Engineers within 28 days of the Engineers' order. The work was started on the 6th May, 1952, but due to the inferior quality of soil, it was considered necessary by the Consulting Engineers to carry out the pile loading tests in the first instance, to determine the depths at which the piles should be founded, so that the maximum working loads could be obtained and greatest safety in the execution of the work secured. The original work had, therefore, to be suspended and the pile loading tests were carried out by the contractors during the period from 1st July, 1952 to 8th November, 1952. The work was re-started on the 12th November, 1952. On the 17th October, 1952, while the loading tests were still in progress, the contractors represented that due to the suspension of the work, on account of the loading tests and the time taken in revising the design by the Consulting Engineers, their special imported labour had been rendered idle and that this had caused them to incur additional expenditure. The contractors claimed additional expenditure amounting to Rs. 3,46,388 which was rejected by the Consulting Engineers. After a lapse of one year the contractors again preferred their claim to the Consulting Engineers who forwarded the same to the Railway Administration on the 3rd December, 1953 with the recommendation that the claim may be accepted to the extent of Rs. 2,01,849. The claim of the contractors was not admitted by the Railway Administration on the ground that it was not covered by the provisions of the contract. After some negotiations it was agreed that the matter should be referred to arbitration. The matter was, however, not put to arbitration: although the advice of the Law Ministry was that Railway Division could go in for the same, and it was again proposed to settle the matter by negotiations. The matter was, therefore, further discussed and it was ultimately decided on the 19th December, 1956, that the Railway Administration should pay a sum of Rs. 1,50,000 to the contractors as an *ex-gratia* measure in lieu of their claim.

The Committee desired to know the reasons for not referring the case to arbitration as advised by the Ministry of Law and for making payment of a sum of Rs. 1,50,000 to the contractors as an *ex-gratia* measure when the contractors had no valid and legal ground in respect of their claim. The departmental representative stated that the Ministry of Law had no doubt given a ruling for referring the case to arbitration. Originally it was thought that the work had been suspended for safety and proper execution and the provisions of the contract agreement did not appear to be attracted. Subsequently a meeting was held with the representatives of the contractors and it was realised at the highest level that the argument was not quite tenable and therefore the Railway Board had to change their mind and to accept the claim of the contractors in principle, under the relevant clause of the agreement. The advice given by the Ministry of Law did not have any force because it was based on

the presumption that the relevant clause in the contract was not attracted. The case was again shown to the Ministry of Law before admitting the claim of the contractors and they did not raise any objection. The Committee observed that this information should have been furnished earlier to the Comptroller and Auditor General for incorporation in the Audit Report.

6. *Paragraph 18(a) on page 14 of the Railway Audit Report, 1960.*—In early 1950, the Accounts Department carried out an inspection of the office of the Controller of Stores and brought out many types of irregularities specially in the Landing and Shipping Section. As a result of the irregularities having come to light, an Enquiry Committee consisting of Administrative Officers was constituted by the Railway Administration in May, 1950. It was originally assessed that a sum of Rs. 2,97,29,483 relating to certain transactions of stores, landing charges etc., was outstanding which had to be cleared or recovered or accounted for. On the finalisation of the work, however, it transpired that a sum of Rs. 2,20,250 only was outstanding which was not susceptible of further clearance. Out of this amount, a sum of Rs. 71,128 was adjusted against the Stock Adjustment Account and the balance of Rs. 1,49,122 was written off in January, 1959 as irrecoverable. Besides the above loss, the Railway Administration also incurred additional expenditure of Rs. 1,30,973 and Rs. 54,137 on the employment of extra staff in the office of the Controller of Stores and in the Accounts Department respectively. The Enquiry Committee also detected two cases of irregularities committed in the sale of empty drums, resulting in a loss of Rs. 18,428 which could have been avoided had the Administration followed the correct procedure for clearance and account of imported stores.

The Committee desired to know why a delay of 9 years had occurred in writing off the irrecoverable balance of Rs. 1,49,122 in this case. The departmental representative stated that the accounts of Railways were not properly maintained due to abnormal conditions following Independence and shortage of experienced staff. Out of the total amount involved, a sum of Rs. 71,128 was adjusted against the stock adjustment account under sanction of competent authority and the balance was written off as it was irrecoverable. The penalty of censure was imposed on the officer held responsible. On an enquiry by Mr. Jasimuddin Ahmad, the departmental representative added that procedural defects had since been rectified and the stores accounts were now up-to-date. A firm of consulting Accountants had also been invited to go through these accounts. The Committee noted with satisfaction that the Railway Board was alive to the need of putting their stores accounts in proper shape and were taking appropriate steps to that effect.

7. *Paragraph 18(b) on pages 15—17 of the Railway Audit Report, 1960.*—Losses of permanent way and other material in a construction division of Chittagong Port Railway were reported in this paragraph. The Committee were informed that at its very inception, the Port (Railway) had to face the hostility of the local people who were displaced. They adopted various means to oppose the construction, one of which was the stealing of Railway materials. Besides, the consumption of materials could not be properly accounted for and stock verified departmentally due to the dearth of experienced staff at that stage. Some unscrupulous subordinates took the opportunity of that abnormal situation and misappropriated materials costing a huge sum. A small quantity of the

materials was lost due to improper stocking and other similar reasons which could not be helped due to the abnormal situation prevailing at that time. Quick action had, however, been taken to report the matter to police and to constitute a Departmental Committee to look into the matter.

The Comptroller and Auditor General desired to know whether any arrangements had been made by the Railways to trace the wagons in case of such losses. The departmental representative stated that a wagon census was conducted by the Railway Board every two years and if any wagons were found to be missing, the Railway Administration kept on tracing them. The Public Accounts Committee was satisfied with the explanation furnished by the Railway Board in this case.

8. *Paragraph 19 on page 17 of the Railway Audit Report, 1960.*— According to the procedure obtaining on State Railways, Station earnings are transmitted in sealed bags to the Cash Office in the travelling cash safes under the charge of the Train Guard concerned. During the period from December, 1947 to June, 1948 the Railway Accounts Department reported 12 cases of loss of cash bags from the travelling cash safes involving a total loss of Rs. 10,098. It was noticed that in each case, though there was an entry of the cash bag in the Register of Guidance of the Train Guard, the cash bags were not traceable in the cash safes. The Committee were informed that the cases pertained to the period just after the Independence when disturbed conditions prevailed. During the period in question, the pay and cash organisation was run by a contractor who could not keep the relevant records properly. Prompt action had, however, been taken to investigate into the losses as soon as the information was available and recoveries had been effected in all cases where responsibility could be fixed. The defective cash safes were reconditioned as soon as possible and instructions for the remittance of each earning, and their safe-guard against loss were also issued to all concerned.

9. *Paragraph 20 on page 18 of the Railway Audit Report, 1960.*— A Local Compensatory Allowance of Rs. 3 per mensem was sanctioned by the Government with effect from the 1st January, 1949 to Class IV Government servants posted at certain specified localities with the provision that this allowance should be paid at the enhanced rate of Rs. 5 per mensem to those who were not provided with rent-free accommodation or house rent allowance in lieu thereof. As all Class IV staff were either provided with rent free accommodation or allowed to draw house rent allowance in lieu thereof, it was subsequently ordered by the Government that this allowance should be paid at the uniform rate of Rs. 3 per mensem with effect from the 23rd December, 1955. In August, 1956, it was noticed by Audit that the allowance was being paid by the Engineering Department to its Class IV staff appointed on or after the 23rd December, 1955 at the enhanced rate of Rs. 5 per mensem instead of at Rs. 3 per mensem. This irregularity was pointed out to the Accounts Office on the 4th August, 1956 with the request to stop the payment of the allowance at the enhanced rate and to assess the amount of overpayment already made, for regularisation. As a result, the payment of the allowance at the enhanced rate was stopped from October, 1956 but the amount overpaid to the staff during the period from 23rd December, 1955 to 30th September, 1956 was not assessed and regularised due to the failure of the Accounts Office to bring the matter to the notice of the Railway

Administration for necessary action until January, 1959. After protracted correspondence the amount of overpayment was assessed by the Accounts Office at Rs. 3,988 out of which a sum of Rs. 2,653 was recovered. The remaining amount of Rs. 1,335 was written off by the Railway Administration in April, 1960 as irrecoverable as the staff concerned was no longer in service. The irrecoverable overpayment of Rs. 1,335 or a bulk of it could have been avoided had the Railway Administration followed the Government orders in good time or timely action taken to assess the amount of overpayment and to arrange for the recovery of the same from the staff concerned. No disciplinary action was considered necessary either by the Accounts or by the Railway Administration against the staff responsible for the payment of the allowance at the enhanced rate and for the inordinate delay in assessing the amount of the consequential loss.

The Committee were informed that overpayment had occurred due to incorrect interpretation of the orders issued by the Ministry of Finance. The Committee observed that there was a time lag of two and a half years between the date on which the Accounts Office asked the Railway Administration to assess the amount of overpayment made to the staff and the date on which the irregularity was pointed out by Audit. They directed that it should be examined by the Railway Board why the claims were admitted by the Accounts Officer after the 4th August, 1956 and also why the allowance had been claimed by the Division concerned when the irregularity had been detected by Audit. The Committee also desired that responsibility of the staff at fault should also be fixed and a report on the disciplinary aspect of the case and the measures adopted to avoid recurrence of such cases in future should be submitted to them in the next session. It should also be examined by the Railway Board whether any statements of recoveries of rent in respect of the quarters were being received by them and whether it was being ensured that the correct procedure was being followed in this regard.

10. *Paragraph 21(a) on pages 19-20 of the Railway Audit Report, 1960.*—At the Railway Stations where the goods traffic is too heavy to be handled by the Station labour, the work of loading and unloading is let out to the handling contractors. The goods handling contracts executed prior to the year 1944 provided that half the cost of markers appointed by the Railway would be borne by the contractors. In the year 1944, however, the then General Manager decided with the concurrence of his Financial Adviser and Chief Accounts Officer that the entire cost of markers should be borne by the Railway, as the marking of goods had nothing to do with the handling work. After Independence, however, while drawing up the handling work agreements in respect of three divisions of the Railway, the provision regarding the payment of half the cost of markers by the handling contractors was included therein, which was duly accepted by the contractors. Subsequently, under orders of the Chief Commercial Manager of the Railway, a corrigendum was issued by the Deputy Chief Commercial Manager on the 29th June, 1950, deleting the provision in question from the agreements, with retrospective effect. Neither the sanction of the General Manager nor the concurrence of the Financial Adviser and Chief Accounts Officer was, however, obtained in the matter although the issue of corrigendum was not within the competence of the Chief Commercial Manager. This arbitrary and irregular issue of the corrigendum resulted in the refund of a sum of

Rs. 13,523 already recovered from the contractors, and in the non-recovery of a further sum of Rs. 51,897 due from them for the period from 1st January, 1950 to 31st March, 1952, the date upto which the contracts current at that time were to remain in force. In one particular case, the amount refunded included a sum of Rs. 2,179 in respect of a contract which had terminated even before the issue of the said corrigendum, while in another case a sum of Rs. 9,148 was refunded despite the fact that the corrigendum in question was withheld and not even delivered to the contractor. The amount on account of half the cost of markers could have rightly been recovered from the contractors as they had accepted and signed the agreement on the definite condition that half the cost of markers was to be recovered from them. It was also obvious that the rates tendered by them were based on the clear understanding that the aforesaid recovery would be made. The deletion of the clause during the currency of the contracts without suitably reducing the handling rates gave an undue benefit to the contractors at the expense of the Railway which was deprived of its legitimate dues to the tune of Rs. 65,420. The deletion of the clause could have appropriately been carried out by calling for fresh tenders or on the expiry of the old contracts. The Chief Commercial Manager responsible in this case had left the Railway, his service having been terminated in terms of his agreement. The special contribution to the Provident Fund, which is paid for faithful and efficient service, was, however, not withheld and Rs. 21,000 representing the full amount of special contribution to the State Railway Provident Fund was paid to him on 29th April, 1961. The then Deputy Chief Commercial Manager and a Junior Assistant were issued warnings.

The Committee desired to know the circumstances under which the contract was amended with retrospective effect and also why no action had been taken against the Chief Commercial Manager. The departmental representative stated that the relevant clause requiring the contractor to pay half of the cost had been included inadvertently in the agreement. Later, on his representation it was decided to delete the clause on the consideration that even before Independence, 50% of the cost was paid by the Railway Administration. The departmental representative, however, admitted that the Chief Commercial Manager had no authority for issuing the orders in this case. He had since retired in terms of his agreement. Special contributions of his Provident Fund were originally withheld but were subsequently paid to him in view of the Government's decision that the persons screened out of service should be paid their gratuity etc. The Chairman pointed out that the irregularity committed by the Chief Commercial Manager should have been taken into consideration at the time of authorisation of payment of his special contributions, and it was not correct that the act of screening out from service absolved the Chief Commercial Manager from the irregularity committed by him. The idea of the orders issued for making payments of gratuity, in the case of persons screened out of service was to reduce the harsh effect of removal from service and a different action could be taken in a case like this in which the official concerned was responsible for major type of irregularities.

11. *Paragraph 21(b) on page 20 of the Railway Audit Report, 1960.*—1,752 Audit Notes and Inspection Reports were reported to be outstanding up to the end of the financial year 1958-59. The Committee desired to know the circumstances under which the Railway Administration could not settle the Audit objections even after the lapse of 10 years

in some cases. The departmental representative stated that the number of Audit Notes and Inspection Reports had since been reduced to 800. Instructions had been issued by the Railway Administration for the clearance of all cases but the difficulty was that in some cases the relevant records were not available. The Committee observed that the necessity of settling the Audit objections expeditiously had not been realised by the Railway Administration, and directed that the Railway Board should ensure that in future prompt action was taken to settle Audit objections and a stricter departmental view was taken of dereliction of duty on the part of the officials concerned. They also desired that all outstanding cases should be settled expeditiously as in many cases the recoveries involved had become time barred.

12. *Paragraph 21(g) on page 22 of the Railway Audit Report, 1960.*—It was stated that the Railway Grain Shops scheme was abolished with effect from 1st April, 1949. Accounts of the Grain Shops had still not been finalised although more than 10 years had elapsed and an average expenditure of Rs. 22,483 was being incurred yearly on account of the salaries of staff engaged on closing the accounts. The Committee desired to know the difficulties which stood in the way of final closing of the Grain Shop Accounts. The departmental representative stated that necessary action for closing the accounts was now being taken by them. The Committee directed that the results should be reported to them in the next session.

13. *Profit and Loss Account of the Pakistan Railways—Page 34 of the Appropriation Accounts of Pakistan Railways for 1958-59.*—The profit and Loss Account of Pakistan Railways indicated that the net profit which was Rs. 11,36 lacs during 1957-58 decreased by Rs. 146 lacs during 1958-59 to Rs. 990 lacs. The net profit of the individual Railways indicated that the Pakistan Eastern Railway was running at a loss. Mr. Jasimuddin Ahmad desired to know the reasons for the loss incurred by Pakistan Eastern Railway and the measures taken by the Railway Board to improve the position of that Railway. The departmental representative stated that the loss in respect of Pakistan Eastern Railway was mainly due to increased cost of operation of that Railway. The position had however improved although the net earnings of that Railway were still in deficit. On an enquiry by Mr. Ebrahim Khan regarding the measures to be taken to improve the position of the earnings of the Railway, the departmental representative stated that a Cabinet decision in this regard had already been taken and the question was further under examination.

14. *S. No. 11 of the Annexure of unfinalised cases of financial irregularities on page 26 of the Railway Audit Report, 1960.*—This related to a loss of Rs. 1,27,942 which occurred due to deterioration of cement purchased in excess of Railway requirements. The written reply of the Railway Board on this item indicated that all efforts had been made for the proper storage or disposal of the cement and nobody could be held responsible for the loss. Mr. Ebrahim Khan desired to know whether any evidence was available to show that such efforts had actually been made for the disposal of the cement or its storage in time. The departmental representative stated that Audit had checked this position. The Committee desired that necessary action to regularise the loss should be taken expeditiously.

15. *S. No. 3 of the Annexure on page 28 of the Railway Audit Report, 1960.*—This related to an infructuous expenditure of Rs. 2,03,954 on the manufacture of Boulders and Ballast at a quarry. A quarry was opened by the Railway Administration after preparing estimates of outlay and output from the rough surface survey which was sanctioned by the Railway Division in March 1949. Six monthly reports showing the outturn and outlay which were required to be submitted in this connection to the Railway Division had not been submitted. The scheme proved unsuccessful and was abandoned in 1954, resulting in the infructuous expenditure of Rs. 2,03,954. The account of manufacture had yet to be closed and the exact amount of loss in the operation assessed and written off after fixing the responsibility. Mr. Ebrahim Khan referred to the written reply of the Railway Board on this point which indicated that the account of the manufacture would be closed soon after carrying out the adjustments of released materials which were subsequently utilised on various other works. Mr. Ebrahim Khan pointed out that a delay of 7 years that had occurred in this case was very sad. He was of the view that the survey had not been properly done in this case. The departmental representative admitted that only superficial survey had been done. He added that the official concerned had since retired from service. The Chairman pointed out that the case related to the year 1948-49 at which time India was refusing to supply any stone although a contract had been made with her in this regard. In the abnormal conditions following Independence, the Railway had to make desperate attempts to find out a suitable stone quarry. This was the first experiment of its kind and had to be given up as the area could not be developed economically as a regular quarry. The Committee observed that the case was very old and directed that it should be finalised without further delay.

16. On an enquiry by Mr. Jasimuddin Ahmad whether the Comptroller and Auditor General was satisfied with the progress of finalisation of cases of financial irregularities, the Comptroller and Auditor General stated that all cases shown in the Annexure to the Audit Report had not yet been finalised by the Railway Board. It appeared to him that it would take some more time to finalise these cases. The Committee directed that all unfinalised cases should be settled expeditiously by the Railway Board.

17. *S. No. 4 on page 29 of the Railway Audit Report, 1960.*—It was stated under this item that an agreement executed with a foreign firm for the supply of 20 lacs cubic feet of stone boulders during the period from 1st June, 1954 to 31st March 1955 provided that the supply should be completed by the 31st March, 1955 at the rate of 2,00,000 cft. per month. On a representation of the contractor, the date of delivery was extended upto the 15th April, 1956 on the specific condition that if supply was not completed by that date, a penalty of 10% on the value of boulders not supplied by the contractor would be levied on him and his security deposit of Rs. 11,500 would be forfeited. The contractor supplied 3,23,861 cft. sized and 12,246 cft. unsized boulders upto April, 1956, at the rate of Rs. 57.8/- per 100 cft. for sized boulders and 15% less than this rate for unsized boulders. As per agreement the value of the supplies came to Rs. 1,92,206 out of which a sum of Rs. 1,767 was recoverable from him on account of Sales Tax and a sum of Rs. 1,90,439 was thus payable to him. He was, however, paid a total sum of Rs. 1,95,405 through oversight leading to an excess payment of Rs. 4,966 i.e. Rs. 1,95,405 minus

Rs. 1,90,439. The penalty of Rs. 95,674 calculated on the basis of 10% of the value of 16,63,893 cft. of unsupplied boulders had also not been levied.

The written reply of the Railway Board on this point indicated that the firm's security deposit amounting to Rs. 11,500 was forfeited. Mr. Ebrahim Khan observed that the loss involved in this case was more than Rs. 1 lakh and the amount forfeited was Rs. 11,500 only and desired to know why adequate security deposit had not been obtained from the firm. The departmental representative stated that during the period of the contract the Pakistan rupee was revalued so that the rate at which payment was made was much higher. Security deposit available in this case had been forfeited and no other action could be taken against the supplier as he belonged to a foreign country.

18. *S. No. 2 of the Annexure on page 25 of the Railway Audit Report, 1960.*—A complete list of buildings leased out to outsiders and other Government Departments, etc., was not available with the Accounts Office or the Executive Rent Rolls as well as copies of the agreements entered into with the parties concerned were also not available in all cases. A register required to be kept in the Accounts Office under the extant rules for watching the recovery of rent had also not been maintained. Rent bills were, however, being issued to the parties concerned on the basis of information contained in a register which was maintained in pre-Independence period. In the absence of up-to-date records it could not be ensured if the bills were prepared correctly and that recovery was being made in all cases. The rent fixed before Independence also required revision due to the cost of maintenance charges having considerably increased. The Accounts Office took up the matter with the Executive as early as 1951, but the occupants were not simultaneously warned that the rent recovered was provisional subject to revision later on. This was however, done in January, 1958. The case was pending with Executive. The records pertaining to buildings were required to be brought up-to-date and their rents reviewed completely.

The Committee desired to know the present position of the case. The departmental representative stated that efforts were being made to have the rent rolls completed. On an enquiry by Mr. Yaqub Shah, the departmental representative stated that the work relating to the preparation of the Capital and Revenue statement in respect of the previous years was heavily in arrears on account of the cumbersome procedure which was now being changed to a simplified one in order to keep up with the work.

19. *S. No. 1 of the Annexure on page 25 of the Railway Audit Report, 1960.*—In October, 1953 it was noticed that a Railway bungalow at Karachi had been released for the temporary use of the Central Government on the 1st October, 1949 but no rent was recovered. The matter was taken up in 1953 but no recovery had so far been made despite the fact that the bungalow was vacated on the 24th October, 1959. Even the Municipal and other taxes paid by the Railway had not so far been recovered. Extensive repairs, additions and alterations costing about Rs. 18,200 were also carried out by the Pakistan Public Works Department at the cost of the Railway during the course of the occupation of the bungalow. The matter was also reported to the Railway Administration

in November 1959, but the position remained unchanged. The matter had not been finalised so far and no decision to recover the increased rent as a result of extensive repairs, additions and alterations had been taken.

The Committee were informed by the departmental representative that in this case necessary recovery had to be made from the Ministry of Industries to whom they had sent bills but no payment had yet been made. The Committee observed that this was another long outstanding case and desired that it should be finalised without further delay.

20. *Statement of unsanctioned expenditure—Page 11 of the Appropriation Accounts of Pakistan Railways for 1958-59.*—Mr. Yaqub Shah observed that the statement of uncovered expenditure showing the distribution of the outstanding unsanctioned expenditure indicated items under objection relating to the various years and the number of these items indicated huge variations from year to year without any explanation for the variations. The departmental representative stated that this would be taken care of in future. Mr. Yaqub Shah also observed that no explanation for the variations in the total amount of outstanding under-charges detected by Accounts and Audit and recovered during the year 1958-59 had been given in the statement on page 12 of the Appropriation Accounts for the year 1958-59. He added that according to the information given in this statement, detection of under-charges on the North Western Railway which amounted to Rs. 3,51,013 up to the end of the financial year 1957-58 rose to Rs. 6,36,468 to the end of the year 1958-59. The departmental representative stated that whereas old items were cleared during the year, there was an addition in the items as well. The reasons for the increase would however, be given in future.

21. *Statement of Remissions and Abandonment of Claims to Revenue during 1958-59—Page 13 Appropriation Accounts of Pakistan Railways for the year 1958-59.*—It was indicated in the Note below the statement that as the demurrage and wharfage charges statements of both Coaching and Goods relating to North Western Railway for the year 1958-59 were destroyed due to being time-barred, the figures shown in the column 3 and 8 had been compiled from the Station Balance-Sheet (both Coaching and Goods) and the figures in column 6 had been worked out by deducting the figures of column 7 and 8 from the figures of column 5. Mr. Yaqub Shah desired to know whether the time limit for the destruction of the statement in question was shorter in case of North Western Railway. The departmental representative stated that the period of destruction was the same on both the Railways. He added that the Balance-sheets were, however, available in the Accounts Office and they had not to go to the station for compiling the requisite figures. Mr. Yaqub Shah pointed out that in that case the remarks made under this statement were not necessary.

22. The representatives of the Railway Board then withdrew.

22. The representatives of the Railway Board then withdrew. The files from the Ministry of Food and Agriculture in respect of the cases pertaining to the purchases of Rice and Milk Ghee discussed by the Public Accounts Committee in their meeting held on the 16th January, 1962 and after going through the records, report the matter back to the Committee if considered necessary, at the next meeting.

24. The Comptroller and Auditor General stated that the Committee might stress the point that in cases of financial irregularities where a question of principle was involved, would not be condoned as a matter of course and that each case would be considered on its merit. He was of the view that if the Committee adopted the attitude that each error had no significance, the whole purpose would be defeated. The Committee agreed that each case would be decided by them on its merits even if the amount involved was very small and the question of principle would not be lost sight of.

25. The Committee then adjourned to meet again at 9.00 A.M. on Saturday, the 20th January, 1962.

Proceedings of the Twelfth Meeting of the Public Accounts Committee held on Saturday, the 20th January, 1962 at 10.30 A.M.

The twelfth meeting of the Public Accounts Committee was held in Pakistan Secretariat No. I Rawalpindi at 10.30 A.M. on Saturday, the 20th January, 1962 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Mr. Ebrahim Khan, Member.
3. Mr. Jasimuddin Ahmad, Member.
4. Mr. Gulam Abbas, Comptroller and Auditor General.
5. Rana M. Yasin, P.A. & A.S., Accountant General, Pakistan Revenues.
6. Mr. M. A. Subzwari, P.A. & A.S., Director of Commercial Audit.
7. Mr. Mushtaq Ahmad Khan, Audit Officer, Industries, Supply and Food.
8. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor General.
9. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives

MINISTRY OF DEFENCE

10. Mr. Nazir Ahmad, S.Q.A., C.S.P., Secretary.
11. Mr. Abdul Hamid, Financial Adviser.
12. Mr. Arif Mohsin, Deputy Financial Adviser.
13. Mr. M. Fahimuddin, Financial Adviser (P.O.F.).
14. Mr. A. U. Kalim, Military Accountant General.

(Concerned Senior Officers of the Army, Navy and Air Force also accompanied the representatives of the Ministry of Defence).

CIVIL AVIATION DEPARTMENT

15. Mr. Badruddin Ahmad, Director, Civil Aviation.

METEOROLOGICAL DEPARTMENT

16. Mr. Hashmatullah Khan, C.A.O., Meteorological Office.

Secretary of the Public Accounts Committee

17. Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

2. The proceedings began with the consideration of the compliance report of the Ministry of Defence on the recommendations made by the Public Accounts Committee in their Report on the Accounts for the years 1954-55 to 1956-57.

3. *A-General—S. No. 12 on page 15 of the Compliance Report.*—The Committee had directed that their recommendations and directions should be brought to the notice of the Minister-in-charge. The compliance report of the Ministry of Defence indicated that this recommendation had been noted by them. The Committee directed that specific action on this recommendation should have been taken by the Ministry of Defence by submitting their Report to the Minister-in-charge.

4. *S. Nos. 1 and 2 on page 16 of the Compliance Report—Paragraphs 31 and 32 on pages 137-138 of the Report of the Public Accounts Committee on the Accounts for 1953-54.*—The Public Accounts Committee had observed that the Civil Aviation and Meteorological Departments should not have taken so long in the installation of the radar sets and that responsibility for the delay should be fixed and a report submitted to them. In their compliance report the Ministry of Defence had stated that the cases had been looked into further but it had not been possible to fix responsibility on any particular individual although practically all the Departments dealing with the cases could be held responsible for the delay. Mr. Ebrahim Khan observed that the reply of the Ministry of Defence was hardly convincing as some persons in the Civil Aviation and the Meteorological Departments must have been responsible for the delay in the installation of the radar sets in question. The Chairman observed that the departments as a whole could not be said to have been dealing with the cases and that responsibility should have been fixed by the Ministry of Defence in individual cases. The departmental representative admitted that the departments concerned had not been able to fix responsibility in that way. He added that the observations made by the Public Accounts Committee had been noted and it was hoped that such lapses would not recur.

5. *S. No. 3 on page 16 of the Compliance Report—Paragraph 36 on page 22 of Public Accounts Committee Report on the Accounts for 1953-54.*—The Committee had directed that it should be considered by the Ministry of Defence whether the land retained by the Army for meeting the animal requirements of the civil population should not be surrendered. They had also desired that the question of concentrating on one breed of horses instead of multiplying experiments should be considered and a report on the animal breeding policy submitted to them. The compliance report of the Ministry of Defence indicated that the impression that the Army was breeding horses for the civil population, and that they were importing various breeds of horses just for multiplying experiments, was not correct. On an enquiry by the Comptroller and Auditor General, the departmental representative stated that the excess land was being utilised for rearing animals for slaughter and this scheme was being maintained on a commercial basis. The departmental representative added that after a period of one year the Ministry of Defence would be in a position to give details of the cost involved to the Comptroller and Auditor General for a review.

6. *S. No. 4 on page 17 of the Compliance Report.*—During the course of the examination of the compliance report of the Ministry of Defence on the observations made by the previous Public Accounts Committee on paragraph 11 of the Defence Audit Report, 1954, the Public Accounts

Committee in their meeting held on the 30th January, 1961 (paragraph 9 of the proceedings) had directed that the question with regard to the terms and conditions governing the British Service personnel on loan to Pakistan Armed Forces, as reported in that paragraph, should be settled by the Ministry of Defence without further delay. The compliance report of the Ministry of Defence indicated that the matter was still under correspondence with the High Commissioner for U.K. in Pakistan. The Committee observed that this was a very old case and directed that the matter should be finalised expeditiously and compliance reported to them.

7. S. No. 5 on page 17 of the Compliance Report—Paragraph 12 on page 155 of Public Accounts Committee Report on the Accounts for 1954-55 to 1956-57.—The Committee had directed that the Ministry of Defence should evolve a system to ensure that only such works as were necessitated as a result of the floods, etc., were started without getting the detailed estimates sanctioned technically and no other work should be taken up in future without getting proper sanction. In their compliance report, the Ministry of Defence had stated that regulations on the Defence side permitted only the execution of emergency works without prior administrative approval. In this connection Mr. Yaqub Shah observed that in the case of Civil works, the Audit Reports included a list of works which were executed without getting the detailed estimates sanctioned technically and desired to know why details of unsanctioned items were not given in the case of Defence works. The Comptroller and Auditor General stated that the whole question with regard to Civil, Railways and Defence works will be examined by him in this context in order to evolve a uniform procedure. The Committee desired that a report in the matter should be submitted to them in the next session.

8. S. No. 9 on page 18 of the Compliance Report.—The Public Accounts Committee had directed that the Ministry of Defence should point out to the East Pakistan Government, that as a result of the delay on their part in taking a decision for not purchasing the flotilla barges, mentioned in item 14 of Annexure to the Audit Report, Defence Services, 1955, a loss had been sustained by the Central Government and they should, therefore, consider the question of taking suitable disciplinary action against the officer responsible for the loss sustained as a result of the delay. The Committee were informed that the matter had been taken up with the Provincial Government who had been requested to intimate the disciplinary action taken against the official responsible for the delay. The Committee desired that the case should be taken up by the Secretary, Ministry of Defence with the Chief Secretary of the Provincial Government.

9. S. No. 10 on page 18 of the Compliance Report.—The Committee had directed that the Ministry of Defence should take action to regularise the losses sustained by Government in several cases due to liquidation of Pakistan Aviation Ltd., mentioned in paragraph 37 on page 32 of the Appropriation Accounts for the year 1955-56. The compliance report of the Ministry of Defence indicated that only one case pertaining to this paragraph was still under consideration in the High Court and necessary action to write off the loss would be taken after the case had been decided. The Committee directed that the matter should be finalised without further delay.

10. *S. No. 14 on page 19 of the Compliance Report.*—The Committee had directed that a detailed report regarding the case mentioned in paragraph 28 on page 19 of the Appropriation Accounts for the year 1956-57, relating to the purchase of serge blue grey for the Air Force should be submitted to them in the next session. The Committee were informed that in this case a contract for the purchase of serge blue grey required for Air Force uniforms was placed by D.G.S. & D., on a local firm who were instructed to despatch the material direct to Clothing Factory for fabrication of uniforms. When the manufactured garments were issued to Air Force stations, it was discovered that the quality of the Serge was unsatisfactory. The matter was investigated by a Court of Enquiry which found that the sub-standard material was accepted by an Air Force Inspector on the report of an Army Inspector in whose opinion the defect was not very serious. The Air Force Inspector was downgraded and D.G.S. & D., asked to send a letter of disapproval to the firm. It was also decided that, in future, the samples of lighter weight serge should be obtained from the local firms and produced for approval by an Air Force Board. The unutilised serge was reprocessed by the firm free of cost, whereas no reduction in price was obtained from it in respect of the quantity already consumed. The supply of the material had been made by the firm after the expiry of the contracted date of delivery but no liquidated damages on this account were recovered from it. A report as to why no price reduction was secured for the consumed serge and no penalty was imposed for the late supply was being called for from the D.G.S. & D. The Chairman observed that in this case, action should have been taken against the Army Inspector as well, because he had not given the correct advice. The Committee directed that this aspect of the case should be re-examined by the Ministry of Defence and a report submitted to them in the next session. The Public Accounts Committee further directed that the report called for from the D.G.S. & D., should also be submitted to them in the next session.

11. *S. No. 16 on page 20 of the Compliance Report.*—Paragraph 489 (b) on page 330 of the Commercial Accounts for the year 1955-56 indicated that one of the agents of the P.I.A.C. owned to them a sum of Rs. 2,54,545 on account of the sale of tickets for the period from October, 1956 to July, 1957. On the failure of the agent to pay the amount, criminal and civil proceedings were instituted for the realisation of the amount. But a sum of Rs. 12,114 only had been realised from him. In the meeting of the Public Accounts Committee held on the 30th January, 1961 (paragraph 30 on page 162 of Public Accounts Committee Report on the Accounts for 1954-55 to 1956-57) the departmental representative of the Ministry of Defence informed the Committee, that the civil suit was still pending in a Court of Law and a sum of Rs. 73,116/7/- remained to be recovered. Subsequent verification by Audit revealed that the amount actually outstanding on the 30th January, 1961 was Rs. 2,54,545. The Committee desired to know the exact position of the case. The departmental representative stated that originally the amount outstanding was the same as verified by Audit. As a result of some cheques received from the agent, the amount was subsequently reduced to Rs. 73,116/7/- as stated by the departmental representative of the Ministry of Defence in the meeting held on the 30th January, 1961. These cheques were later on dishonoured by the bank and the amount thus remained unrecovered. A civil suit had been lodged with the High Court against the accused and no date had yet been fixed for the hearing of the case. The Committee desired that the result should be reported to them in the next session.

12. *S. No. 20 on page 21 of the Compliance Report.*—The Public Accounts Committee had desired that the Ministry of Defence should submit an up-to-date report indicating the position of recoveries on account of barrack damages pertaining to the years 1947-48 to 1955-56, outstanding against certain individuals, units and formations. They had also desired that the delay in making recoveries should be avoided in future. The compliance report of the Ministry of Defence indicated that a sum of Rs. 6,40,040 had been found to be irrecoverable in respect of which necessary loss statements were being prepared to regularise the loss. On an enquiry by the Chairman, the departmental representative stated that responsibility for the loss in this case could not be fixed due to the fact that no arrangements existed in the various units and formations for the transfer of charge of barracks. The actual damage could be assessed only after a complete survey had been carried out. Another difficulty in this case was that the units had to move very hurriedly. The Comptroller and Auditor General suggested that the Ministry of Defence should issue suitable instructions for observance of the existing rules (paragraphs 502 and 503 of Army Regulations) regarding handing over and taking over of barracks at the time of change of occupants. This suggestion was accepted by the Committee who desired that a report indicating the action taken in the matter should be submitted to them in the next session.

13. *S. No. 26 on page 22 of the Compliance Report.*—The Public Accounts Committee had directed that the case regarding irregular grant of sick leave to an Army Officer mentioned in paragraph 31 of the Audit Report, 1957 should be examined by the Defence Secretary personally and a report indicating the circumstances under which rules and regulations regarding the grant of such leave were not followed submitted to them. The Committee were informed that in this case, there had been a lapse on the part of the hospital authorities. The procedure had since been streamlined and necessary instructions had been issued to all concerned to avoid recurrence of such cases in future.

14. *S. No. 27 on page 22 of the Compliance Report.*—The Public Accounts Committee had directed that a report indicating full particulars of the amounts of Government dues outstanding against some M.E.S., contractors, as reported in paragraph 19 of the Defence Audit Report, 1958, should be submitted to them in the next session. The Committee noted with satisfaction that the net outstanding had come down to Rs. 7,35,226. They hoped that action to effect the remaining recoveries would be taken expeditiously.

15. *S. No. 28 on page 22 of the Compliance Report.*—The Public Accounts Committee had desired that the Ministry of Defence should furnish to Audit full information on the objections mentioned in paragraph 20 of the Defence Audit Report, 1958, with regard to the use of electricity in certain Accounts Area in excess of the limits prescribed by Government. In their compliance report the Ministry of Defence had stated that it had not been possible to determine how much electricity had been consumed in violation of the prescribed limits. For the future, however, efforts were being made to install meters for all entitled users in order to detect extra use of electricity. The Committee was satisfied with the action taken by the Ministry of Defence.

16. *S. No. 30 on page 23 of the Compliance Report.*—The Committee had directed that the Ministry of Defence should submit a report indicating full particulars of the case with regard to infructuous expenditure on account of irregular discharge of a civilian gazetted officer in the Pakistan Navy, as reported in paragraph 34 of the Defence Audit Report, 1958. The Committee were informed that in this case a civilian officer who was employed in a purely temporary post which was liable to termination on one month's notice without assigning any reasons, was discharged from service by serving a notice which contained the reasons for discharge also. The officer challenged the reasons of discharge and was ultimately reinstated with full pay and pension benefits on the advice of the Cabinet Secretariat and the Ministry of Law who held that a "show cause" notice should have been served on the officer as he was being discharged on grounds of inefficiency. The file had been studied and it was felt that if, as required by the rules, the reasons for discharge had not been given in the notice issued to the officer, there could have been no occasion for him to represent. The basic mistake was, therefore, committed by the executive authorities who issued an improper notice. The Comptroller and Auditor General pointed out that the instructions issued by Government in the matter, which were quite clear, should have been followed by the authorities concerned. The Committee hoped that suitable instructions would be issued by the Ministry of Defence to all concerned for following the correct procedure in future.

17. *S. No. 31 on page 23 of the Compliance Report.*—In their meeting held on the 31st January, 1961, the Committee had noted a case of irregular reimbursement of rent to officers of the Air Force for accommodation hired in private houses, hotels, etc., contrary to the orders on the subject as reported in paragraph 35 of the Defence Audit Report, 1958. The Committee had observed that this infructuous expenditure could have been avoided, if the Audit ruling had been implemented by the administrative authorities by discontinuing the unauthorised arrangements made in this regard. In their compliance report, the Ministry of Defence had stated that the observation made by the Committee had been noted by them. The Comptroller and Auditor General pointed out that in this case the objections raised by Audit had not been accepted by the authorities concerned. He pointed out that in accordance with the existing rules, the decisions given by Audit in such cases were required to be implemented promptly. If, however, an Audit decision was not acceptable, the matter could be referred to Government in the appropriate Ministry after implementing the decision. The Committee agreed that after a decision regarding the non-validity of a payment had been given by Audit, the Department concerned could not continue the payments. In cases, however, where the Accounts Officer himself contested the stand taken by Audit, the matter could be referred to higher authorities. The level at which an Audit decision was to be treated as final required clarification and the Committee desired that this question should be examined by the Comptroller and Auditor General in consultation with the Ministry of Defence, etc., and the result communicated to them in the next session.

18. *S. No. 1 of the Compliance Report of the Comptroller and Auditor General—Page 24 of the Compliance Report.*—During the course of examination of paragraphs 38(b) and 38(c) on pages 34 and 35 of the Audit Report (Civil), 1957, the Public Accounts Committee, in their

meeting held on the 30th January, 1961, had recommended that a committee consisting of the representatives of the Ministry of Defence, the Financial Adviser, Ministry of Defence and the Comptroller and Auditor General should be appointed to look into the question regarding (i) irregular reimbursement of Rs. 51,39,183 on account of the losses sustained by Orient Airways Ltd., and (ii) over-valuation of its assets, and a report indicating a statement of facts of the case supported by various documents submitted to them. In his compliance report, the Comptroller and Auditor General had stated that the matter had been discussed with the representatives of the Ministry of Defence in three sittings without reaching unanimity of opinion on all issues involved in the case. A note explaining the respective points of view and explaining full position of the case (Annexure-V) was furnished to the Public Accounts Committee by the Comptroller and Auditor General. It had been concluded in this note that the question in main was one of legal interpretation, which the Public Accounts Committee might like to refer to the Ministry of Law for a ruling. The suggestion made by the Comptroller and Auditor General was accepted by the Public Accounts Committee and they desired that after a ruling had been given by the Ministry of Law in this case, further action should be taken by the Ministry of Defence for effecting the recovery from the P.I.A.C. in the light of the ruling given by the Ministry of Law. They directed that a report in the matter should be submitted to them in the next session.

19. *S. No. 4 of the Compliance Report of the Comptroller and Auditor General on page 25 of the Compliance Report.*—In their meeting held on the 31st January, 1961, the Public Accounts Committee noticed a case of loss in the purchase of defective material as reported on page 5 of the Commercial Appendix 1955-56. The facts of the case were that certain material purchased abroad was, on receipt in Pakistan, inspected by a representative of the local inspection agents and a large percentage was rejected either finally for various defects or accepted after certain processing, resulting in a loss which was reported to be estimated at some lakhs of rupees. In that meeting, the departmental representative explained that the material had been purchased from U.S.A. and a firm was requested to inspect it. They inspected 10 per cent of the material but when it arrived in Pakistan, it was found that 40 per cent of it was defective. The total loss was only Rs. 58,000. In his compliance report the Comptroller and Auditor General had stated that subsequent verification had shown that the loss actually amounted to Rs. 3,68,217 and not Rs. 58,000 as had been stated by the departmental representative before the Public Accounts Committee. The departmental representative stated that the loss involved in this case had been evaluated provisionally on an incorrect basis. After detailed examination and assessment of the losses on the normal basis of 1/10th of the unserviceable, and 50 per cent of the repairable materials for working costs, the loss amounted to Rs. 3,68,217 as verified by Audit. The Committee desired that the loss should be regularised at an early date.

20. No questions were put to the representatives of the Ministry of Defence regarding the Appropriation Accounts (Civil) for the years 1957-58 and 1958-59.

21. The Committee then took up an examination of the Audit Report, Defence Services for the year 1959.

22. *Paragraph 17 on page 8 of the Audit Report, 1959.*—A contract for the provision of 'Hard Wood Wind Ties' to some Military buildings was concluded in a certain M.E.S. formation. According to the terms of the contract the bolts already fixed to the sheets of the roofs of the building were to be removed and returned to the M.E.S., in accordance with the given scale. Those not returned or returned in a damaged condition were to be charged for from the contractors at a specified rate. It was noticed that although 43,075 bolts valued at Rs. 5,384 were not returned by the contractors, no recovery on account of the bolts returned short was effected from them. It had been intimated that the M.E.S., authorities concerned had taken action to withhold payment to the contractors to the extent of Rs. 5,384. Information with regard to the disciplinary action taken against the persons who failed to effect recovery from the contractors was still awaited from the executive and accounts authorities. In their written reply on this paragraph, the Ministry of Defence had stated that the executive authority held in this case that whatever stores were due from the contractors were duly returned by them and that no recovery was outstanding against them. The matter was, however, under examination. The Committee directed that the disciplinary aspect of the case should be examined by the Ministry of Defence and the action taken reported to them in the next session.

23. *Paragraph 19 on page 9 of the Audit Report, 1959.*—In a contract for the construction of a number of garages, repair bays, etc., concluded in a certain M.E.S., formation, provision was made for expansion joints in the roofs of garages, repair bays, etc. The expansion joints, besides being required to be filled up with bitumen and sand, were also to be covered with brass sheets. It was noticed that notwithstanding the above clear specifications in the drawing to the contract agreement, the expansion joints in the roofs of garages, repair bays, were not covered with brass sheets and yet the contractors were allowed full payment of the cost of expansion joints inclusive of the cost of brass sheets. In yet another contract for the construction of storage accommodation at the same station concluded with the same contractors, the expansion joints of the roofs of the storage sheds were to be covered with brass sheets, but during the course of replacement of the roofs of those sheds after a period of about four years, it came to light that the expansion joints had in fact been covered with galvanised iron sheets—a material of lesser value, instead of brass sheets. It had since been intimated by the executive authority concerned that the cost of brass sheets recoverable from the contractors on the above account at the minimum rate of Rs. 2'12/- per lb., worked out to Rs. 50,121. It had further been stated that the contractors had been adjudicated insolvent and the amount in question would be intimated to the official assignee for inclusion in the list of claims against the contractors concerned. No action had, however, been taken by the executive authorities to fix the responsibility for the incorrect certificates recorded in connection with these works which resulted in the overpayment mentioned above. The Committee desired to know the position of the case. The departmental representative stated that a Court of Enquiry had been convened to investigate the circumstances leading to the irregularities, and the disciplinary aspect of the case would be examined after the enquiry was finalised. The Committee directed that the disciplinary action taken against the individuals held responsible should be reported to them in the next session.

24. *Paragraph 20 on pages 9-10 of the Audit Report, 1959.*—Short recoveries/overpayments to the extent of Rs. 27,469 were stated to have been made to certain contractors in some formations due to wrong

application of rates chargeable for the stores. No action had been taken by the accounts and executive Authorities to investigate the circumstances leading to the various irregularities so that disciplinary action could be taken against the persons whose negligence had brought about these short recoveries and overpayments. The Comptroller and Auditor General referred to the written reply of the Ministry of Defence on this paragraph in which it was stated that Audit objections in respect of a sum of Rs. 5,675 had been dropped and pointed out that the matter was still being followed by him with the Ministry of Defence and the position stated by them was not correct. The Committee desired that the Audit objections should be settled by the Ministry of Defence at an early date.

In this connection the Chairman desired to know how the market rate of stores was determined. The departmental representative stated that written quotations were called for from certain firms for this purpose. The Chairman observed that the market rate was not followed throughout the year. This meant a loss to Government in case the prices fell down during the course of the year. The Committee desired that this question should be examined by the Ministry of Defence and a report submitted to them in the next session.

25. Paragraph 21 on page 10 of the Audit Report, 1959.—Under the terms of the contract agreements entered into in certain M.E.S. formations, the contractors were liable to pay compensation to Government at a specified rate for every week's delay that might occur in the completion of the whole of the works beyond the date specified in the contract agreements. It was noticed that although certain works were not completed by the dates stipulated in the contract agreements, no recovery on account of compensation for delay in the completion of works was effected from the contractors concerned. The amounts due for recovery on the above account worked out to Rs. 36,658. As intimated by the executive authorities, a sum of Rs. 19,538 due from one of the contractors was being written off under the orders of the competent financial authority. As regards the balance, information with regard to its recovery, regularisation as well as the disciplinary action taken against the persons who were responsible for the failure to recover the Government dues, was still awaited.

The Committee were informed that these irregularities related to four contracts in two of which the works were completed within extension of time granted by the competent authority and in the remaining two, the contractors were required to pay necessary compensation but no payments were received because in one case the contractor was declared insolvent and in the other case the claim for compensation was not preferred within the time stipulated in the contract. The Committee directed that the question of taking disciplinary action against the officers concerned who did not take timely action for preferring the compensation claim should be examined and the result reported to them in the next session.

26. Paragraph 22 on pages 10-11 of the Audit Report, 1959.—A sum of Rs. 77,051 was reported to be outstanding against various individuals on account of rent of Government buildings, water and electricity charges and hire of furniture. The Committee desired to know the position of the case. The departmental representative stated that recoveries of the amounts involved were not effected in time due to late submission of

occupation/vacation reports and non-submission of rent bills etc., with the result that certain amounts had become irrecoverable and were now under write off action. In order to fix responsibility for these irregularities, the question of convening a Court of Enquiry was under consideration. The Committee directed that the disciplinary aspect of the case should be followed up and the result reported to them in the next session.

27. *Paragraph 25 on page 12 of the Audit Report, Defence Services, 1959.*—A consignment of foreign stores was received by a Military clearing agency on the 4th June 1952 and accepted on a 'more or less basis'. On finally checking of the stores, a shortage of 1,332 packages valued at Rs. 40,257 was noticed. A court of inquiry was held on 10th December, 1955. The court found that the stores, discharged by the ship in a jumbled state, were not checked properly for fear of delay involving demurrage charges. The procedure adopted for acceptance of delivery of stores was faulty having no sanction behind it. Some interesting features of the case were as detailed below :—

- (i) Though receipt of foreign stores was not uncommon during the period, no clear-cut instructions in this regard had been laid down by the authorities concerned.
- (ii) Though these had no direct bearing on the case, surpluses of similar stores worth Rs. 97,555 pertaining to entirely different consignments were brought into picture before the court of inquiry and while presenting the case to the Government. These surpluses were detected during stock-takings between 1952 to 1955, subsequent to the discovery of the loss in question and were suggested by the Accounts authorities for separate investigation as these reflected bad accounting.
- (iii) The shortage was detected in November, 1952 and was finally regularised with the issue of Government sanction in August, 1959 involving abnormal delay in finalisation of the case.

Nobody was held responsible for the loss. In their written reply, the Ministry of Defence had stated that the surpluses valued at Rs. 97,555 which came to light in subsequent stock taking were also considered to be partly related to the deficiencies. The Comptroller and Auditor General pointed out that these surpluses related to a different consignment and could not be adjusted against the deficiencies. The Committee concluded that it was not correct to adjust the surpluses of an entirely different consignment against the shortages of stores in this case and desired a re-examination of the case by the Ministry of Defence.

28. *Paragraph 26 on page 12 of the Audit Report, Defence Services, 1959.*—This paragraph indicated that losses of stores that had occurred during 1955-56 to 1957-58 on account of theft, defective storage, deterioration, fire, etc., were of the order of Rs. 96 lakhs. The Comptroller and Auditor General pointed out that the amount of losses written off from 1947-48 to 1958-59 amounted to Rs. 4,06,13,313. The Committee observed that the amount of losses was very heavy and indicated that special efforts were required to be made to avoid the same in future. On an enquiry by Mr. Yaqub Shah, the departmental representative stated that the percentage of losses for each of the years 1947-48 to 1958-59 would be worked out and submitted to Public Accounts Committee for information. As regards the losses due to defective storage, the departmental representative stated that the storage accommodation

was very inadequate. The Chairman observed that the only remedy in this connection was building of new storage accommodation subject to availability of funds for that purpose. He added that in the present situation of the country, the real problem was how much should be invested on productive schemes and how much for non-productive purposes. The Committee hoped that the Ministry of Defence were taking necessary steps for working on a scheme for securing funds for storage accommodation.

29. *Paragraph 32 on pages 15-16 of the Audit Report, Defence Services, 1959.*—This related to a shortage of stores worth Rs. 9,352 which was detected during October to December, 1951 in a store Depot. A detailed report of the deficiencies was made by the Depot authorities in April, 1952 but the matter remained un-attended for about 5 years. Ultimately a court of enquiry was held in May, 1957 to investigate the causes of deficiencies. The court of enquiry opined that the deficiencies might be ascribed to several reasons and expressed its inability to determine the exact cause of shortage in the absence of proper handing/taking-over certificates which although clearly provided in the rules, were never recorded by the officer-in-charge of the Depot. The shortage was ultimately written off and no action could be taken against the persons who delayed finalisation of the case for an unduly long time. The Chairman observed that a total of about 8 years time had been taken to deal with this case and desired to know the circumstances under which it could not be finalised earlier. The departmental representative stated that delay had occurred at various stages of the case in the various departments concerned. The Committee was not satisfied with the explanation given by the departmental representative and concluded that if timely action had been taken, it would have been possible to make good the shortages from the person actually responsible for it.

30. *Paragraph 38 on pages 18—20 of the Audit Report, Defence Services, 1959.*—During the year 1955, the Imprest Holder of a unit misappropriated a sum of Rs. 87,342 from the imprest account. The *modus operandi* of the fraud was that the imprest holder having utilised the money for his private purposes did not, on the one hand, render the monthly imprest account to the accounts authorities for nearly 6 months, and on the other hand managed, it was alleged, with the active connivance of the staff of the accounts office to bring about the mysterious disappearance of certain accounts documents after they had been duly delivered in the accounts office. Several factors which facilitated the perpetration of the fraud and prevented its detection earlier were noted by the Public Accounts Committee. One of these factors was that although the imprest holder was functioning as such since 1952, yet his accounts were neither audited locally by the Internal Audit nor examined by the executive authorities through quarterly Regimental Boards. On an enquiry by Mr. Yaqub Shah, the departmental representative stated that members of the Accounts staff concerned had been awarded departmental punishment for negligence. Active connivance of the staff of the accounts office had not been established.

31. *Paragraph 39 on page 20 of the Audit Report, Defence Services, 1959.*—In 1947 it was decided to abolish the distinction between tradesmen and non-tradesmen and all soldiers were merged in an eight pay group structure under the New Pay Code. Soldiers not previously regarded as tradesmen were to be awarded a temporary classification in

one of these 8 groups at the discretion of the Officer Commanding with due regard to certain specified criteria. Pay from 1st January, 1947 was to be admitted on the basis of the temporary classification so awarded subject to the individual passing the prescribed test for confirmation in that class upto the target date (1st October, 1950). Promotions from one temporary classification to the other without passing the test were not permissible. These orders were not followed by the executive and accounts authorities inasmuch as (i) in some cases initial temporary classifications were awarded without due regard to the prescribed criteria and (ii) permissions from one temporary classification to the other were allowed without the persons concerned passing the test. The irregularities resulted in an overpayment of Rs. 20,01,498 which was written off in February, 1960. The question of recovery of the overpayment and the disciplinary action against the official responsible was not pursued on the ground that the correct implications of the order were not properly understood during the period of transition from the old to the new code and that the overpayments were received by the recipients in good faith. Mr. Yaqub Shah was of the view that if an incorrect interpretation of the orders had been made, no recovery could be due until a correct interpretation was given. The departmental representative stated that correct interpretation could not amount to the revision of the orders and there was no question of ignoring the recoveries of overpayments made to the date of correct interpretation of orders. The Chairman stated that according to the procedure obtaining on the Defence side, if an overpayment was made due to an incorrect interpretation of the orders, no recovery was made from the persons concerned on the ground that they received the payment in good faith; and the amounts involved were generally written off in such cases. The Committee directed that the Comptroller and Auditor General should examine this point further with reference to the position obtaining on the Civil side and submit a report in the next session.

32. *Paragraph 40 on page 21 of Audit Report, Defence Services, 1959.*—In 1951, the Government of Pakistan introduced certain scales of pay known as the prescribed scales of pay with retrospective effect from 1st January 1949. These scales were automatically applicable to all existing and future Government employees but persons holding a permanent post on 31st December, 1948 had the option either to retain the existing scales of pay with effect from 1st January, 1949 or to come over to the prescribed scales. An individual appointed as a receptionist on 20th June, 1950 against a temporary post in a certain formation in the scale of Rs. 150-10-250 who was required to be brought on to the prescribed scale of Rs. 85-115-EB-15|2-175-EB-10-225 with effect from the date of his appointment, was however allowed to retain the existing scale of pay to which he had no right after the introduction of the prescribed scales of pay, on the ground that he had been given an unconditional offer of appointment in the existing scale. Internal Audit reported this irregularity to the executive authorities for the first time in May 1956, but the executive authorities instead of immediately fixing his pay in the prescribed scale entered into a prolonged controversy regarding the justification for the retention of the existing scale of pay by the receptionist. Internal Audit on their part continued to admit the enhanced rate of pay to the receptionist under the belief that he might ultimately be allowed to retain the existing scale as a special case. The incorrect payment being made to the receptionist was stopped on 1st May, 1958, from which date he was paid only at the minimum rate of the

scale of pay to which he was entitled. Eventually when his pay was correctly fixed on 18th August, 1958, it transpired that an overpayment to the extent of F.s. 8,441 had already been made to him. This overpayment was not recovered from the individual on the ground that it would cause hardship to him and was written off by the Government. The question of disciplinary action against the staff of Internal Audit for their (i) failure to detect the incorrect payments which were being made to the receptionist over a period of six years from June 1950 to May 1956 and (ii) mistake in making irregular payment at enhanced rates even after the detection of the irregularity was considered but dropped. Similarly no disciplinary action was taken against executive authorities responsible for the overpayment as it was felt that it would be difficult to fix the responsibility for this irregularity after the lapse of such a long period since its first occurrence.

The Chairman desired to know the circumstances under which the enhanced rates of pay had been admitted by Internal Audit and why no disciplinary action had been taken against the staff concerned. The departmental representative stated that in this case, the executive authorities had taken the plea that the pay of the official concerned could not be refixed in the prescribed scale as the letter of appointment issued to him did not carry any provision for revision of pay, and had maintained that he was holding an unconditional offer of appointment in the existing scale. The Committee were not satisfied with the explanation and observed that the case had been mishandled. They desired that the disciplinary aspect of the case should be examined by the Ministry of Defence and a report submitted to them in the next session.

33. Paragraph 41 on page 21 of the Audit Report, Defence Services, 1959.—In 1945 an allowance was sanctioned to certain categories of personnel and was incorrectly granted to another category of personnel. On detection of this irregularity it was decided by the executive authorities in consultation with the financial authorities to discontinue the wrong payments. The instructions issued by the executive authorities in this regard were, however, different from the decision taken. The matter remained under investigation and controversy for a long period and the allowance continued to be paid to the unauthorised personnel during that period. The irregular payments had ultimately to be written off. One of the features of this case was that the letter permitting the grant of the allowance gave an indication that the concurrence of the financial authorities had been obtained in the matter although it had not been agreed to by them. The written reply of the Ministry of Defence on this paragraph indicated that no particular individual was blamed for the irregularity committed on the executive side and that the officers dealing with the case on the financial side were no longer in service. The Committee observed that in this case the executive and financial authorities as well as the Accounts Department were responsible for the irregularity. The financial authorities should have asked the accounts authorities to stop the irregular payments. The Accounts department should have insisted on having a duly endorsed copy of the orders from the financial authorities, and should not have made payments merely on the statement made in the letter issued by the executive authorities. On the executive side, although the officer who signed the incorrect orders was reported to be no longer in service, the subordinate officials who submitted the original draft could be held responsible. In the circumstances, the Committee took a very serious view of this case and observed that since a

general question of principle was involved in this case, the matter should be thoroughly re-examined by the Ministry of Defence so as to fix the responsibility on the executive and financial side as well as the Accounts department and a report submitted to them in the next session.

34. *Paragraph 43 on page 28 of the Audit Report, Defence Services, 1959.*—A certain State Force unit was integrated with the Pakistan Army with effect from 1st April, 1952. Prior to its integration, civilian water-carriers were provided for in the sanctioned establishment of the unit but no such provision existed in the new establishment to which the unit was brought on from the date of integration. Notwithstanding this fact, the unit, as and when necessary, asked for and its Record Office issued certificates regarding non-availability of combatant water-carriers in lieu. The internal audit on their part continued to admit without question the pay and allowances to the civilian water-carriers over a period of approximately four years from January, 1953 to 15th July, 1956 when the Record Office realised the mistake and instructed the unit to discharge all civilian water-carriers forthwith. The Committee were informed that the employments were made due to some misunderstanding. Nobody could be blamed as the mistake occurred in various quarters and the staff concerned had either been transferred or released. As a preventive measure, however, the unit was instructed to issue suitable warning orders.

The Committee observed that in this case too the disciplinary aspect of the case had not been adequately examined and a mere warning to the unit to avoid such irregularities in future was not sufficient.

35. *Paragraph 44 on pages 23-24 of the Audit Report, Defence Services, 1959.*—Daily paid labourers on admission in a Depot are required to assemble on General Muster Ground and a record of those present is kept in a standard form. In 1952 during the audit of the accounts of a Depot, it was noticed that the number of daily paid labourers on certain dates as per Check Rolls (i.e. Pay Bills) was in excess of the number shown on the said form. The executive authorities were accordingly asked to regularise the overpayments by recovery/write off. Instead of complying with the audit requirements, they entered into a prolonged controversy over the correctness of the objection. However, when the matter went up to the higher authorities, the Depot was called upon to clarify certain points in connection with the audit objection. In reply, it was intimated by the Depot authorities that the documents forming the basis of the audit objection had been destroyed in 1956 by a Board of Officers and as such the actual amount of overpayment could not be assessed. It was also recommended by them that the test audit objection might be waived as no useful purpose was likely to be served by pursuing the matter.

The Committee were informed that in this case the suggestion of the internal audit authorities that the objection might be treated as settled was misunderstood as a decision, and the documents were destroyed. Three officers were held responsible but since they had been posted out and because it could not be established whether any loss had occurred to Government, no action was taken against them. The Committee observed that the disciplinary aspect of the case had not been dealt with adequately due to the fact that the records which were due for destruction in 1958 were destroyed much earlier.

36. *Paragraph 4E on page 24 of the Audit Report, Defence Services, 1959.*—A British Officer who was authorised to operate on a cash assignment embezzled Rs. 4,25,000 by following irregular procedure. He was held responsible by a Board of Enquiry and was tried by a civil court. He was awarded three years rigorous imprisonment and a fine of Rs. 5 lakhs or in default further rigorous imprisonment for one year. The Committee observed that in this case the misappropriation of funds was facilitated mainly due to the failure of the Accounts authorities to prescribe some maximum limit for withdrawal of cash during a month from the bank. The departmental representative stated that suitable measures which included certain procedural changes had since been adopted to avoid recurrence of such cases.

37. *Paragraph 4F on page 25 of the Audit Report, Defence Services, 1959.*—This paragraph related to a misappropriation of a sum of Rs. 1,29,797 by a Senior Supply Officer of an Establishment from the office safe. He was tried by a Court Martial and awarded dismissal from service with disgrace and 4 years rigorous imprisonment. The study of the facts of the case by Audit disclosed that the Senior Supply Officer was also handling the non-public funds. The huge amount at his disposal both public and non-public funds coupled with laxity of administrative control, had the natural effect to induce him to indulge, soon after his assumption of office as Senior Supply Officer, in borrowing from and making occasional part re-payments to these funds. The result was that his debts continued mounting which at long last culminated in forcing him to commit the mis-appropriation to clear his debts. Another fact of the case was that false certificates were recorded stating that surprise checks on the public cash had been carried out by the Commanding Officer without this having actually been done. The written reply of the Ministry of Defence on this paragraph indicated that in order to prevent recurrence of such cases, proper change had been made in the procedure of drawing and accounting of cash. As regards the security aspect, the money had been taken away by the official from non-public funds and no security rules and regulations could stop him from doing so. Adequate security arrangements did exist otherwise and had been further strengthened. The departmental representative stated that it was incorrect that false certificates were recorded by the Commanding Officer. The Senior Supply Officer transferred non-public funds to public funds at the time of surprise checks by the Commanding Officer who carried out the check of actual cash to the extent of public funds only. The Comptroller and Auditor General stated that he would consider the explanation given by the departmental representative and bring the matter back to the Public Accounts Committee in case he was not satisfied with the position.

38. *Annexure showing cases of serious financial irregularities not finalised.*—The Committee noted 18 cases of serious financial irregularities that had not been finalised. In most of these cases it was stated that the matter was under correspondence with the Accounts authorities. They directed that steps should be taken to finalise these cases as early as possible and a report indicating the progress of each case should be submitted to them in the next session.

39. The Committee then took up an examination of the Commercial Accounts for the year 1957-58 pertaining to the Ministry of Defence.

40. *Paragraph 230 on page 134 of the Commercial Accounts for the year 1957-58.*—A loss of Rs. 20,438 was sustained due to the forfeiture of import fee deposits by the State Bank on the failure of the P.I.A.C. to surrender the bill of entry in time. The Committee desired to know whether the responsibility for the loss had since been fixed and remedial measures adopted to prevent such losses in future. The departmental representative stated that the question had since been settled with the State Bank of Pakistan who had agreed to refund the entire amount.

41. *Paragraph 231 on page 134 of the Commercial Accounts for the year 1957-58.*—Local purchases were said to have been made piecemeal by the P.I.A.C. thus losing the benefit of competitive rates and of bulk purchases. The departmental representative stated that occasions did arise when they had to purchase lot of spares on urgent demand. He added that the Director of Commercial Audit had been requested to indicate specific cases of such purchases to enable the Department to examine the matter further. In the meanwhile a court of enquiry had been started in this matter.

42. *Paragraph 327 on pages 181-182 of the Commercial Accounts for the year 1957-58.*—The working results of the P.I.A.C. indicated substantial losses and one of the reasons for the losses was that the passenger and revenue loads were less than the normal percentage of 65 considered essential for the efficient running of an airline. The Committee desired to know the existing position of the working of the Corporation. The departmental representative stated that the position had since improved and the Corporation were running at a profit for some years past. The Comptroller and Auditor General confirmed this position.

43. *Paragraph 323 on page 180 of the Commercial Accounts for the year 1957-58.*—The Auditors report in respect of P.I.A.C. indicated that they had studied the balance-sheet as on 31st March, 1957 and the profit and loss accounts for the year ending on that date and subject to their letter of comment dated 15th September, 1959 to the Director of Corporation, they had obtained all the information and explanations that were required by them. The Committee observed that the letter to the Directors of the Corporation should have been incorporated in Commercial Accounts. They desired that this should be taken care of in future.

44. *Paragraph 329 on page 182 of the Commercial Accounts for the year 1957-58.*—The guarantee against losses, contained in Section 26 of the Pakistan International Airlines Corporation Act expired on the 30th September, 1956. An account was, therefore, drawn up to work out the amount of the loss to be re-imbursed by the Central Government under the said guarantee upto the aforesaid date. The amount of the loss was, however increased subsequently by Rs. 48,815 on account of excess depreciation for the period 1st April, 1956 to 30th September, 1956 calculated under the revised method brought in from the 1st October, 1956 but given effect from the 1st April, 1956. As a change in the method of depreciation was effected after the expiry of the guarantee, there was no justification for re-opening the accounts and burdening the Government with an additional amount of Rs. 48,815 on re-calculation of the depreciation already charged. On an enquiry by Mr. Jasimuddin Ahmad as to

how the excess depreciation had been charged, the departmental representative stated that in accordance with the decision of the Board of P.I.A.C., the revised method of depreciation was to be started with effect from the beginning of the financial year.

45. *Paragraph 303 on page 183 of the Commercial Accounts for the year 1957-58.*—Losses incurred by the P.I.A.C. for the period 1st October, 1953 to 30th September, 1956 were borne by the Central Government under the guarantee contained in Section 26 of the P.I.A.C. Act. It was however observed that the losses recovered were unnecessarily inflated due to various reasons. Mr. Jasimuddin Ahmad desired to know whether the losses borne by the Central Government were real. The Chairman stated that there was a tendency on the part of the Airlines to charge as much as possible from the Government. The Committee desired that the claims made by the Corporation should be thoroughly examined by the Ministry of Defence and no amounts should be reimbursed without full justification.

46. *Paragraph 330 on page 182 of the Commercial Accounts for the year 1957-58.*—The sundry debtors in respect of the P.I.A.C. increased from Rs. 28,08,289 on 31st March, 1956 to Rs. 61,69,000 on 31st March, 1957. Year-wise analysis of the debts was not available with the Corporation and it could not, therefore, be verified whether the debts had become old. The Comptroller and Auditor General desired to know the position of the recoveries due, particularly those which had been time-barred. The departmental representative stated that no year-wise list of sundry debtors had been maintained in the past. A complete list of all sundry debtors had since been prepared. As regards the increase, it had to be accepted that with the increase in business the volume of sundry debtors would definitely increase. The total turn over, the departmental representative added, was Rs. 10 to 11 crores during the last year. The Committee desired that the percentage of sundry debtors should be worked out and reported to them in the next session. The position in this regard should also be continuously reviewed by the Ministry of Defence and the old debts recovered as early as possible.

47. The Committee then adjourned to meet again on Monday, the 22nd January, 1962 at 9.00 A.M.

**Proceedings of the Thirteenth Meeting of the Public Accounts Committee
held on Monday, the 22nd January, 1962 at 9.00 A.M.**

The thirteenth meeting of the Public Accounts Committee was held in Pakistan Secretariat I, Rawalpindi at 9.00 A.M. on Monday, the 22nd January, 1962 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Mr. Ebrahim Khan, Member.
3. Mr. Jasimuddin Ahmad, Member.
4. Mr. Ghulam Abbas, Comptroller and Auditor General.
5. Rana Mohammad Yasin, P.A. & A.S., Accountant General Pakistan Revenues.
6. Mr. M. A. Subzwari, P.A. & A.S., Director of Commercial Audit.
7. Mr. Mushtaq Ahmad Khan, Audit Officer, Industries, Supply and Food.
8. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor General.
9. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives

MINISTRY OF DEFENCE

10. Mr. Nazir Ahmad, S.Q.A., C.S.P., Secretary.
11. Mr. Abdul Hamid, Financial Adviser.
12. Mr. Arif Mohsin, Deputy Financial Adviser.
13. Mr. M. Fahimuddin, Financial Adviser (POF).
14. Mr. A. U. Kalim, Military Accountant General.

(Concerned Senior Officers of the Army, Navy and Air Force also accompanied the representatives of the Ministry of Defence).

MINISTRY OF EXTERNAL AFFAIRS

15. Mr. J. G. Kharas, Director General (Administration).
16. Mr. Ferhat Ali, Director (Office).

MINISTRY OF FUEL, POWER AND NATURAL RESOURCES

17. Mr. M. A. Hamid, Chief Engineering Adviser.
18. Mr. K. Mushtaq Ilahi, Deputy Secretary.
19. Mr. A. F. S. Salahuddin, Deputy Financial Adviser.

MINISTRY OF FINANCE (ECONOMIC AFFAIRS DIVISION)

20. Mr. H. A. Majid, C.S.P., Secretary.

Secretary of the Public Accounts Committee

21. Mr. Abdur Raouf, P.A. & A.S., Deputy Secretary, Ministry of Finance.

2. The day's proceedings commenced with an examination of the Audit Report, Defence Services, for the year 1960.

3. *Paragraph 10 on page 5 of the Audit Report, 1960.*—Under a contract for the repair, renewal/replacement, etc., of roofs of various military buildings concluded in a certain M.E.S. formation, A.C. corrugated sheets for use in the work were issued to the contractors from the M.E.S. stock although their supply from M.E.S. sources was not provided for in the contract agreement. While allowing the issue of sheets to the contractors, the engineering authority concerned had ordered that the cost of the sheets be recovered at stock Book Rate (i.e. Re. -15|6 per sq. ft) plus 10% thereon. It was noticed that the cost of these sheets was actually recovered from the contractors at Re. -3|- per sq. ft. against the Stock Rate of Re. -15|6 per sq. ft. (or Rs. 17|1- per sheet) plus 10% thereon. This resulted in a short recovery of Rs. 31,131 from the contractors concerned. In another contract agreement for the provision of 'Hard Wood Wind Ties' to certain Military buildings, the hook bolts required for use in the work were to be supplied to the contractors on payment by the Military Engineering Services, but due to the non-availability of hook bolts with the M.E.S., steel round bars were issued to the contractors for manufacturing the bolts. The cost of manufacturing the hook bolts was duly paid to the contractors. It was, however, noticed that instead of recovering the cost of the hook bolts at the rate specified in the contract agreement, only the cost of the steel bars used in manufacturing the hook bolts had been recovered from them resulting in a short recovery of Rs. 3,686 from the contractors concerned. It had been intimated by the accounts authorities that the short recovery of Rs. 31,131 pointed out in the first case had become time-barred. Information with regard to the recovery of Rs. 3,686 in the second case was still awaited. No action had also been taken to have the short recovery of Rs. 31,131 regularised in the first case and to investigate the circumstances leading to the irregularities in both the cases and to fix responsibility therefor.

The Committee were informed by the departmental representative that in the first case the Stock Book Rate of Re. -5|6 per sq. ft. was meant for sheets different in specification from those actually issued to the contractors, the rate for which was Re. -3|- per sq. ft. The recoveries made from the contractors were, therefore, correct. In the second case the contention of Audit to the effect that short recovery was made from the contractors was based on the original contract whereas the factual position was that the original contract was subsequently amended and the adjustments made with the contractors were in accordance with the amended contract. Mr. Yaqub Shah pointed out that this information should have been furnished to Audit earlier in order to enable them to indicate the correct position in the Audit Report. The Committee desired that the facts of the case furnished by the departmental representative should be verified by the Comptroller and Auditor General.

4. Paragraph 11 on page 5-6 of the Audit Report, 1960.—Lump sum contracts were concluded at a station for the construction of 222 blocks of 8 class 'G' quarters. It was provided in the agreements that half round tiles would be laid on the roofs of the rooms and the verandahs. A sum of Rs. 1,49,850 was included in the lump sum on account of the cost of laying the half round tiles as shown in the detailed estimates of the project. Later, due to engineering reasons, this provision was omitted. This deviation from the original drawings and specifications called for the recovery from the contractors of the entire amount of Rs. 1,49,850 included in the lump sum on account of the cost of laying the tiles. However, for purposes of recovery, the cost of the 'omission' was calculated to be Rs. 1,08,573. A short recovery of Rs. 41,277 was thus due in this case for the following reasons:—

- (i) In the case of half-round tiles on the roofs of the rooms the cost was calculated to be Rs. 1,38,750 in the detailed estimates at Rs. 625 per block on the basis of 5,120 tiles per block. Recoveries from the contractors were, however, effected at Rs. 464.57 per block on the basis of 3,808 tiles per block, which amounted to Rs. 1,03,134 (Difference Rs. 35,616).
- (ii) In the case of verandahs the cost of tiles was calculated to be Rs. 11,100 in the detailed estimates at Rs. 50 per block on the basis of 570 tiles per block at Rs. 8.8 per hundred tiles. Recoveries from contractors were, however, effected at Rs. 24.5 per block on the basis of 511 tiles per block at Rs. 4.8 per 100 tiles, which amounted to Rs. 5,439 (Difference Rs. 5,661). This resulted in a total short recovery from the contractors of Rs. 49,530 (including contractor's percentage, viz. 20% above the lump sum).

When the irregularity was brought to the notice of the executive authorities, it was explained that detailed estimates did not form part of the contract and that the cost of omission was correctly recovered from the contractors. This argument in no way altered the fact that either the cost of the work was over-estimated while arriving at the lump sum or under-estimated while determining the recoveries from the contractors. In either case the Government had suffered a loss which needed regularisation.

The departmental representative stated that Audit objection was slightly detached from the context of the case. The position was that the fixing of half round tiles was one of the several items included in the lump sum contract. The exact quantity of tiles was not worked out in the lump sum contract because it was based on approximation and the contractor worked out his own cost taking all aspects of construction into consideration. According to the provisions of the contract, if any item was omitted in the lump sum which was within five percent more or less, no notice was to be taken care of. When Audit pointed out this variations, the detailed estimates of the contract had been worked out just for the sake of interest and it had been found that the cost of the individual block was going to be Rs. 11,600 against Rs. 10,722 provided in the contract. If the cost of deviation was worked out on a revised basis, the contractor could claim compensation for other items on which under estimation had been done in the first instance. In the circumstances although a recovery of Rs. 41,277 could be effected from the

contractor, the position on the whole would have been that the contractor could recover over Rs. one lakh from Government. This would have resulted in an over-all loss.

The Comptroller and Auditor General pointed out that the cost of work was calculated and technically checked by the Engineering authorities both at the time of arriving at the lump sum and determining recoveries due from the contractors and it was, therefore, not clear how the cost of laying the tiles increased while working out the cost to the Government and decreased while assessing the recoveries from the contractors. The departmental representative admitted that there had been a mistake in making calculations but from the financial point of view, it was not considered necessary to effect recoveries from the contractors. The Committee desired that the Comptroller and Auditor General should verify the net financial effect that would have occurred in this case according to the information furnished by the Ministry of Defence. They also observed that the detailed estimates of works should not have been prepared by the Department merely on a rough basis. The Committee directed that a report on the financial aspect should be submitted to them by the Comptroller and Auditor General, if necessary.

5. *Paragraph 12 on page 6 of the Audit Report, 1960.*—A contract for the rebuilding of *Bashas* in a certain military area was concluded in a certain M.E.S. formation in the year 1957-58. According to the terms of the contract the material obtained from the demolition of the roofs of the *Bashas* was to be returned to the M.E.S. authorities by the contractors, failing which they were to be charged at specified rates for such materials. It was noticed that although certain material valued at Rs. 23,844 obtained from the demolition of roofs of old *Bashas* were not returned by the contractors, yet no recovery of the cost of unreturned materials had been effected from them. Information with regard to the recovery of the amount due from the contractors as well as disciplinary action taken against the persons who failed to make the necessary recoveries was still awaited from the executive and accounts authorities.

The departmental representative stated that the contractor had been given a notice to return the demolished material due from him or to pay the cost thereof. The Committee observed that the irregularity had been pointed out to the Department two years ago and a notice had been served to the contractor after a long time. The executive authorities were, therefore, responsible for the delay in the settlement of this case. The Committee directed that a report indicating the circumstances under which a notice to the contractor could not be served earlier and also the action taken against the officers held responsible should be furnished to them in the next session.

6. *Paragraph 14 on page 7 of the Audit Report, 1960.*—The Forces of a State were amalgamated with the Pakistan Army with effect from 15th January, 1949, and the lands and structures in possession of the former were taken over by the latter. Certain lands and buildings which actually were not the property of the Forces of State were also taken over by the Pakistan Army on the assumption and without verifying from the proper authorities that these also belonged to the State Forces. On this assumption, expenditure was incurred liberally on the maintenance of the buildings during the six years from 1949-50 to 1954-55 on the direction of local Military authorities. The presumption, however,

did not turn out to be correct. To regularise the occupation of the buildings by Pakistan Army, a sanction was subsequently issued hiring the properties from the date of their occupation at an annual rental of Rs. 75,000, one third of which was to be recovered from the owner on account of their maintenance, annual repairs. During the period 1949-50 to 1954-55 an expenditure of Rs. 2,00,304 was incurred on the maintenance of these buildings against Rs. 1,50,000 recoverable from the owner resulting in extra expenditure of Rs. 50,304. The liability for this extra expenditure was not accepted by the owner and the amount could not be realised from him. The excess expenditure of Rs. 50,304 was ultimately written off by Government in January, 1960. No court of enquiry was held to fix the responsibility and no disciplinary action was taken against anybody; the expenditure being held to have been incurred in good faith.

The departmental representative stated that on the amalgamation of the State Forces with the Pakistan Army, the buildings in occupation of these Forces were taken over by the Pakistan Army. At the time of taking over the buildings by the Pakistan Army there was nothing on record to indicate the ownership of the buildings and the responsibility of their maintenance was undertaken on an incorrect assumption. The Committee observed that the position regarding the ownership of the buildings should have been verified from the appropriate authority at the time of their taking over, in case no records were available to indicate the ownership.

7. *Paragraph 21 on page 12 of the Audit Report, 1960.*—Certain Lathe machines were issued by a unit on loan to a private concern in July, 1949, and remained on its charge till November, 1951. In 1955 when the concern started settling its accounts with the unit concerned it transpired that the machines had been returned in 1951 to a representative of the unit who had been repatriated abroad in December, 1953. The scrutiny of the records maintained by the unit, however, revealed that although the machines were received by him they were not brought on charge. Efforts to trace them at the stock holding depot also proved futile. A court of enquiry which assembled on the 20th October, 1955 to investigate the circumstances leading to the deficiency, could not find out the exact manner in which the machines which required a crane and trailer for shifting had disappeared so mysteriously, and recommended that the sum of Rs. 6,500 being the cost of the two machines may be written off. This had since been done in December, 1959.

The departmental representative stated that the officer held responsible by the court of enquiry in this case had repatriated to U.K. and no action, could, therefore, be taken against him. Appropriate instructions had, however, been issued to avoid recurrence of such cases in future.

8. *Paragraph 28 on pages 15-16 of the Audit Report, 1960.*—Local Compensatory Allowance for non-gazetted Government servants posted at certain specified stations was sanctioned by the Government with effect from 1st January, 1949. These orders were also made applicable to Armed Forces personnel below commissioned rank with the provision that the allowance will be admissible at half the rate sanctioned for the civilian non-gazetted Government servants. Later, Government notified on 9th March, 1951 and on subsequent dates certain areas as the suburbs of these stations with the result that the Local Compensatory Allowance became admissible to non-gazetted Government servants and Armed

Forces personnel below commissioned rank serving in those suburbs also. Although the latter orders were intended to take effect from the date of their issue, they were actually given retrospective effect by the accounts authorities from 1st January, 1949. This resulted in heavy overpayments, the financial effect of which had not yet been finally worked out. The amount that could be computed worked out to Rs. 6,30,578 out of which a sum of Rs. 23,900 overpaid to Military Accounts staff had been written off. It was also reported that action for the regularisation of the balance would be taken as soon as the final figures were known. No disciplinary action had been taken in the matter.

The departmental representative stated that the overpayment took place because the effective date of the orders was not clearly indicated therein. On clarification by the Government, the overpayments had, however, been stopped. The Committee was not satisfied with this explanation and observed that in the absence of any specific provisions, the orders for the grant of the allowance in question should have been given effect from the date of their issue. The Comptroller and Auditor General pointed out that in this case the Ministry of Finance had expressed the view that the orders in question were properly worded and were quite clear. He added that it was a primary rule that Government orders took effect from the date of issue unless otherwise provided. The Committee directed that the disciplinary aspect of the case should be gone into by the Ministry of Defence and a report indicating the action taken should be submitted to them in the next session. They also desired that necessary action to regularise the outstanding overpayments should be taken without delay.

9. *Paragraph 29 on page 16 of the Audit Report, 1960.*—Prior to June 1957, Conservancy Allowance was admissible only to those service personnel below Commissioned rank who, for want of married Government accommodation were permitted to live outside the unit lines with their families in private houses and were consequently in receipt of compensation in lieu of quarters. Notwithstanding the existing orders, a Service Headquarters in consultation with another Service Headquarters issued a circular letter in August, 1954, authorising payment of Conservancy Allowance to those married personnel also who for want of married accommodation were themselves living singly in unit barracks but were allowed to make private arrangements for the accommodation of their families and were consequently in receipt of compensation in lieu of quarters at half the rate. It was stated in the circular that it had received the concurrence of the Finance Division. The internal audit authorities, on receipt of the circular letter, requested the Finance Division to forward a copy of the circular letter with their usual endorsement, and also to clarify as to whether Conservancy Allowance to such individuals as were mentioned in the circular letter would be admissible at half or full rate. This gave rise to a controversy between the Finance Division and the Service Headquarters, the former denying to have concurred in the issue of the circular. Finally it was decided in July, 1957, that such personnel who were in receipt of compensation in lieu of quarters at half the rate should also get Conservancy Allowance but at half the rate only. Meanwhile a sum of Rs. 1,38,761 had already been overpaid due to payment of Conservancy Allowance at full rate to Airmen on the married establishment residing singly in barracks and in receipt of compensation

in lieu of quarter at half the rate for the accommodation of their families in private houses. The overpayment was being written off as it was held that the amount was drawn by the individuals in good faith.

The departmental representative stated that this was a genuine case of mis-understanding and no deliberate attempt had been made at flouting the authority. The papers had merely passed through the Finance Division without their examination or comments and it was presumed that they had given their concurrence in the matter. The Committee observed that in spite of this position, a technical irregularity had been committed in this case and desired that necessary action to regularise the overpayments should be taken expeditiously.

10. *Paragraph 30(i) on pages 16-17 of the Audit Report, 1960.*— Under Field Imprest system, only Commissioned Officers of the rank not below that of a Captain were authorised to handle cash. However, where no officer of higher rank was available, cash duties could be entrusted to officers of lower rank of Civilian Gazetted Officers. In contravention of these instructions, a civilian non-gazetted official of a certain unit was allowed to handle cash, and that also without his being required to execute any indemnity bond, by successive Officers Commanding mainly on the consideration that, in the past, the individual had never given any cause to doubt his integrity. This confidence was exploited by the individual, and during the period from April, 1950 to January, 1951, he misappropriated a large sum of Rs. 74,549 showing it in the accounts as having been deposited in the Treasury and supporting the entries therein by bogus treasury receipts and fictitious acknowledgements thereof. In January, 1951, the Quartermaster Havildar of the unit, instead of handing over the sale proceeds of the articles of rations to this official for deposit in the Treasury, himself visited the Bank to deposit the amount. Accidentally, he enquired from the Bank about the date and the amount of the last deposit on the same account which he handed over to the cashier for deposit some time back. This enquiry ultimately led to the detection of the fraud. As soon as the fraud was detected, the accused absconded. A court of enquiry held on the 7th March, 1951 to investigate the matter opined that the loss occurred largely because of the official's dishonesty and recommended that civil authorities be approached to effect speedy apprehension of the accused. The court of enquiry also recommended that action, where possible, be taken against the officers concerned for having permitted the accused to handle cash on their behalf. No action was, however, taken against any of them for the reason that five Commanding Officers changed hands during the period involved, and all of them, except the one under whose command the loss was discovered, had by then been released from service and three of them, who were British Officers, had gone back to the United Kingdom. In view of this, it was held that there was no justification for taking disciplinary action against the last Commanding Officer still in service. No legal or other action could be taken against the accused as he died in an accident on 15th February, 1951. The Committee observed that this was a very unfortunate case in which more loss could have occurred to Government but for the vigilance of the Quartermaster Havildar. The departmental representative stated that in order to avoid recurrence of such cases in future, the existing procedure for verification of treasury receipts in internal audit had been revised. This would facilitate the detection of fictitious treasury receipts and it was hoped that such cases would not arise in future.

11. *Annexure of unfinalised cases of serious financial irregularities—Pages 22-23 of the Audit Report, 1960.*—The Committee took note of the cases of serious financial irregularities that had not yet been finalised by the Ministry of Defence. They observed that like some other Ministries, a large number of such cases relating to the Ministry of Defence were outstanding for a long time. They desired that special steps should be taken for their settlement without taking much longer time and a report indicating the progress of each case submitted to them in the next session.

12. The Ministry of Finance had submitted a memorandum (Annexure-VI) on the subject of raising of limits of expenditure on Important New Works for the purpose of preparation of detailed statements thereof for incorporation in the Appropriation Accounts. The proposal contained in the memorandum was approved by the Public Accounts Committee.

13. The Committee then took up an examination of the Commercial Appendix to the Appropriation Accounts of the Defence Services for the year 1957-58.

14. *Paragraph 1 on page 4 of the Commercial Appendix (Defence Services) for the year 1957-58.*—The annual trading results of the Military Farms in respect of the period 15th August, 1947 to 31st March, 1958 as given in this paragraph revealed that the percentage of profit was overfluctuated from year to year. One of the reasons for marked fluctuations was increased expenditure on feed of animals and miscellaneous stores etc., without proportionate increase in the amount of turnover and miscellaneous income. The Committee desired to know why the expenditure had considerably increased and why the turnover could not be increased in proportion to the expenditure. The departmental representative stated that the general tendency was to reduce the profit and to work the farms on a no profit no loss basis. As regards the variations, the departmental representative added that most of these Military Farms were running on loss or on a very nominal profit. The loss was offset by the sale proceeds of agricultural produce at Okara Farm. The sales proceeds of that farm varied from Rs. 15 to 30 lakhs according to the crop yield. The Committee directed that the exact reasons for the variations in the trading results of the farms should be ascertained by the Ministry of Defence and a report submitted to them in the next session.

15. *Paragraph 2 on page 4 of the Commercial Appendix (Defence Services) for the year 1957-58.*—The outstandings against sundry debtors on 31st March, 1958 amounted to Rs. 39,64,871 as compared with Rs. 28,34,524 on 31st March, 1957. The debtors increased to the extent of Rs. 11,30,347 during the year 1957-58. The Committee desired to know why the outstandings had maintained an upward trend. The departmental representative stated that the sales in the Military Dairy Farms were being made on book adjustment basis, on cash basis and also on credit basis to certain private individuals. Besides, the houses in possession of the farms which were let out to their own staff were not the M.E.S. houses, but were farm houses and the recovery of rent in respect of these houses was also reflected in the sundry debtors. Actually 95% of the amount of Rs. 39,64,871 represented book adjustments against free milk and butter supplied to the units in which case the expected vouchers had not yet come. The amount also included a sum of Rs. 17,25,116 pertaining to the pre-Independence period regarding

which Government orders were still awaited. The Committee noted that the position of the recoveries was not satisfactory and desired that efforts should be made for early regularisation of debts specially those relating to the pre-Independence period.

16. *Consolidated Profit and Loss Account of Military Farms for the year 1957-58—page 8 of the Commercial Appendix (Defence Services) for the year 1957-58.*—A loss of Rs. 54,100 was mentioned below the Trading Account as under investigation. The Comptroller and Auditor General pointed out that losses amounting to Rs. 1,56,669 were mentioned below the trading account for the year 1954-55 to 1956-57. The Committee observed that bad debts amounting to Rs. 2,75,611 were mentioned in the Accounts for 1958-59 also, and desired to know the position of these losses. The departmental representative stated that the loss of Rs. 2,75,611 pertained to risk purchase of *bhoosa*. It had been decided that recovery in this regard should not be made in full from the contractor and the amount had to be written off. The Committee observed that in that case the amount should not have been accounted for as a bad debt. They directed that immediate action should be taken for the recovery or regularisation of the losses shown in the Accounts for 1954-55 to 1958-59.

17. *Production Account of Ordnance Factories for the year 1957-58—Pages 22-23 of the Commercial Appendix (Defence Services) for the year 1957-58.*—The Chairman observed that the actual production of Ordnance Factories fell short of the production programme and that the under-absorbed charges would have been far greater had these been determined on the basis of actual production and not on the basis of the formula laid down in advance in accordance with the production programme. The Chairman observed that the desirability of fixation of a rational formula to absorb the overheads on current production was left to be considered by a firm of experts to be appointed for the purpose in accordance with the recommendations contained in paragraph 17 of the proceedings of their meeting held on the 31st January, 1961, and desired to know the further progress made in the matter. The departmental representative stated that a foreign firm of Cost Accountants and Job Consultants had recently arrived and their report was expected to be received within two or three months. The Public Accounts Committee directed that further progress in the matter should be reported to them in the next session.

18. *List of cases of serious financial irregularities, etc., on page 41—43 of the Commercial Appendix (Defence Services) for the year 1958-59.*—The cases mentioned in this list were examined by the Committee with the following results :—

S. No. 1 (i).—This related to an extra expenditure of Rs. 14,540 due to the failure of contractors to make full supplies of white *bhoosa*. The Committee were informed that the security deposit of the contractors amounting to Rs. 8,180 was intended to be forfeited in partial satisfaction of the extra expenditure caused to Government and action in that direction would be taken on receipt of papers which were engaged in some other case. The Committee desired that the case should be finalised expeditiously.

- S. No. 1(iii).*—This related to an extra expenditure of Rs. 67,547 due to the failure of contractor to make full supplies of *bhoosa* by the prescribed date. The departmental representative stated that having failed to recover the amount of extra expenditure from the contractor, a civil suit was instituted and a decree obtained for Rs. 67,547 (with cost). The decree could not be executed as the contractor was reported to have gone bankrupt. The decree was being kept alive for 12 years by renewal after every three years. In case the contractor could not improve his financial position during the life of the decree, the amount would have to be written off. The Committee desired that the Ministry of Law should be consulted regarding the finalisation of this case as it did not appear appropriate to keep it unfinalised for the next 12 years.
- S. No. 2.*—This related to shortage of an oil engine amounting to Rs. 2,617, that had come to light at the time of handing over charge by a storekeeper. The set was all along shown in the inventory register, but its physical existence was never verified. The departmental representative stated that in this case, incorrect physical verification had been made. The store keeper who took charge of the engine had stated that there was only one engine and then enquiries were made and it was found that there was no additional oil engine. The Committee desired that the loss should be regularised expeditiously.
- S. No. 3.*—This related to a loss of Rs. 2,54,168 that had occurred to Government due to purchase and acceptance of sub-standard quality of timber. The departmental representative stated that a court of enquiry had been convened to make necessary investigation in this case and the proceedings of the court of enquiry had not yet been finalised. He added that in this case the inspection had been carried out by the D.G.S. & D., and the Ministry of Defence had asked them to take disciplinary action against the officials concerned for incorrect inspection. The Committee desired that the disciplinary aspect of the case should be followed up with the D.G.S. & D., and necessary action to regularise the loss should be taken without further delay.
- S. No. 4.*—In a certain formation, 36,800 lbs. of Welding Metal Rods were received in January, 1954 and taken on charge in July, 1955. On inspection at the time of use, these Welding Metal Rods were rejected and classified as Brass Scrap. It involved therefore, a loss of Rs. 6,88,054 which was still to be written off. The departmental representative stated that the storekeeper who took the rods on charge made out the receipt vouchers but did not post them in the ledger. This had been detected and the storekeeper had since been dismissed from service. The Public Accounts Committee directed that immediate action should be taken by the Ministry of Defence to regularise the loss involved.
- S. No. 5.*—Certain items of manufactured stores in a certain formation were packed according to specification. When inspected at a later stage, these were found stained and un-serviceable. This involved a loss of Rs. 6,30,403 which was

still to be regularised. The departmental representative stated that the recommendations of a court of enquiry which had been formed in this case were expected to be received shortly. The Committee desired that the loss should be regularised expeditiously.

19. The representatives of the Ministry of Defence then withdrew and the Committee took up an examination of the outstanding items pertaining to the Ministry of External Affairs.

20. In compliance with the directions given by the Public Accounts Committee in their meeting held on the 9th January, 1962 (Paragraph 15 of the proceedings), the Ministry of External Affairs submitted a note (Annexure-VII) to the Committee explaining the position with regard to the case reported in paragraph 20(1)(1)(5) on page 16 of the Audit Report, 1953 relating to financial loss to Government due to release of 1,000 pounds to an officer of an Embassy against payment of equivalent amount in Rials for purchase of a private car. The note was examined by the Public Accounts Committee in full details and it was decided that in view of the circumstances explained therein, the matter need not be pursued further.

21. The departmental representative of the Ministry of External Affairs circulated two notes (Annexures VIII and IX) containing the explanation of that Ministry with regard to the incorrect evidence given before the Public Accounts Committee in their meeting held on the 13th December, 1960, in compliance with the directions of the Committee made in their meeting held on the 9th January, 1962 (Paragraph 26 of the proceedings). The Committee noted that in one of these cases, the Ministry of External Affairs had admitted that an incorrect statement had been made before them in the meeting held on the 13th December, 1960. They desired that this should be avoided in future.

22. The representatives of the Ministry of External Affairs then withdrew and the Committee took up an examination of the outstanding items pertaining to the Ministry of Fuel, Power and Natural Resources in accordance with the directions given by them in their meeting held on the 11th January, 1962 (Paragraph 21 of the proceedings).

23. In their meeting held on the 2nd February, 1960 (Paragraph 3 of the proceedings), the Public Accounts Committee were informed by the Ministry of Fuel, Power and Natural Resources, that they were not in a position to provide adequate answers to the Committee in some cases due to the fact that the relevant files had been destroyed by the Ministry of Industries, from whom the subject had been transferred to them. The Committee had directed that the Ministry of Industries should submit a report in this connection in their next session. In their compliance report (S. No. 24 on page 218 of the Compliance Report—1954-55 to 1956-57) which was examined by the Public Accounts Committee in their meeting held on the 10th January, 1962, the Ministry of Industries had stated that all the relevant records in respect of the subjects transferred to the Ministry of Fuel, Power and Natural Resources had been sent to them at the time of creation of the Ministry, and there was no question of their destruction on the part of the Ministry of Industries. The departmental representative of the Ministry of Fuel, Power and Natural Resources had informed the Committee in the meeting held on the 11th January, 1962 (Paragraph 21 of the proceedings) that the report

furnished by the Ministry of Industries was not correct as one of the officers of the Ministry of Fuel, Power and Natural Resources had actually seen the file register in the Ministry of Industries which indicated that the relevant files had been destroyed in that Ministry. The Committee had desired to see the relevant documents in support of this statement.

A letter from the Ministry of Industries indicating that the two files were actually destroyed by them on the 20th November, 1958 was produced before the Public Accounts Committee by the departmental representative. The Committee observed that the Ministry of Industries were responsible for the destruction of the files which were still under action.

24. During the course of the examination of the Compliance Report of the Comptroller and Auditor General on the items pertaining to the Ministry of Fuel, Power and Natural Resources (Pages 180—185 of the Compliance Report of the Ministries etc., on the recommendations made by the Public Accounts Committee in their Report on the Accounts for 1954-55 to 1956-57), the Public Accounts Committee had directed that the Ministry of Fuel, Power and Natural Resources should give further information regarding the three cases of purchases of coal mentioned in paragraph 33 of the Appropriation Accounts for the year 1954-55, in the context of the comments made by the Comptroller and Auditor General in his compliance report. The following irregularities had been pointed out by Audit in these cases :—

- (i) A contract for the supply of 70,000 tons of coal was placed on a party in June, 1954 without inviting open tenders. The offer of the party was shillings 125 per ton C&F., but the contract for the supply of coal was placed on a foreign country at shillings 70 per ton on F.O.B. basis, although that country was not a party to submit a quotation, and the freight contract was placed with the negotiating party at shillings 55 per ton. The placement of the contract with the foreign country amounted to awarding the contract on 'no tender' basis, the F.O.B. cost of which was not comparable with any other quotation. Similarly the signing of the freight contract was a case of 'no tender'. The freight rates prevailing at that time were not verified with the result that the contractor earned a profit of shillings 22½ per ton which could have been saved if the terms were settled directly with the shipping companies. The contractor was paid the entire amount in sterling though a part of the charges were actually incurred by him in foreign currency. The terms of the contract were not precise with the result that Government could not claim refund of freight or the discharge cost at least for the stores lost in transit in one of the ships. No penalty clause was incorporated in the contract to compel the contractor to adhere to the delivery period, which was much behind the schedule.
- (ii) In another similar case, the contract was split up and the same party was paid the discharge cost in foreign currency in relaxation of the provision of the contract, on the ground of increase in freight rates.

- (iii) In the third case, a contract for the supply of coal was placed on a foreign country at shillings 165 per ton F.O.B. by ignoring other quotations. The freight contract was again placed with the same party at shillings 100 per ton Chittagong, Karachi without verifying the prevailing freight rates from the recognised shipping companies. This resulted in an extra expenditure of £ 40,000 to Government. The freight contractor was again paid the entire amount including the discharge cost in sterling although a part of it was incurred by him in foreign currency for chartering the ship. No penalty clause was incorporated in this case as well in the contract to compel the contractor to adhere to the delivery period, which was much behind the schedule.

The departmental representative stated that in all of these cases the foreign Government were not prepared to supply coal on C.I.F. Karachi| Chittagong basis. Besides, the supplies of coal were related to the sale of Pakistan Cotton and Jute to that country and they had been pressing for corresponding purchase of coal. In all cases, the contracts were split up into two parts on the basis of the practice followed all along under which tenders were called on C.I.F. basis but payments were ultimately made to the suppliers direct. As regards the freight rate, the quotation was examined thoroughly on each occasion both by the Ministry of Finance and the Ministry of Industries, and it had been found that the rates offered were the lowest. Another factor was that the coal situation in the country at that time was very serious. Substantial quantity of coal was not available except from the country concerned and they were not prepared to deal reasonably except through the same contractor.

The Committee observed that no specific check about the freight rates appeared to have been done in all of these cases, and directed that the relevant files should be made available to Audit to enable them to verify the position in this regard. They also observed that on each occasion the contract had been drawn defectively with the result that (i) Government could not claim refund of freight paid in excess or the discharge cost for the stores lost in transit, (ii) no penalty could be imposed on the supplier for belated supplies and (iii) payments had to be made to the contractor in foreign currency even though the expenditure was not incurred by him as such. They directed that this question should be examined by the Ministry of Fuel, Power and Natural Resources in consultation with the Ministry of Law and the remedial measures taken in the matter should be reported to them in the next session. The Committee also directed that the question whether the procedure under which such contracts were split up into two parts should continue to be followed, should also be examined by the Ministry of Fuel, Power and Natural Resources and the result reported to them in the next session.

25. The representatives of the Ministry of Fuel, Power and Natural Resources then withdrew and the Committee took up an examination of the Accounts pertaining to the Ministry of Finance (Economic Affairs Division).

26. *Paragraph 280 on page 157 of the Commercial Accounts for the year 1957-58.*—It was reported that the Pakistan Industrial Finance Corporation had not yet framed regulations with the previous sanction of the Central Government governing the conditions subject to which, and the securities against which, the Corporation might grant loans.

As the Corporation was established as back as in the year 1948, the delay in the framing of the regulations was serious. The Chairman desired to know whether the regulations for the Corporation had since been framed. The departmental representative stated that the regulations had since been approved and were being submitted to Government.

27. Paragraph 311 on page 172 of the *Commercial Accounts for the year 1957-58*.—The Agricultural Development Finance Corporation was reported to have suffered a total loss of Rs. 29,12,066 during the seven years of its working from 1952-53 to 1958-59. The Committee desired to know whether the Corporation had succeeded in making any profits. The departmental representative stated that it had shown some profits of the order of Rs. 2 lakhs during a short period upto the end of the last financial year. The Corporation was now working as a Bank and further improvements in its working were expected as the Bank was receiving re-payments of advances. He, however, added that in the agricultural field there was a scope of bad debts due to the poor condition of the persons to whom the loans were advanced by the Corporation.

28. No questions were put to the departmental representative regarding the Appropriation Accounts for the years 1957-58 and 1958-59.

29. In their meeting held on the 8th January, 1962, the Committee had directed (*vide* paragraph 13 of the proceedings) that the Cabinet Secretary and the Accountant General, Pakistan Revenues should meet and evolve a procedure in regard to the problem as to how the Cabinet Division should control the expenditure in respect of Ministers under the Cabinet Grant. The Public Accounts Committee were informed that the problem was discussed by the representatives of the Comptroller and Auditor General with the Cabinet Division and the following alternatives were suggested by them :—

- (i) The Cabinet Grant may be decentralised and each Ministry made responsible for the entire expenditure in respect of its Minister.
- (ii) If the Cabinet Grant cannot be decentralised, the work may be centralised in the Cabinet Division and that Division made responsible for incurring expenditure in respect of that Grant and preparing the necessary bills.
- (iii) If any of the above proposals does not find favour, Private Secretary to a Minister may be made responsible for informing the Cabinet Division of the expenditure as soon as it is incurred. This may be achieved by asking the Private Secretaries to get an extra copy of the bill prepared and send that copy to the Cabinet Division—
 - (a) either while sending the bill to the A.G.P.R., to ensure that he may stamp the copy of the bill meant for A.G.P.R.'s office to show that the Cabinet Division have been informed. The A.G.P.R. would issue instructions to his office that only those bills are passed which bear such a stamp ; or
 - (b) the spare copy of the bill may be retained by the Private Secretary until the bill is passed and then he can enter the particulars of the cheque in the spare copy of the bill and pass it on to the Cabinet Division. The

A.G.P.R. assured that in this procedure, the Private Secretary would not be required to return the spare copy for more than a day or so. The expenditure not covered by the bills would be in the form of debits received from the Railway in respect of railway saloons, from the Ministry of Defence in respect of chartered planes, and from East Pakistan in respect of motor launches etc. In regard to these items, the A.G.P.R. was of the opinion that the Private Secretary usually came to know of the expenditure involved soon after the liability was incurred. For example, in the case of railway saloons he was required to sign a form accepting the expenditure involved. The Private Secretary was, therefore, in a position to pass on this information also to the Cabinet Division in time.

Audit was in favour of the alternative at (iii). As the matter was to be placed before the Ministers before the procedure was adopted, final decision could not be taken by the Cabinet Division. The Public Accounts Committee therefore, directed that the matter should be progressed and the result reported to them in their next session.

30. The Chairman stated that the deliberations of the Public Accounts Committee in their session ending on the 22nd January, 1962 had been quite successful. The examination of the Accounts pertaining to the various Ministries indicated that there had been some improvement on the financial side of the Administration. The Ministries|Divisions appeared to be paying more attention towards the financial discipline as a result of the introduction of the revised system of financial control and budgeting. The Committee hoped that all Ministeries|Divisions would continue to exercise proper control over expenditure and would ensure that all audit objections were cleared without delay.

31. The Committee thanked the Comptroller and Auditor General and the officers and staff of the Public Accounts Committee's Secretariat for their assistance in conducting their meetings successfully.

32. The Committee then adjourned *sine die*.

ANNEXURES

ANNEXURE I

(See paragraph 13 of the Report).

Statement comparing Expenditure with Grants and Appropriations, 1957-58

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less —
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL					
1. Ministry of Agriculture	17,85,000	17,85,000	21,16,722	+3,31,722	+3,31,722
2. Forests	6,01,000	6,01,000	4,90,563	—1,10,437	—1,10,437
3. Survey of Pakistan ..	56,18,000	56,18,000	52,39,861	—3,78,139	—3,78,139
4. Botanical & Zoological Survey Departments	3,95,000	3,95,000	1,80,822	—2,14,178	—2,14,178
5. Agriculture & Veterinary	2,02,78,000	2,14,04,000	1,04,63,395	—98,14,605	—1,09,40,605
6. Fisheries	6,14,000	6,14,000	5,28,892	—85,108	—85,108
7. Capital Outlay on Forests, Agriculture and Fisheries	3,31,58,000	3,31,58,000	58,46,389	—2,73,11,611	—2,73,11,611
8. Capital Outlay on Purchase of Fertilizer ..	8,57,70,000	8,57,70,000	4,26,14,145	—4,31,55,855	—4,31,55,855
9. Grant to Provincial Governments for Agricultural Development	4,00,00,000	4,00,00,000	1,53,33,957	—2,46,66,043	—2,46,66,043
10. Cabinet	66,48,000	70,04,000	71,29,781	+4,81,781	+1,25,781
11. Karachi	2,65,21,000	2,76,84,000	2,45,98,157	—19,22,843	—30,85,843
12. Other Expenditure of the Cabinet Secretariat	8,50,000	8,50,000	1,50,100	—6,99,900	—6,99,900
13. Ministry of Commerce	54,89,000	59,02,000	58,31,034	+3,42,034	—70,966
14. Department of Shipping Control	7,27,000	7,27,000	6,12,598	—1,14,402	—1,14,402
15. Lighthouses & Light-ships	3,42,000	3,42,000	2,30,774	—1,11,226	—1,11,226
16. Commercial Intelligence	4,85,000	4,85,000	4,75,021	—9,979	—9,979
17. Other Expenditure of the Ministry of Commerce	10,42,000	10,42,000	7,26,357	—3,15,643	—3,15,643
17-A. Capital Outlay on Jute & Cotton Purchases ..	..	1,22,000	1,10,811	+1,10,811	—11,189
18. Ministry of Communications	4,31,000	4,31,000	4,27,187	—3,813	—3,813
21. Central Road Fund ..	1,19,78,000	1,19,78,000	1,58,34,559	+38,56,559	+38,56,559
22. Management of Chalna Port	14,98,000	14,98,000	14,63,585	—34,415	—34,415
22-A. Other Expenditure of the Ministry of Communications ..	..	1,62,000	45,459	+45,459	—1,16,541
25. Capital Outlay on Ports	15,12,000	15,12,000	8,03,388	—7,08,612	—7,08,612
26. Ministry of Defence ..	10,94,000	10,94,000	11,13,545	+19,545	+19,545
27. Meteorology	64,79,000	64,79,000	48,50,270	—16,28,730	—16,28,730
28. Aviation	1,86,47,000	2,28,16,000	2,20,40,822	+33,93,822	—7,75,178
30. Capital Outlay on Civil Aviation	75,00,000	1,38,28,000	2,06,32,254	+1,31,32,254	+68,04,254

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure Compared with Original Grant or Appropriation More + Less -	Expenditure Compared with Final Grant or Appropriation More + Less -
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
32. Ministry of Economic Affairs	40,60,000	40,60,000	40,16,463	-43,537	-43,537
33. Technical Assistance Schemes	15,69,000	15,69,000	14,02,177	-1,66,823	-1,66,823
34. Capital Outlay on Village AID Programme	1,50,00,000	1,50,00,000	1,16,77,316	-33,22,684	-33,22,684
35. Ministry of Education	20,37,000	20,37,000	17,09,853	-3,27,147	-3,27,147
36. Archaeology and Museums	22,68,000	22,68,000	21,91,763	-76,237	-76,237
37. Education	1,69,23,000	1,69,23,000	1,82,68,454	+13,45,454	+13,45,454
— Federal Public Service Commission	6,12,000	6,12,000	6,37,597	+25,597	+25,597
38. Ministry of Finance ..	72,88,000	74,88,000	72,79,494	-8,506	-2,08,506
39. Customs	1,47,39,000	1,47,39,000	1,24,92,770	-22,46,230	-22,46,230
40. Central Excise & Salt	1,00,66,000	1,00,66,000	1,12,55,659	+11,89,659	+11,89,659
41. Taxes on Income, Corporation Tax and Sales Tax	55,10,000	60,59,000	58,45,177	+3,35,177	-2,13,823
42. Other Expenditure on Collection of Revenues	14,62,000	25,99,000	23,01,553	+8,39,553	-2,97,447
— Debt Services	11,17,15,000	11,28,29,000	12,16,86,734	+99,71,734	+88,57,734
— Audit	1,66,10,000	1,69,98,000	1,67,07,666	+97,666	-2,90,334
43. Currency and Mint ..	54,09,000	64,86,000	68,26,594	+14,17,594	+3,40,594
44. Superannuation Allowances & Pensions ..	61,00,000	61,00,000	57,18,413	-3,81,587	-3,81,587
45. Grants-in-aid and Miscellaneous Adjustments between the Central & Provincial Governments	2,98,27,000	4,12,42,000	4,12,53,995	+1,14,26,995	+11,995
46. Other Expenditure of the Ministry of Finance	8,80,000	31,96,000	29,83,869	+21,03,869	-2,12,131
47. Capital Outlay on Currency & Mint	3,17,000	3,17,000	..	-3,17,000	-3,17,000
48. Capital Outlay on Pensions	24,65,000	43,60,000	42,68,789	+18,03,789	-91,211
49. Capital Outlay on Miscellaneous Government Investments	60,00,000	60,00,000	60,00,000	..	..
49-A. Capital Outlay on Purchase of Salt .. ..	..	3,43,000	7,64,056	+7,64,056	+4,21,056
— Repayment of Debt.	4,44,14,44,000	5,90,73,82,000	5,39,19,68,735	+95,05,24,735	-51,54,15,265
50. Loans and Advances by the Central Government. } Charged	69,12,81,000	69,12,81,000	58,62,86,049	-10,49,94,951	-10,49,94,951
.. } Voted ..	6,39,47,000	13,80,52,000	8,2,70,822	+1,93,23,822	-5,47,81,178
51. Ministry of Food ..	16,67,000	17,99,000	16,11,712	-55,288	-1,87,288
52. Extraordinary Charges	2,00,00,000	9,00,18,000	9,00,18,000	+7,00,18,000	..

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less -	Expenditure compared with Final Grant or Appropriation More + Less -
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
53. Capital Outlay on Purchases by the Ministry of Food ..	1,01,85,96,000	1,01,85,96,000	99,81,28,482	-2,04,67,518	-2,04,67,518
54. Ministry of Foreign Affairs and Commonwealth Relations ..	34,55,000	35,45,000	35,23,499	+68,499	-21,501
55. Foreign Affairs ..	2,96,06,000	3,32,62,000	3,16,89,581	+20,83,581	-15,72,419
56. Other Expenditure of the Ministry of Foreign Affairs and Commonwealth Relations ..	11,80,000	33,82,000	15,23,498	+3,43,498	-18,58,502
57. Ministry of Health ..	3,97,000	4,07,000	3,94,877	-2,123	-12,123
58. Medical Services ..	1,17,47,000	1,17,47,000	88,13,444	-29,33,556	-29,33,556
59. Public Health ..	33,83,000	33,83,000	35,04,025	+1,21,025	+1,21,025
60. Capital Outlay on Medical Stores ..	1,06,81,000	1,06,81,000	1,12,99,460	+6,18,460	+6,18,460
61. Ministry of Industries ..	61,92,000	64,33,000	55,12,074	-6,79,296	-9,20,926
62. Geological Survey ..	8,30,000	11,37,000	8,91,340	+61,340	-2,45,660
63. Industries ..	4,11,000	4,11,000	2,15,539	-1,95,461	-1,95,461
64. Department of Supply and Development ..	1,02,73,000	1,05,62,000	1,01,94,037	-78,963	-3,67,963
65. Stationery and Printing	1,38,57,000	1,97,97,000	2,04,31,389	+65,74,389	+6,34,389
66. Other Expenditure of the Ministry of Industries ..	6,51,000	6,51,000	5,19,001	-1,31,999	-1,31,999
67. Capital Outlay on Industrial Development	18,67,45,000	24,25,21,000	26,62,82,413	+7,95,37,413	+2,37,61,413
68. Capital Outlay on Irrigation, Fuel and Power ..	7,63,71,000	8,20,54,000	7,01,25,594	-62,45,406	-1,19,28,406
69. Capital Outlay on Printing Presses ..	19,17,000	19,17,000	10,92,196	-8,24,804	-8,24,804
70. Capital Outlay on Miscellaneous Stores	7,97,54,000	10,66,04,000	9,34,24,016	+1,36,70,016	-1,31,79,984
71. Ministry of Information and Broadcasting	64,29,000	69,91,000	68,42,823	+4,13,823	-1,48,177
72. Pakistan Broadcasting Service	79,69,000	79,69,000	80,40,009	+71,009	+71,009
73. Other Expenditure of the Ministry of Information and Broadcasting ..	1,63,000	1,63,000	1,71,657	+8,657	+8,657
74. Capital Outlay on Broadcasting Service	18,00,000	18,00,000	14,22,664	-3,77,336	-3,77,336
75. Ministry of the Interior	13,00,000	13,00,000	12,75,172	-24,828	-24,828
76. Police ..	1,08,01,000	1,08,01,000	73,00,501	-35,00,499	-35,00,499
77. Civil Defence ..	3,32,000	3,32,000	2,61,091	-70,909	-70,909

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less —	Expenditure compared with Final Grant or Appropriation More + Less —
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
96. Other Expenditure of the Ministry of Works	11,44,000	11,44,000	10,92,573	—51,427	—51,427
97. Capital Outlay on New Federal Capital	7,31,000	7,31,000	1,61,928	—5,69,072	—5,69,072
98. Capital Outlay on Civil Works	5,75,000	5,75,000	303	—5,74,697	—5,74,697
	5,51,70,000	5,51,70,000	2,52,41,519	—2,99,28,481	—2,99,28,481
Total	6,28,54,77,000	6,76,19,61,000	6,13,50,55,510	+84,95,78,510	—62,69,05,490
	2,20,59,04,000	2,49,40,34,000	2,30,05,97,632	+9,46,93,632	—19,34,36,368
Total—Civil ..	7,49,13,81,000	9,25,59,95,000	8,43,56,53,142	+94,42,72,142	—82,03,41,858
Expenditure met from Revenue	15,21,77,000	16,27,23,000	15,68,00,423	+46,23,423	—59,22,577
	50,55,00,000	61,74,07,000	63,01,39,722	+12,46,39,722	+1,27,32,722
Expenditure met from Capital.	5,75,000	5,75,000	303	—5,74,697	—5,74,697
	1,63,64,57,000	1,73,85,75,000	1,58,71,87,088	—4,92,69,912	—15,13,87,912
Loans and Advances by the Central Government	69,12,81,000	69,12,81,000	58,62,86,049	—10,49,94,951	—10,49,94,951
	6,39,47,000	13,80,52,000	8,32,70,822	+1,93,23,822	—5,47,81,178
Repayment of Debt ..	4,44,14,44,000	5,90,73,62,000	5,39,19,68,735	+95,05,24,735	—51,54,13,265
PART II.—POSTS AND TELEGRAPHS.					
A.—Expenditure met from Revenue :					
20. Pakistan Posts and Telegraphs Department	39,00,000	44,00,000	44,24,498	+5,24,498	+24,498
	9,06,38,000	9,15,97,000	9,36,42,360	+30,04,360	+20,45,360
B.—Expenditure met from Capital :					
24. Capital Outlay on Pakistan Posts and Telegraphs	5,50,00,000	5,50,00,000	6,15,41,297	+65,41,297	+65,41,297
Total ..	39,00,000	44,00,000	44,24,498	+5,24,498	+24,498
	14,56,38,000	14,65,97,000	15,51,83,637	+95,45,637	+85,86,637
Total— Posts and Telegraphs ..	14,95,38,000	15,09,97,000	15,96,08,155	+1,00,70,155	+86,11,155

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less—
1	2	3	4	5	6
PART III.—RAILWAYS					
A.—Expenditure met from Revenue :					
19.—Pakistan Railways :					
Ordinary Working Expenses :					
<i>Charged</i>					
<i>Interest Charges ..</i>	4,82,86,000	4,82,86,000	4,88,80,985	+ 5,94,985	+ 5,94,985
<i>Voted :</i>					
Administration ..	5,50,67,000	5,51,26,000	5,30,97,149	—19,69,851	—20,28,851
Repairs and Maintenance ..	12,13,76,000	12,48,29,000	12,62,13,087	+ 48,37,087	+ 13,84,087
Operating Staff ..	6,17,92,000	6,24,57,000	6,13,79,868	+ 4,12,132	—10,77,132
Operation Fuel ..	8,50,74,000	9,01,66,000	9,01,86,580	+ 51,12,580	+ 20,580
Operation other than Staff and Fuel ..	1,50,19,000	1,65,29,000	1,63,54,228	+ 13,35,228	—1,74,772
Miscellaneous Expenses ..	1,92,77,000	2,85,54,000	3,43,26,064	+ 1,50,49,064	+ 57,72,064
Miscellaneous Railway Expenditure	27,28,000	30,74,000	24,10,697	—3,17,303	—6,63,303
Payments to Worked Lines ..	4,63,000	5,03,000	5,15,807	+ 50,807	+ 12,807
Appropriation to Depreciation Reserve Fund ..	5,25,45,000	5,25,45,000	5,23,91,000	—1,54,000	—1,54,000
Appropriation to Improvement Fund	50,00,000	75,00,000	75,00,000	+ 25,00,000	..
Total { <i>Charged</i>	4,82,86,000	4,82,86,000	4,88,80,985	+ 5,94,985	+ 5,94,985
{ <i>Voted</i>	41,83,43,000	44,12,83,000	44,43,74,480	+ 2,60,31,480	+ 30,91,480
Total—Expenditure met from Revenue ..	46,66,29,000	48,95,69,000	49,32,55,465	+ 2,66,26,465	+ 36,86,465
B.—Expenditure met from Capital					
23.—Capital Outlay on Pakistan Railways :					
New Construction ..	—1,27,000	—1,27,000	7,67,868	+ 8,94,868	+ 8,94,868
Open Line Works met from Capital, Depreciation Reserve Fund and Improvement Fund ..	17,46,83,000	17,46,83,000	16,77,47,912	—69,35,088	—69,35,088
Total { <i>Charged</i>	4,82,86,000	4,82,86,000	4,88,80,985	+ 5,94,985	+ 5,94,985
{ <i>Voted</i>	59,28,99,000	61,58,39,000	61,28,90,260	+ 1,99,91,260	—29,48,740
Total—Railways ..	64,11,85,000	66,41,25,000	66,17,71,245	+ 2,05,86,245	—23,53,755

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less —	Expenditure compared with Final Grant or Appropriation More + Less —
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
PART IV.—DEFENCE SERVICES.					
A.—Expenditure met from Revenue :					
29. Defence Services ..	90,84,06,000	90,84,06,000	95,49,01,968	+4,64,95,968	+4,64,95,968
B.—Expenditure met from Capital :					
31.—Capital Outlay on Defence Service ..	9,80,00,000	9,80,00,000	5,29,52,784	—4,50,47,216	—4,50,47,216
Total—Defence Services ..	1,00,64,06,000	1,00,64,06,000	1,00,78,54,752	+14,48,752	+14,48,752
Total	<i>Charged</i> 3,33,76,63,000	6,81,46,47,000	6,18,83,60,993	+85,06,97,993	—62,62,86,007
	<i>Voted</i> 3,95,08,47,000	4,26,28,76,000	4,07,65,26,301	+12,56,79,301	—18,63,49,699
GRAND TOTAL ..	9,28,85,10,000	11,07,75,23,000	10,26,48,87,294	+97,63,77,294	—81,26,33,706

ANNEXURE II

(See paragraph 13 of the Report).

Statement comparing Expenditure with Grants and Appropriations, 1958-59

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More— Less—	Expenditure compared with Final Grant or Appropriation More— Less—
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
PART I—CIVIL.					
A.—EXPENDITURE MET FROM REVENUE:					
1. Ministry of Agriculture	21,82,000	22,54,000	24,44,418	+2,62,418	+1,90,418
1.—A Other Expenditure of the Ministry of Agriculture .. ..	..	..	31,536	+31,536	+31,536
2. Forests	7,68,000	7,68,000	6,30,672	—1,37,328	—1,37,328
3. Survey of Pakistan	70,40,000	70,40,000	66,72,026	—3,67,974	—3,67,974
4. Botanical and Zoological Survey Department	4,14,000	4,14,000	2,15,824	—1,98,176	—1,98,176
5. Agriculture	2,39,24,000	2,39,24,000	1,60,37,671	—78,86,329	—78,86,329
6. Veterinary Services	14,34,000	14,34,000	13,69,451	—64,549	—64,549
7. Fisheries	8,22,000	8,22,000	12,02,514	+3,80,514	+3,80,514
11. Cabinet	13,99,000	23,80,000	24,10,707	+10,11,707	+30,707
12. Cabinet Secretariat	70,76,000	73,53,000	73,12,742	+2,36,742	—40,258
13. Other Expenditure of the Cabinet Secretariat	5,50,000	5,50,000	3,15,700	—2,34,300	—2,34,300
14. Ministry of Commerce	71,11,000	79,67,000	80,50,960	+9,39,960	+83,960
15. Department of Shipping Control	7,79,000	8,34,000	7,44,116	—34,884	—89,884
16. Lighthouses and Lightships	4,21,000	4,21,000	3,26,533	—94,467	—94,467
17. Commercial Intelligence	6,15,000	6,33,000	5,89,885	—25,115	—43,115
18. Other Expenditure of the Ministry of Commerce	12,72,000	12,72,000	24,55,097	+11,83,097	+11,83,097
19. Ministry of Communications	4,95,000	5,10,000	5,14,424	+19,424	+4,424
22. Central Road Fund	60,81,000	1,93,97,000	2,08,31,550	+47,50,550	+14,34,550
23. Management of Chalna Port	19,33,000	19,33,000	15,58,995	—3,74,005	—3,74,005
24. Other Expenditure of the Ministry of Communications	2,00,000	2,00,000	1,64,723	—35,277	—35,277
28. Ministry of Defence	13,80,000	13,80,000	13,85,008	+5,008	+5,008
29. Meteorology	81,01,000	81,01,000	60,52,183	—20,48,817	—20,48,817
30. Aviation	2,21,44,000	2,29,71,000	2,24,83,891	+3,39,891	—4,87,109
34. Ministry of Economic Affairs	35,27,000	35,27,000	29,86,336	—5,40,664	—5,40,664
35. National Planning Board	16,43,000	18,35,000	18,32,490	+1,89,490	—2,510

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More+ Less -	Expenditure compared with Final Grant or Appropriation More+ Less -
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
36. Technical Assistance Schemes	19,50,000	19,50,000	18,92,594	-57,406	-57,406
37. Ministry of Education	25,94,000	25,94,000	22,93,644	-3,00,356	-3,00,356
38. Archaeology and Museums	28,27,000	28,27,000	25,77,010	-2,49,990	-2,49,990
39. Assistance to Educational Institutions ..	1,76,28,000	1,76,28,000	1,72,43,751	-3,84,249	-3,84,249
40. Technical Education	9,89,000	9,89,000	7,37,756	-2,51,244	-2,51,244
41. Government Colleges and Schools ..	20,23,000	20,23,000	14,17,976	-6,05,024	-6,05,024
--- Federal Public Service Commission ..	8,09,000	10,60,000	10,68,333	+2,59,333	+8,333
42. Ministry of Finance ..	72,21,000	73,21,000	73,63,577	+1,42,577	+42,577
43. Central Board of Revenue	19,85,000	26,26,000	22,10,279	+2,25,279	-4,15,721
44. Customs	1,87,89,300	2,25,38,300	1,82,77,063	-5,12,237	-42,61,237
45. Central Excise and Salt	1,30,49,700	1,73,21,700	1,41,76,406	+11,26,706	-31,45,294
46. Taxes on Income, Corporation Tax and Sales Tax	71,94,000	79,99,000	79,02,462	+7,08,462	-96,538
47. Other Expenditure on Collection of Revenue	21,75,000	21,75,000	11,28,186	-10,46,814	-10,46,814
— Debt Services	16,11,28,000	16,86,02,000	16,98,05,452	+86,77,452	+12,03,452
— Audit	2,16,25,000	2,25,87,000	2,22,79,548	+6,54,548	-3,07,452
48. Currency and Mint	67,94,000	81,42,000	81,25,837	+13,31,837	-16,163
49. Superannuation Allowances and Pensions	79,40,000	79,40,000	77,51,043	-1,88,957	-1,88,957
50. Grants-in-Aid and Miscellaneous Adjustments between the Central and Provincial Governments	3,30,74,000	4,96,23,000	4,94,73,221	+1,63,99,221	-1,49,779
51. Other Expenditure of the Ministry of Finance	15,85,000	21,85,000	13,56,226	-2,28,774	-8,28,774
55. Ministry of Food	26,67,000	30,16,000	28,80,487	+2,13,487	-1,35,513
56. Extraordinary Charges	2,00,00,000	21,00,00,000	21,00,00,000	+19,00,00,000	..
58. Ministry of Foreign Affairs and Commonwealth Relations ..	43,47,000	45,03,000	45,13,565	+1,66,565	+10,365
59. Foreign Affairs	3,81,63,000	3,91,85,000	3,95,82,073	+14,19,073	-3,97,073
60. Other Expenditure of the Ministry of Foreign Affairs and Commonwealth Relations ..	18,88,000	33,29,000	22,94,441	+4,06,441	-10,34,559
60-A. Acquisition of New Territories .. ..	..	..	4,00,69,565	+4,00,69,565	-4,00,69,565
61. Ministry of Health	9,24,000	9,24,000	5,76,800	-3,47,200	-3,47,200
62. Medical Services	1,60,33,000	1,60,33,000	1,18,11,324	-42,21,676	-42,21,676

No. and name of Grants or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less -	Expenditure compared with Final Grant or Appropriation More + Less -
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
63. Public Health ..	43,21,000	43,21,000	35,02,418	-8,18,582	-8,18,582
66. Ministry of Industries.	74,17,300	74,17,300	64,82,085	-9,35,215	-9,35,215
67. Geological Survey ..	14,32,000	19,89,300	16,94,809	+2,62,809	-2,94,191
68. Industries	1,44,000	1,44,000	1,76,286	+32,286	+32,286
69. Department of Supply and Development ..	1,26,70,000	1,26,70,000	1,22,96,107	-3,73,893	-3,73,893
70. Stationery and Printing	1,74,05,000	1,74,05,000	1,64,24,017	-9,80,983	-9,80,983
71. Other Expenditure of the Ministry of Industries	7,02,000	7,02,000	6,41,506	-60,494	-60,494
76. Ministry of Information and Broadcasting	82,91,000	84,35,000	91,23,218	+8,32,218	+6,88,218
77. Pakistan Broadcasting Service	1,00,53,000	1,05,14,000	1,02,33,833	+1,80,833	-2,80,167
78. Other Expenditure of the Ministry of Information and Broadcasting	1,69,000	1,69,000	1,91,305	+22,305	+22,305
80. Ministry of the Interior	19,25,000	19,25,000	18,38,320	-86,680	-86,680
81. Police	1,42,04,000	4,07,04,000	4,03,00,807	+2,60,96,807	-4,03,193
82. Civil Defence	4,09,000	4,09,000	3,88,588	-20,412	-20,412
83. Other Expenditure of the Ministry of the Interior	2,67,000	2,67,000	93,854	-1,73,146	-1,73,146
84. Karachi	3,64,62,000	3,64,62,000	3,52,93,383	-11,68,617	-11,68,617
85. Ministry of Kashmir Affairs	10,35,000	11,07,000	11,34,366	+99,366	+27,366
86. Expenditure connected with the Displaced Persons from Kashmir	58,77,000	58,77,000	55,31,879	-2,25,121	-2,25,121
86-A Other Expenditure of the Ministry of Kashmir Affairs	6,50,000	11,50,000	7,94,612	+1,44,612	-3,55,388
89. Ministry of Labour	16,85,000	17,61,000	18,24,271	+1,39,271	+63,271
90. Manpower and Employment Organisation	29,63,000	30,30,000	28,44,063	-1,18,937	-1,85,937
91. Other Expenditure of the Ministry of Labour	14,79,000	14,79,000	10,97,608	-3,81,392	-3,81,392
92. Ministry of Law	8,95,500	8,95,500	8,82,422	-13,078	-13,078
— Elections	2,52,30,000	2,52,30,000	1,22,53,884	-1,29,76,116	-1,29,76,116
93. Administration of Justice—					
Charged	7,67,000	7,87,000	7,90,934	+23,934	+3,934
Voted	1,41,000	1,92,000	1,56,133	+15,133	-35,867

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation	
				More + Less -	More + Less -
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
93-A. Other Expenditure of the Ministry of Law--					
Charged .. ..	..	59,000	39,539	+29,539	-19,461
Voted	26,000	1,61,000	68,110	-42,110	-92,890
94. Ministry of Parliamentary Affairs ..	85,100	85,100	67,100	-18,000	-18,000
95. National Assembly of Pakistan--					
Charged	11,51,000	12,94,000	12,83,844	+1,34,844	-8,156
Voted	17,69,400	17,69,400	5,79,058	-11,90,342	-11,90,342
— Staff, House-hold and Allowances of the President ..	13,09,000	13,81,000	13,49,944	+1,40,944	-31,056
96. Ministry of Rehabilitation	11,23,000	11,59,000	12,33,710	+1,10,710	+74,710
97. Rehabilitation of Displaced Persons and Protection of Evacuee Property	3,34,71,000	3,94,52,000	3,64,69,922	+29,98,922	+29,82,078
98. Ministry of States and Frontier Regions ..	5,24,000	5,77,000	6,78,137	+1,54,137	+1,01,137
99. Frontier Regions ..	7,61,18,000	7,78,63,000	7,27,28,111	-33,89,889	-51,34,889
— Priry Purses	67,15,000	67,15,000	62,07,500	-5,07,500	-5,07,500
100. Ministry of Works ..	7,55,700	7,55,700	9,93,200	+2,37,500	+2,37,500
101. Civil Works--					
Charged	1,64,000	6,03,000	5,48,419	+3,84,419	-54,581
Voted	6,49,48,000	6,49,48,000	6,50,20,442	+72,442	+72,442
102. Other Expenditure of the Ministry of Works	14,27,000	21,44,000	13,33,554	-93,446	-8,10,446
Total — Expenditure met from Revenue:					
Charged	21,87,98,000	22,83,18,000	21,56,29,397	-31,68,603	-1,26,88,603
Voted	63,39,95,000	89,87,31,000	85,64,42,407	+22,24,47,407	-4,22,88,593
	85,27,93,000	1,12,70,49,000	1,07,20,71,804	+21,92,78,804	-5,49,77,196
B.—EXPENDITURE MET FROM CAPITAL :					
6. Capital Outlay on Forests, Agriculture and Fisheries ..	1,69,22,000	1,69,22,000	3,13,47,449	+1,44,25,449	+1,44,25,449
9. Capital Outlay on Purchase of Fertilizers	8,24,08,000	8,24,08,000	2,67,43,001	-5,56,64,999	-5,56,64,999
10. Grants to Provincial Governments for Agricultural Development	5,00,00,000	5,00,00,000	85,62,322	-4,14,37,678	-4,14,37,678
18-A. Capital Outlay on Jute Purchases ..	..	1,37,000	49,144	+49,144	-87,856
27. Capital Outlay on Ports	35,11,000	35,11,000	18,88,197	-16,22,803	-16,22,803

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less -	Expenditure compared with Final Grant or Appropriation More + Less -
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
32. Capital Outlay on Civil Aviation ..	2,16,28,000	2,16,28,000	1,17,98,606	-98,29,394	-98,29,394
51-A Capital Outlay on Currency and Mint ..	..	..	..	..	..
52. Capital Outlay on Pensions ..	56,21,000	56,21,000	53,42,690	-2,78,310	-2,78,310
52-A Capital Outlay on Purchase of Salt ..	..	..	..	..	..
53. Capital Outlay on Miscellaneous Government Investments	55,00,000	55,35,000	54,85,000	-15,000	-50,000
57. Capital Outlay on Purchases by the Ministry of Food ..	1,37,87,89,000	1,37,87,89,000	1,04,42,75,225	-33,45,13,775	-33,45,13,775
64. Capital Outlay on Village AID Programme ..	2,75,00,000	2,75,00,000	2,63,06,845	-11,93,155	-11,93,155
65. Capital Outlay on Medical Stores ..	1,41,00,000	1,41,00,000	1,73,04,393	+32,04,393	+32,04,393
72. Capital Outlay on Industrial Development ..	23,19,48,000	23,49,85,000	25,57,45,189	+2,37,97,189	+2,07,60,189
73. Capital Outlay on Irrigation, Fuel and Power ..	12,97,43,000	12,97,43,000	8,10,63,493	-4,86,79,507	-4,86,79,507
74. Capital Outlay on Printing Presses ..	14,09,000	14,09,000	8,34,090	-5,74,910	-5,74,910
75. Capital Outlay on Miscellaneous Stores	10,91,42,000	10,91,42,000	11,09,96,493	+18,54,493	+18,54,493
79. Capital Outlay on Broadcasting Service	10,98,000	16,14,000	12,47,180	+1,49,180	-3,66,820
87. Capital Outlay on Purchases by the Ministry of Kashmir Affairs ..	1,28,54,000	1,87,95,000	1,92,76,075	+64,22,076	+4,81,075
88. Capital Outlay on Rehabilitation of Displaced Persons from Kashmir ..	56,92,000	56,92,000	3,03,036	-33,88,964	-53,88,964
103. Capital Outlay on New Federal Capital	28,000	28,000	-17,180	-45,180	-45,180
104. Capital Outlay on Civil Works—					
Charged	5,75,000	5,75,000	..	-5,75,000	-5,75,000
Voted	6,20,33,000	6,20,33,000	5,21,97,849	-98,35,151	-98,35,151
Total—Expenditure met from Capital :					
Charged	5,75,000	5,75,000	..	-5,75,000	-5,75,000
Voted	2,15,99,26,000	2,16,95,92,000	1,74,08,18,662	-41,91,07,338	-42,87,73,338
	2,16,05,01,000	2,17,01,67,000	1,74,08,18,662	-41,96,82,338	-42,93,48,338

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation more + Less —	Expenditure compared with Final Grant or Appropriation More + Less —
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
C.—DISBURSEMENTS OF LOAN AND ADVANCES :					
<i>Repayment of Debt</i>	7,38,13,71,000	9,66,24,94,000	9,78,46,78,328	+ 2,40,33,07,328	+ 12,21,84,328
54. Loans and Advances by the Central Government :					
<i>Charged</i> ..	70,62,22,000	70,62,22,000	43,79,20,334	— 26,83,01,666	— 26,83,01,666
<i>Voted</i> ..	10,44,22,000	10,44,22,000	9,60,27,770	— 83,94,230	— 83,94,230
Total { <i>Charged</i> ..	8,30,69,66,000	10,59,76,09,000	10,43,82,28,059	+ 2,13,12,62,059	— 15,93,80,941
{ <i>Voted</i> ..	2,89,83,43,000	3,17,27,45,000	2,69,32,88,839	— 20,50,54,161	— 47,94,56,161
Total—Civil ..	11,20,53,09,000	13,77,03,54,000	13,11,56,07,570	+ 1,91,02,98,570	— 65,47,46,430
Expenditure met from Revenue } <i>Charged</i>	21,87,98,000	22,83,18,000	21,56,29,397	— 31,68,603	— 1,26,88,603
{ <i>Voted</i>	63,39,95,000	89,87,31,000	85,64,42,407	+ 22,24,47,407	— 4,22,88,593
Expenditure met from Capital } <i>Charged</i>	5,75,000	5,75,000	..	— 5,75,000	— 5,75,000
{ <i>Voted</i>	2,15,99,26,000	2,16,95,92,000	1,74,08,18,662	— 41,91,07,338	— 42,87,73,338
Loans and Advances by the Central Government } <i>Charged</i>	70,62,22,000	70,62,22,000	43,79,20,334	— 26,83,01,666	— 26,83,01,666
{ <i>Voted</i>	10,44,22,000	10,44,22,000	9,60,27,770	— 83,94,230	— 83,94,230
<i>Repayment of Debt</i>	7,38,13,71,000	9,66,24,94,000	9,78,46,78,328	+ 2,40,33,07,328	+ 12,21,84,328
PART II.—POSTS AND TELEGRAPHS					
A.—EXPENDITURE MET FROM REVENUE :					
21. Pakistan Posts and Telegraphs Department :					
<i>Charged</i> ..	64,50,000	65,50,000	68,31,210	+ 3,81,210	+ 2,81,210
<i>Voted</i> ..	12,29,40,000	12,96,02,000	13,00,99,969	+ 71,59,969	+ 4,97,969
B.—EXPENDITURE MET FROM CAPITAL :					
26. Capital Outlay on Pakistan Posts and Telegraphs ..					
	5,51,00,000	5,51,00,000	5,43,99,032	— 7,00,968	— 7,00,968
Total (A) & (B) { <i>Charged</i>	64,50,000	65,50,000	68,31,210	+ 3,81,210	+ 2,81,210
{ <i>Voted</i>	17,80,40,000	18,47,02,000	18,44,99,001	+ 64,59,001	— 2,02,999
Total—Posts and Telegraphs ..	18,44,90,000	19,12,52,000	19,13,30,211	+ 68,40,211	+ 78,211

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less—	
1	2	3	4	5	6	
	Rs.	Rs.	Rs.	Rs.	Rs.	
PART III—RAILWAYS						
A.—EXPENDITURE MET FROM REVENUE :						
20.—PAKISTAN RAILWAYS:						
ORDINARY WORKING EXPENSES :						
<i>Charged :</i>						
<i>Interest Charges ..</i>	6,22,39,000	6,37,72,000	6,45,99,449	+23,60,449	+8,27,449	
<i>Voted :</i>						
<i>Administration ..</i>	7,67,28,000	7,69,05,000	7,68,51,218	+1,23,218	—53,782	
<i>Repairs and Maintenance ..</i>	16,87,09,000	17,25,60,000	19,35,64,777	+2,43,55,777	+2,10,04,777	
<i>Operating Staff ..</i>	8,76,98,000	8,79,48,000	8,94,86,584	+17,88,584	+15,38,584	
<i>Operation Fuel ..</i>	11,11,32,000	11,50,18,000	11,53,69,604	+42,37,604	+3,51,604	
<i>Operation other than Staff and Fuel ..</i>	2,16,59,000	2,37,15,000	2,89,82,404	+73,23,404	+52,67,404	
<i>Miscellaneous Expenditure ..</i>	2,31,15,000	2,33,03,000	2,99,90,075	+68,75,075	+66,87,075	
<i>Miscellaneous Railway Expenditure</i>	49,30,000	49,30,000	36,12,523	—13,17,477	—13,17,477	
<i>Payments to Worked Lines ..</i>	5,96,000	5,96,000	4,46,614	—1,49,386	—1,49,386	
<i>Appropriations to Depreciation Reserve Fund ..</i>	6,72,06,000	6,86,58,000	6,86,58,000	—14,52,000	..	
<i>Appropriations to Improvement Fund</i>	1,25,00,000	1,25,00,000	1,25,00,000	..	..
Total—(A)Voted	57,42,73,000	58,61,33,000	61,94,61,799	+4,51,88,799	+3,33,28,799	
Total—Expenditure met from Revenue ..	63,65,12,000	64,99,05,000	68,40,61,248	+4,75,49,248	+3,41,56,248	
B.—EXPENDITURE MET FROM CAPITAL :						
25.—Capital Outlay on Pakistani Railways:						
<i>Voted :</i>						
<i>New Construction</i>	5,80,000	5,80,000	7,38,188	+1,58,188	+1,58,188	
<i>Open Line Works met from Capital, Depreciation Reserve Fund and Improvement Fund</i>	26,21,17,000	26,21,17,000	21,94,80,840	—4,26,36,160	—4,26,36,160	
Total—(B) Voted ..	26,26,97,000	26,26,97,000	22,02,19,028	—4,24,77,972	—4,24,77,972	
Total—A&B	<i>Charged</i>	<i>6,22,39,000</i>	<i>6,37,72,000</i>	<i>6,45,99,449</i>	<i>+23,60,449</i>	<i>+8,27,449</i>
	<i>Voted</i>	<i>83,69,70,000</i>	<i>84,88,30,000</i>	<i>83,96,80,827</i>	<i>+27,10,827</i>	<i>—91,49,173</i>
Total—Railways ..	89,92,09,000	91,26,02,000	90,42,80,276	+50,71,276	—83,21,724	

No. and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More+ Less-	Expenditure compared with Final Grant or Appropriation More+ Less-	
1	2	3	4	5	6	
	Rs.	Rs.	Rs.	Rs.	Rs.	
PART IV.—DEFENCE SERVICES :						
A.—EXPENDITURE MET FROM REVENUE :						
31-Defence Services ..	1,18,13,33,000	1,18,13,33,000	1,16,70,53,806	-1,42,79,194	-1,42,79,194	
B.—EXPENDITURE MET FROM CAPITAL :						
33 —Capital Outlay on Defence Services ..	8,94,67,000	8,94,67,000	8,74,72,861	-19,94,139	-19,94,139	
Total—Defence Services	1,27,08,00,000	1,27,08,00,000	1,25,45,26,667	-1,62,73,333	-1,62,73,333	
Total {	Charged ..	8,37,56,35,000	10,66,79,31,000	10,50,96,58,718	+2,13,40,03,718	-13,82,72,282
	Voted ..	5,18,41,53,000	5,47,70,77,000	4,97,19,95,334	-21,21,57,666	-50,50,81,666
Grand Total ..	13,55,98,08,000	16,14,50,08,000	15,48,16,54,052	+1,92,18,46,052	-66,33,53,948	

ANNEXURE III

(See paragraph 21 of the proceedings of the third meeting of the Public Accounts Committee held on the 10th January, 1962)

Ministry of Industries' Note regarding actions taken to recover Government dues from the various parties

The question of making recoveries from various indentors on account of supplies arranged through the Department of Supply and Development has been pursued by the Ministry of Industries, S. & D. and A.O.I.S. & F., for the last many years. The progress has not been satisfactory and a sum of Rs. 1.4 crores approximately still remains outstanding. The Public Accounts Committee in their last meeting took a serious notice of the matter and since then the matter has been vigorously pursued with the indentors. It is observed that, generally speaking, the indentors are insisting upon more detailed particulars of these debits. In many of the cases these are not available with the A.O.I.S. & F. even and on our suggestion he is trying to compile the information after getting the same from the D.C.O.S. P.W.R. who was the clearing agent for the consignment in question. The present position is as under :—

1. *Thal Development Authority : Rs. 45,00,854.00 :*

This amount is due on account of import of textile machinery from Japan originally under State Trading Scheme, which was later on allocated partly to T.D.A. and partly to other private bodies and P.I.D.C. According to the Agreement, part of the cost of the machinery was to be borne by the Central Government in form of a loan to the Provincial Government. According to the information furnished by the Ministry of Industries, the Central Government have already completed their part of the Agreement but apparently the Provincial Governments are not clear in the matter and require the position to be further checked up.

It has been decided to prepare detailed accounts of supplies made and furnish the same to the Provincial Organization for their satisfaction. Necessary accounts are being prepared.

2. *East Pakistan Government : Rs. 50,90,819.00 :*

This amount is due for supply of textile machinery to P.I.D.C. which was later on transferred to East Pakistan Government. The matter was pursued at a higher level and the Secretary, Commerce, Labour and Industries, East Pakistan, confirmed that necessary action was being taken by him to arrange deposit which is still awaited. He has been expedited.

3. *Karachi Electric Supply Corporation : Rs. 4,25,144.00 :*

The major amount due from the K.E.S.C. is on account of import of Australian Meters under the Colombo Plan arranged by the Ministry of Industries. K.E.S.C. were not satisfied with the quality and prices paid for these Meters and had taken up the matter with the Central Government in the Ministry of Industries. It is now understood from the Ministry of Industries that the Ministry of Fuel, Power and Natural Resources are now attending to this in collaboration with the Ministry of Finance (Economic Affairs Division).

As regards comparatively small amount due on other accounts, details have very recently been compiled by A.O. (I.S. & F.) and these have been communicated to K.E.S.C. to enable them to arrange deposit.

4. *Karachi Port Trust : Rs. 1,74,607.00 :*

K.P.T. had suggested that this amount should be adjusted against the deposits which they had made with the Central Government on other accounts. A meeting is being arranged between the K.P.T. and A.O. (I.S. & F.) to settle this account. It is believed that as a result of personal discussion between the two authorities, the accounts will be shortly finalised.

5. *Dacca University : Rs. 1,57,791.00 :*

The Registrar of the Dacca University has so far been contesting that he has already made necessary deposits with the High Commission for Pakistan in U.K. and Pakistan Embassy in U.S.A. and that we should call for necessary refund from these organizations for purposes of adjustment. In spite of best possible efforts, A.O. (I.S. & F.) has not been able to connect the credits. The Registrar has now been informed that he should make deposit and take necessary action directly to obtain the credits for the deposits already made by him from the authorities concerned.

6. *Commandant, Northern Scouts, Gilgit : Rs. 8,112.84 :*

The indenter has since accepted the debit of Rs. 3,150 and has confirmed that he is making necessary arrangements to deposit. For the balance of amount he has asked for details which are being compiled by A.O. (I.S. & F.). These would be furnished to the indenter for arranging a deposit.

7. *West Pakistan Government : Rs. 24,78,396.00 :*

These recoveries are on account of textile machinery imported from Japan under State Trading Scheme which was allocated to two private mills in West Pakistan. The mills have been previously finding difficulty in arranging deposits and on the requests of the Provincial Government postponements in payments were agreed for some time. On being pressed for payment, the mills have now come forward with the plea that detailed accounts of the cost of machinery and charges thereon may be furnished to them. A.O. (I.S. & F.) is compiling the account. It has also been suggested to him that he should depute some Accounts Officer to personally discuss matter with the mills and to satisfy them regarding the Government claim to enable the mills to arrange deposits.

8. *Port Commissioner, Chittagong : Rs. 2,471.62 :*

The Port Commissioner have assured early payment of this amount.

9. *Lahore Municipal Corporation : Rs. 27,807.00 :*

According to the records available with the A.O. (I.S. & F.), the contract against which the claim is based was later on cancelled by the Department of Supply and Development. The position is being checked up both by this Department as well as A.O. (I.S. & F.) and the claim will be pressed if it is finally found that the amount in question is recoverable.

10. *Karachi Municipal Corporation : Rs. 18,698.00 :*

This amount has been adjusted against another deposit made by K.M.C. which closes the case.

11. *Pakistan International Airlines Corporation : Rs. 26,168.00 :*

A.G.P.R. was originally maintaining the accounts of P.I.A. which has now asked for confirmation from A.O. (I.S. & F.) that the necessary amount has not already been drawn from the A.G.P.R. to enable them to arrange deposit. The deposit will be forthcoming as soon as the required confirmation is given by Audit Officer.

12. *Pakistan Industrial Development Corporation : Rs. 4.5 lacs :*

P.I.D.C. has asked for adjustments of the major part of this amount against their other deposits and has also asked for certain clarifications regarding debits for the balance amount. A.O. (I.S. & F.) is already working and it has been suggested to him that this should be settled at personal level.

It is reiterated that the cases are being pursued actively and it is believed that the accounts will be finalised shortly.

ANNEXURE IV

(See paragraph 11 of the proceedings of the ninth meeting of the Public Accounts Committee held on the 17th January, 1962.)

Detailed Note submitted by the Ministry of Commerce indicating the overall position with regard to the financial irregularities noticed in the accounts of Jute Board.

As directed by the Public Accounts Committee in Paragraph 11(2) of the proceedings of the fifth meeting held on Friday, the 16th December, 1960, a detailed note indicating the overall position of the case referred to in item No. 1 in Appendix II on page 73 of the Compliance Report (on the Accounts for 1953-54) is submitted as follows:—

As per trade agreement between Pakistan and India in 1950, which was in the nature of Barter Agreement, the Indian Jute Mills Association was to be supplied by the Jute Board with (i) Cuttings, (ii) Habi jabi and (iii) Rejections. These were purchased by the Board from the agents appointed by them and supplied to the Indian Jute Mills Association. According to Audit half the quantity of Cuttings and Rejections were supplied to India in *pucca* bales and the Board paid to the agents Rs. 3 and Rs. 5 extra per bale of Cuttings and Rejections respectively, resulting in an extra expenditure of Rs. 16 lakhs. Audit contends that in the absence of any provision in the trade agreement that supplies should be made in *pucca* bales, the additional expenditure could have been avoided, more so, in view of the fact that in nearly 50% cases supplies were made to India in *kutchha* bales without inconvenience to either side.

In reply it may be stated that in order to save space and loss, all shippers of jute to foreign countries must necessarily press into *pucca* bales the Cuttings and Rejections thrown out in the process of baling the long jute. It would not have been possible for the agents to procure and supply the entire quantity in *kutchha* bales even if they had been instructed to do so. The Board could not possibly have asked the agents to rebale the Cuttings and Rejections into *kutchha* bales or refuse to meet the extra baling expenses. It was also the policy of the Board to increase the total baling capacity of the country to the maximum extent. Supply of stocks in *pucca* bales also meant less claims from foreign countries on account of shortages during transit. Also it resulted in less expenditure on freight (which depends on the weight as well as the space occupied by the bales) on *pucca* bales weighing 5 maunds take about 11 cubic feet of space while *kutchha* bales weighing 4 mds. take 16 to 18 cubic feet. The saving on freight and shortages has also to be set off against the expenditure on *pucca* baling.

Audit contends that attempts should have been made to recover the extra expenditure from the purchasing country which ultimately received the benefit of having the jute in *pucca* bales instead of in *kutchha* bales. This contention is not correct. The purchasing country received no benefit. The benefit was rather on the side of the supplying country in the shape of less expenditure on freight and less claims on account of losses during transit. Audit is insisting on writing-off the amount which also does not appear to be correct. The question of write-off arises only when there is a loss. In the entire transaction with the Indian Jute Mills Association, the Jute Board earned a profit of Rs. 188 lakhs.

Audit have since furnished details about how they arrived at the figure of Rs. 16 lakhs. According to them "the total number of *pucca* bales of Cuttings sent to the Indian Jute Mills Association came to 1,78,650. The loss for sending Cuttings in *pucca* bales would, therefore, work out to Rs. 5,35,950 @ Rs. 3 per bale. In the case of Rejections the total number of such bales is 1,92,879 and so the loss on this account works out to Rs. 9,64,395 @ Rs. 5 per bale. Thus the total loss comes to Rs. 15,00,345 which is near enough to Rs. 16 lakhs."

Cuttings and Rejections in *pucca* bales (bales of 5 maunds) were despatched by the Board to the I.J.M.A., Calcutta, in the vessels of Inland Water Transport companies. Payments of freight to the I.W.T. companies were made on the basis of Rs. 4 per bale of 5 mds. from Narayanganj, irrespective of whether the consignments were loaded from stations above or below Narayanganj. This was a concessional rate to which the I.W.T. companies were persuaded by the Board to agree. The actual freight from Narayanganj prevailing at the time was Rs. 5|14|6 for a *kutch*a bale of 4 maunds. In fact it is doubtful whether the I.W.T. companies would have agreed to carry the Board's consignments at such concessional rate if the despatches did not also include *pucca* bales as more vessels are required to carry *kutch*a bales (due to their bigger volume) resulting in more operating cost. The total number of *pucca* bales according to Audit was 3,71,529. The freight charges for this quantity @ Rs. 4 per bale of 5 maunds comes to Rs. 14,86,116. If, however, the same quantity has been sent in *kutch*a bales (of 4 maunds) the number of bales would have been 4,64,411 and the freight which the Board would have been required to pay at the prevailing rate of Rs. 5|14|6 per bale works out as Rs. 27,42,928. There was, therefore, a saving of Rs. 12,56,812 in freight alone in despatching Cuttings and Rejections in *pucca* bales, in addition to other benefits which accrued from it.

by the Government. There is a difference of opinion between Audit on the one hand, and the Ministry of Defence including the Financial Adviser, on the other. Audit holds that Government's liability to reimburse losses is confined to the losses sustained by the PIAC only. Mention of the date 30th September, 1953 is in the subordinate adjectival sense, i.e., for the purpose of limitation of the period for which reimbursement may be claimed by the Corporation. The Ministry of Defence holds that the mention of the date 30th September, 1953, when the Corporation had not yet come into being, would by implication admit Orient Airways also to the benefit of the Government's guarantee for losses. They also rely on Section 21 of the Act and maintain that all losses of the Orient Airways are covered by the words borrowings, liabilities and obligations of whatever kind then subsisting and shall become on 10th March, 1955, the liability of the PIAC. The reimbursement of losses under Section 26 is, therefore, valid. In their view the matter should be looked into in the light of the scheme of the Act as a whole and the arrangement it envisaged and not as an isolated issue. The question is one of legal interpretation and the Public Accounts Committee may like to refer it to the Ministry of Law for a ruling, if considered necessary.

(ii) On the question of necessity for the reimbursement of Orient Airways losses incurred between 1st October 1953 and 11th March, 1955, Audit maintains that there was no occasion for the Government to assume such a responsibility. No such condition was stipulated in the agreement on terms of amalgamation originally reached between Government and Directors of Orient Airways. From the Company's side, the first time Orient Airways Directors made a mention of this claim between themselves was in September, 1954. From the Government's side, no specific commitment was ever made. An agency was set up, however, with Cabinet's approval in September, 1954, 'for the general control, direction and administration of the PIAC and Orient Airways', and it was assumed at this stage, again without any specific orders, that Government was committed to make good the losses of Orient Airways from 1st October, 1953. Audit feels that indemnifying a private Company against losses was most unusual and it cannot be verified from records by whom this commitment was made and whether Finance Ministry was associated when such a commitment was made.

The Ministry of Defence rely on a decision of the Prime Minister which was taken on 12th August 1953 for the formation of a Board which was authorised to handle all questions relating to the amalgamation of the Orient Airways and the PIAC. The formation of a Board whose Chairman was nominated to be Mr. M. A. Ispahani would justify the assumption that joint operations were contemplated right from the very beginning. This Board was empowered to handle all matters relating to the amalgamation of the Orient Airways and the PIAC and submit reports to the Government from time to time. The fact that losses of the Orient Airways will have to be reimbursed was referred for the first time in a summary submitted to the Cabinet on 2nd June 1954. In this summary the Cabinet's agreement was sought to the terms of amalgamation settled with the Directors of Orient Airways. Paragraph 5(c) 1(ii) of these terms which was submitted to the Cabinet as an Annexure to the summary, reads "the Government shall make good the losses of PIAC for the first three years of operations". This was approved by the Cabinet.

ANNEXURE V

(See paragraph 13 of the proceedings of the twelfth meeting of the Public Accounts Committee held on the 20th January, 1962).

Detailed note submitted by the Comptroller and Auditor General explaining full position of the case regarding irregular re-imbusement of losses sustained by the Orient Airways Limited and over valuation of its assets.

As desired by the Public Accounts Committee, the Joint Secretary (Ministry of Defence), the Financial Adviser (Ministry of Defence) and a representative of the Comptroller and Auditor General have examined the records of the Ministry of Defence relating to paragraphs 38(b) and 38(c) of the Audit Report, 1957 and the following additional factual data is submitted for the information of the Committee.

I. In paragraph 38(b) of the Audit Report, 1957 it has been stated that the reimbursement of a sum of Rs. 51,39,183 on account of losses to Orient Airways was irregular and unnecessary and that there was no clearly expressed decision covering this payment. Each point is discussed separately.

(i) Regarding the legal aspect, Sections 21, 24 and 26 of the PIAC Act, 1956 (Act No. XIX of 1956) are relevant. Section 21 of the Act provides that, as from the appointed date, the PIAC shall be liable for all borrowings, liabilities and obligations of whatever kind then subsisting of the Orient Airways. The appointed date has been notified in the Ministry of Defence Notification No. 204/55 of 16th March, 1955 as 11th March, 1955, the date on which PIAC formally came into being. Although the Orient Airways assets were transferred to the PIAC on 11th March, 1955, Section 24 of the Act provides that, for the purpose of allocation of PIAC shares to the general body of Orient Airways shareholders, the value of the Company's net assets as on 30th September, 1958 would be taken into account. In the period intervening between these two dates, the net assets of the Orient Airways had scaled down appreciably due to losses sustained on operations during the period. The arrangement, therefore, under which compensation allowed to Orient Airways shareholders is based on net assets existing on 30th September, 1953, and assets actually assumed by PIAC were those existing more than 17 months later, has involved the Corporation in an appreciable loss. In view of the clear provisions of the law, however, Audit has not objected to this arrangement. This loss is of a capital nature, and it would normally be capitalised as "Goodwill" or extinguished by future capital profits.

Audit objection relates to the application of Section 26 of the PIAC Act which provides that the Government would reimburse losses sustained by the Corporation during three years next after 30th September, 1953. Specific mention of PIAC [and not of Orient Airways whose separate existence upto the appointed date has been recognised by the same Act, *vide* section 4(1) etc.] and addition of the date 30th September, 1953 when the PIAC had not yet come into being, has created confusion. It is for consideration whether, for the purpose of this Section, losses incurred by the Orient Airways during the period 30th September, 1953 to 10th March, 1955 can be construed as losses sustained by the Corporation and the latter could lay a legal claim for the reimbursement of these losses

The point that the Government is entitled to make good the losses of Orient Airways from 1st October, 1953 was mentioned in a summary to the Cabinet which was submitted on 24th September 1954. This summary contained the following sub-para. :—

“ In order to reduce the losses, all operations of the PIAC and the Orient Airways have been carried out on a joint basis particularly because the Government is committed to make good all the losses of PIAC and Orient Airways as a joint concern with effect from 1st October, 1953 ”.

The Cabinet did not give any directions to the contrary and it was, therefore, assumed that it had accepted that losses of the Orient Airways should be made good by the Government. Further, Government sanction for reimbursement of losses was issued after having obtained the approval of the Finance Minister. It is, therefore, clear that the decision to reimburse the losses was taken at the highest executive level and in accordance with the Rules of Business.

Audit is, however, of the view that Government's liability for Orient Airways' losses has been mentioned to the Cabinet as a commitment already made and not one on which the approval or order was required. Where, when and by whom was this commitment made has not been stated and cannot be ascertained from the available records.

II. Paragraph 38(c) of the Audit Report, 1957 makes out that the valuation of the assets of the Orient Airways as on 30th September, 1953 was on the high side and that no action was taken by the Government to reduce the assessed price. The terms settled with Orient Airways provided for the assessment of the value of assets of both Orient Airways and PIAC by a mutually agreed assessor on a uniform basis. Section 24 of the PIAC Act dealt with the assets of Orient Airways only and provided that valuation made by the Assessor would be final only after it was approved by the Government. The Assessor appointed with the mutual agreement of the Government and the Orient Airways however, admitted market price as basis for the valuation of Orient Airways assets and actual price for those of PIAC. This meant placing a premium on Orient Airways assets. In giving his valuation of the Orient Airways assets he also suggested that this valuation could be reduced by 15% provided there were no buyers in Pakistan. A further reference was made to the Assessor as per Ministry of Defence letter No. AL5(6)53, dated 21st December, 1953. In his letter No. 100/521, dated 29th December, 1953, the Assessor gave some clarification for the suggestion of reduction of 15% on the valuation of assets made by him. In the subsequent discussions held at various levels including that of the Cabinet it was agreed that Mr. Hunter's (Assessor) evaluation of Orient Airways assets was considerably higher than known market prices but in view of arbitral nature of the assessment, the minimum that could be done was to secure a 15% reduction in the assessed value as suggested by Mr. Hunter. Such a reduction was justified even otherwise as the situation was one 'no buyer in Pakistan' and the position of the PIAC was not that of a buyer for this purpose as the Corporation itself was interested in knowing the price of the assets. Efforts were accordingly made to persuade the Orient Airways to accept the reduction of 15% but the Company did not agree to this. This meant that whereas the

APPENDIX A

(See Annexure VI)

Memorandum of the Ministry of Finance regarding detailed statement of Expenditure on Important New Works incorporated in the Appropriation Accounts—Raising of limits thereof.

In accordance with instructions contained in paragraph 629 of the Audit Manual, details of expenditure on all major works exceeding the monetary limit prescribed by Government, are required to be shown in the detailed statements of expenditure on important new works incorporated in the Appropriation Accounts. The existing monetary limit in this regard so far as the Civil works are concerned is Rs. 50,000. This limit was fixed by Government in pre-Independence period. The Accountant General, Pakistan Revenues has pointed out that with the general rise in the prices of material and labour, the cost of construction has gone up by four to five times with the result that the details of very minor works, which are neither of much interest to the Public Accounts Committee nor to Government, are also incorporated in the detailed statements. Accordingly he has proposed that the existing monetary limit of Rs. 50,000 may be raised to Rs. 2 lakhs so that the detailed statements may contain only substantially important works. The proposal has been supported by the Ministry of Works and Rehabilitation, who control the civil works Grants and has also been agreed to by the Comptroller and Auditor General of Pakistan.

2. The arguments given above apply equally to works of the P. & T. Department as well. The existing limits in the case of works of that Department are Rs. 20,000 in the case of Buildings and Rs. 1,00,000 in respect of other works. The Comptroller, P. & T. has proposed that these limits may be raised to Rs. 2 lakhs for Buildings and Rs. 5 lakhs for other works. The Director General, P. & T. has supported this proposal and the Comptroller and Auditor General has also agreed.

3. Approval of the Public Accounts Committee is solicited to the raising of the limits as proposed above.

ANNEXURE VII

(See paragraph 20 of the proceedings of the thirteenth meeting of the Public Accounts Committee held on 22nd January, 1962).

Note submitted by the Ministry of External Affairs explaining the position with regard to the case relating to financial loss to Government due to release of £ 1,000 to an Officer of the Embassy in Tehran against payment of equivalent amount in Rials for purchase of private car.

Paragraph 20(1) (1)(5) page 16 Audit Report, 1953—Text of the original report :

A sum of £ 1,000 was transferred on the 14th December, 1947, from the Government account to the personal account of an officer for the purchase of a car by him for his use. This transfer of money was agreed to by Government on the understanding given by the officer that an amount of Rials equivalent of £ 1,000 would be deposited by him in the Government Account, and that Government would suffer no financial loss whatsoever in the transaction. On the 21st December, 1947, the officer refunded Rials 1,28,000 corresponding in value to £ 1,000 on 14th December, 1947 that date on which £ 1,000 were transferred to the personal account of the officer, the Bank allowed a free market premium amounting to Rials 90,900 on each £ 1,000 sold to them. The Officer, therefore, received Rials 2,18,900 (1,28,000 plus 90,900) from the Bank at the free market rate while he refunded only Rials 1,28,000) at the official rate to the Government, in exchange, thereby keeping to himself the benefit accruing from the free market premium. The Government thus suffered a loss of Rials 90,900 which if converted at the official rate of exchange at that time (*viz.* Rials 984.50 equal to Rs. 100) amounts to Rs. 9,233.

Paragraph 17 at page 50 of the Report of P.A.C. on the Accounts for the years 1954-55, 1955-56 and 1956-57 :

Paragraph 20(1) (1)(5) on page 16 of the Appropriation Accounts for the year 1952-53.—A sum of £ 1,000 was transferred on the 14th December, 1947 from the Government account to the personal account of an officer for the purchase of a car by him for his use. This transfer of money was agreed to by Government on the understanding given by the officer that an amount of Rials equivalent of £ 1,000 would be deposited by him in the Government account, and that Government would suffer no financial loss whatsoever in the transaction. On the 21st December, 1947 the officer refunded Rials 1,28,000 corresponding in value to £ 1,000 at the official rate of exchange of one pound sterling equivalent to the Rials 128. On the 14th December, 1947 the date on which £ 1,000 were transferred to the personal account of the officer, the bank allowed a free market premium amounting to Rials 90,900 on each £ 1,000 sold to them. The Officer, therefore, received Rials 2,18,900 (1,28,000 plus 90,900) from the bank at the free market rate while he refunded only Rials, 1,28,000 at the official rate to the Government in exchange thereby keeping to himself the benefit accruing from the free market premium. The Government thus suffered a loss of Rials 90,900 which if converted at the official rate of exchange at that time (*viz.* Rials 984.50 equal to Rs. 100) amounting to Rs. 9,233. The Committee desired to know the position of the case. In this case too the departmental representative promised to furnish a detailed note indicating the action taken by the Ministry of Foreign Affairs and Commonwealth Relations to regularise the position.

Explanation of the Ministry

This Ministry does not agree with the contention that the officer kept to himself the benefit accruing to him from the difference of the official and the free market rate of exchange. In making this allegation the audit have overlooked two very important points *viz.*

- (i) The sterlings were given to an individual and not to a bank or commercial concern from whom free market rate could have been expected.
- (ii) That the sterlings so provided were not converted by the officer into the local market at the free rate of exchange. On the contrary, the sterlings paid by the Government to the officer were remitted to London direct for payment of the price of car. Thus notwithstanding the fact the conversions made through the Bank brought more amount in local currency the recovery in Rials against pounds 1,000 released to the officer, was correctly made at the official rate of exchange, which was the rate adopted for all disbursements.

A brief statement of the case will go a long way towards a correct understanding of the entire matter. A sum of £ 1,000 was sanctioned by the Government to an officer for the purchase of a car on the condition that he would pay to the Government in lump sum an equivalent amount in local currency *viz.* Rials. This sanction was given at a time when Government had not provided an official car for the mission. The officer purchased the car in London by remitting £ 1,000, direct to London. The Officer credited to the Government shortly afterwards a sum of Rials 1,28,000 at the official rate. Since the sterlings released to the officer were utilised (in sterlings and not after conversion into local currency) for the purpose for which it was released without converting in the local currency, he did not benefit by the non-commercial beneficial rate introduced by the local bank on the date mentioned in the objection, Government did not suffer any financial loss over and above the initial figures budgeted for the mission. Had the officer purchased the car in Iran by paying the price in local currency, the question of payment at the free market could have arisen. But this was not the case.

In view of what has been stated above it will be clear that in this case neither the Government has suffered any monetary loss nor has the officer drawn any monetary benefit due to free market premium. The question of asking for any refund from the officer, does not, therefore, arise.

As our contention was that the transaction did not involve any monetary loss to the Government the position was explained to the A.G.P.R., who was requested to treat the paragraph as settled. There was an exchange of correspondence on the subject with the A.G.P.R. Copies enclosed (Appendix B and C).

Incidentally it may be mentioned that the officer had been residing in Tehran since 1943 in the British Embassy and with partition, he came over to the Pakistan Mission. The advance was sought a few months after Independence and the matter is now more than 14 years old.

In the circumstances stated above it is hoped that the matter may be considered as closed.

APPENDIX B

(See Annexure VII)

Copy of Ministry of External Affairs letter No. D-1743-Audit|61, dated the 16|18th September, 1961 addressed to Accountant General, Pakistan Revenues, Karachi.

Please refer to the correspondence resting with your Memo. No. OA-281|1053, dated the 10th April, 1961 addressed to Mr. Hashmi of this Ministry, regarding unfinalized cases of financial irregularities, losses etc., reported in Audit Reports for the years from 1954 to 1957.

2. Out of 5 cases reported at serial Nos. 13 to 17 of the list of un-finalised cases of financial irregularities etc., mentioned in the Audit Reports (Civil) and the notes below the Appropriation Accounts 1947-48 to 1953-54, 4 (*viz.* 13 to 15 and 17) have been treated as settled *vide* your Memo. under reference and your Endorsement No. OA-1|1084, dated the 8th April, 1961. It will thus be seen that item No. 16 still remains to be settled at your end. We feel that position in respect of this objection as explained in Annexure I forwarded with Mr. Chaudhuri's letter of even number, dated 23rd December, 1960 to Rana Sahib, has not been fully understood. But it was hoped that the objection could have been treated as settled because the transaction did not make Government to suffer any monetary loss nor afforded any benefit to the officer concerned. Further clarification, therefore, seems necessary to enable you to assess the factual position and to understand the Ministry's view point in the matter.

3. The position is that under government orders a sum of £ 1,000 was advanced to the officer on the 14th December 1947 for purchase of a car from U.K., for his use, on the condition that an equivalent amount in Rials or Sterling would be credited to the Government account. The condition was purposely imposed so that the Government should not be made to suffer any loss in Foreign Exchange etc., in the transaction.

4. The officer remitted £ 1,000 in terms of the sanction associated with the release of pounds sterling in his favour, directly, to London to meet the cost of his car which he purchased in U.K., and simultaneously on the 21st December 1947, paid an equivalent amount in Rials at the official rate of exchange. Since the amount was drawn in sterling and utilized in sterling for the purpose for which it was released, it left no room for him to make any profit out of the transaction, because no after-conversion in local currency was resorted to. Had the officer purchased a car for him in the local market the objection would have been valid as in that case the conversion of the sterling to Rials would have involved the free market rate of conversion. It follows, therefore, that the Audit objection seems to be based on a hypothetical issue that the officer has benefited himself in the transaction to the tune of Rials 90,900 (Ninety thousands and Nine hundred) or Rs. 9,233 (Rs. Nine thousands and two hundred and thirty three only), which is not correct.

5. In view of the position explained above I am to request you that the objection may kindly be dropped.

APPENDIX C

(See Annexure VII)

Copy of Accountant General, Pakistan Revenues letter No. OA/28-1/1568, dated the 4th October, 1961 addressed to the Ministry of External Affairs, Karachi.

Please refer to the correspondence resting with your D.O. letter No. D. 1743-Audit/61, dated 16/18th September, 1961 regarding the un-finalised cases of financial irregularities, losses, etc., reported in the Audit Reports, 1954-57—paragraph 20(1) (1) (5)—Page 16 of the Audit Report, 1954.

The position explained by the Ministry does not seem to be quite correct. The Government had actually agreed to the transaction in question, on the understanding given by the Officer concerned that the Government would suffer no financial loss "whatsoever". Notwithstanding, the entire amount of £ 1,000 was remitted by the officer concerned to London from where the car was purchased, the fact still remains that the Government did suffer financially as the free market premium amounting to Rials 90,900 on each £ 1,000 was being allowed by the bank on the date (i.e. 14th December, 1947) on which £ 1,000 were transferred to the personal account of the officer concerned for onward transmission to London. Had this transaction been taken place between the Embassy and the bank instead of between the Embassy and the officer concerned, the Government must have gained Rials 90,900 which if converted at the official rate of exchange worked out to Rs. 9,233. If, however, the intention of the Government and the officer was to deposit equivalent of £ 1,000 at the official rate of exchange, then there was neither any sense in taking an undertaking of the type that the Government would suffer no financial loss "whatsoever" nor need of giving unnecessary financial aid to the officer concerned. The word "whatsoever" used in the undertaking is indicative of the fact that the Government did apprehend the loss in the transaction and that the officer gave the undertaking of the type to avoid or compensate that loss but which he did not do subsequently.

However, in order to be more clear on the point, I would request you kindly to let me know the source from which the sum of Rials 1,28,000 equivalent to £ 1,000 at the official rate of exchange were refunded to the Government by the officer concerned i.e. whether he had any Rials Account in the bank from which these were transferred to the Embassy's Rials Account or from some other source.

I would appreciate a very early reply.

ANNEXURE VIII

(See paragraph 21 of the proceedings of the thirteenth meeting of the Public Accounts Committee held on the 22nd January, 1962).

Note submitted by the Ministry of External Affairs explaining the position with regard to the incorrect evidence given before the P.A.C. in the case relating to anticipating the Government sanctions in a Pakistan Mission abroad.

Extract from a statement (circulated by the Comptroller and Auditor-General), regarding cases where the explanation given by the departmental representative before the Public Accounts Committee on 15th December, 1960 were found on subsequent verification to be incorrect.

I. *Reference to Paragraph No. and page of the Audit Report etc.*—
Note 5(iv) on page 202 of the Appropriation Accounts for 1954-55.

Substance of the Paragraph.—It was stated that a Pakistan Mission abroad had shown a persistent tendency of anticipating the Government orders in regard to pay scales, special pay and leave rules.

Statement made by the departmental representative.—The departmental representative stated that all cases of anticipating the sanction of Government had been regularised with the concurrence of Ministry of Finance in August, 1959.

Correct position as verified subsequently :

- (i) *Scales of Pay of the Locally recruited staff.*
- (ii) *Leave Rules for the locally recruited staff.*—Statement of the departmental representative is correct.
- (iii) *Special Pay to the Secretaries etc.*—The graduated Special Pay to the Social Secretary and other Secretaries has been regularised in August, 1959. But the sanction to regularise the special pay of £ 26—39 for Secretaries attached to the Head of the Mission paid as far back as 1952 is still awaited from the Government.

Explanation of the Ministry

II. The locally recruited staff including Stenographers (Secretaries) in the High Commission, London were paid according to Estacode till March, 1952. From April, 1952 Estacode scales of pay were abolished and replaced by new scales of pay *vide* our sanction No. M(II)2/12/52, dated the 22nd December, 1952 (Appendix D). In August, 1955 the Estacode scales of pay were revised *vide* this Ministry's sanction No. M(II)2/10/55, dated the 23rd April, 1957.

In 1953, while the other scales of pay (not Estacode) were operative, the High Commission was informed that the sanction for the grant of Special Pay of £ 26—£ 39 to Stenographers was being issued c.f. 3(iv) of this Ministry's letter No. M(II)2253, dated the 25th May, 1953 (Appendix E). At this time the question of reviving the Estacode scales of pay was under correspondence with the Ministry of Finance and the final sanction for the revised scales (Estacode of pay) was issued *vide* this Ministry's sanction No. M(II)-2 10 55, dated the 24th April, 1957 (Appendix F). In this sanction the various stenographers (Secretaries) were sanctioned special pay of £ 60—110 per annum. The Ministry of Finance had agreed to retrospective effect to this sanction *vide* their U.O. No. 4333-EG. II/56, dated the 20th August, 1956. Unfortunately in the body of this sanction this fact has not been mentioned.

It may be pointed out that the special pay ultimately sanctioned in 1957 for stenographers was much higher than £ 26—39 allowed to them earlier.

Due to an oversight on the part of this Ministry the sanction conveyed in 1957 was deemed to have retrospective effect from 1952. It was under this impression that at the last year's P.A.C. meeting it was stated by the Ministry that the matter had been regularised. This is very much regretted. There could however, be no question on the part of this Ministry of not regularising this special pay of £ 26—39 when subsequently the same special pay was got increased to £ 60—110.

APPENDIX D

(See Annexure VIII)

Copy of letter No. M(II)2|12|52, dated the 22nd December, 1952 issued by the Ministry of Foreign Affairs and Commonwealth Relations addressed to the High Commissioner for Pakistan in U.K., London, regarding the revision of the scales of pay of the locally recruited staff in the Pakistan High Commission, London—abolition of the Estacode scales of pay.

I am directed to refer to this Ministry's telegram No. 4667, dated 27th October, 1952 and to convey the sanction of the Government of Pakistan to the abolition of the Estacode Scales of pay which were in force for the locally recruited staff in the Pakistan High Commission, London, and their substitution by the following scales of pay with effect from the 1st April, 1952.

<i>Designation</i>	<i>Scale of Pay</i>	
Officer Supervisor.	£ 985-30-1075-40-1115	per annum.
Superintendent.	£ 775-30-955	do.
Assistant-in-charge.	£ 500-25-750	do.
Clerks Special Grade.	£ 410-15-EB-455-15-500-20-600	do.
Clerks Ordinary Grade.	£ 350-15-EB-395-15-470	do.
Stenographers Grade I.	£ 410-15-EB-455-15-500-20-600	do.
Stenographers Grade II.	£ do.	do.
Copy Typists Grade I.	£ 350-15-EB-395-15-470	do.
Copy Typists Grade II.	£ do.	do.
Machine Operators.	£ do.	do.
Photo Printers Grade I.	£ 375-15-435	do.
Photo Printers Grade II.	£ 335-10-375	do.

2. The additional expenditure involved should be met as far as possible from within the sanctioned budget grant or by reappropriation and a report sent to this Ministry in due course, with a review of expenditure and savings under the various heads and sub-heads.

APPENDIX E

(See Annexure VIII)

Copy of letter No. M(11)2|2|53, dated the 25th May, 1953 issued by the Ministry of F.A. & C.R., Karachi addressed to the High Commissioner for Pakistan in U.K., London regarding revision of the scales of pay of the locally recruited staff in the Pakistan High Commission, London—abolition of the Estacode scales of pay.

I am directed to acknowledge your letter No. F|EST|24|52, dated the 6th February, 1953 and the 12th May, 1953. It is regretted that due to pressure of work in connection with the budget cuts, your letter dated the 6th February, 1953 was overlooked in this Ministry.

2. The Ministry of Finance are being approached for concurrence to the following :

* * * *

3. (iv) In the proposed scales sent with your letter No. PO|3|52|I, dated the 25th March, 1952 sanction was asked for among others for the following :

Stenographers grade one	}	£ 410—15—EB—455—15—500— 20—600 plus special pay to be specified for a few particular posts between £ 26 to £ 36 per annum.
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Designating some of these posts as Secretaries had led to confusion and complications. Moreover, it is not possible to issue sanction for special pay in such general terms as "few particular posts". It is suggested that all posts of Stenographers in your Mission should be equated with Stenographers grade II under the new pay scales. You should then obtain concurrence of this Ministry for converting some of these posts in the Chancery to Stenographers grade I. For other divisions in your office reference should be made to their parent Ministries. Orders are under issue separately authorising the High Commissioner to grant special pay between £ 26—£ 39 per annum to Stenographers grade I according to the importance of the post.

APPENDIX F

(See Annexure VIII)

Copy of Ministry of Foreign Affairs and Commonwealth Relations letter No. M(II)-2|10|55, dated the 24th April, 1957 addressed to the High Commissioner for Pakistan in the United Kingdom, London.

SUBJECT :—*Award of special pay to the personal staff of the High Commissioner and the Secretaries of the Deputy High Commissioner, Counsellor and the Financial Adviser.*

I am directed to refer to your d.o. letter No. P.O. 3|88|56, dated the 24|25th May, 1956, and to convey the sanction of the President to the grant of Special Pay to the Secretaries attached to the High Commissioner for Pakistan, London, Deputy High Commissioner, Counsellor and Financial Adviser as under :—

(i) *Secretaries to the High Commissioner :*

	£
After two years' service in the Mission	.. 80 p.a.
After one year's additional service	.. 90 p.a.
After two years' additional service	.. 100 p.a.
After three years' additional service	.. 110 p.a.
After four years' additional service	.. 120 p.a.

(ii) *Secretaries to the Deputy High Commissioner, Counsellor and Financial Adviser :*

	£
In the first year of service	.. 60 p.a.
In the 2nd year of service	.. 65 p.a.
In the 3rd year of service	.. 70 p.a.
In the 4th year of service	.. 80 p.a.

2. The additional expenditure involved should be met from within the sanctioned budget grant of your Mission.

ANNEXURE IX

(See paragraph 21 of the proceedings of the thirteenth meeting of the Public Accounts Committee).

Note submitted by the Ministry of External Affairs explaining the position with regard to the incorrect evidence given before the P.A.C. in the case relating to overpayments of pay and allowances to the Head of a Mission abroad.

Extract from Statement (circulated by the Comptroller and Auditor-General), regarding cases where the explanation given by the departmental representative before the Public Accounts Committee on 12th December, 1960 was found on subsequent verification to be incorrect.

I. *Reference to paragraph No. and page of the Audit Report etc.—*
Paragraph 41 on page 27 of the Audit Report (Civil) for 1958.

Substance of the Paragraph.—The Head of the Mission, who was already drawing his pension from the Defence Estimates, was allowed on his appointment on the 25th December, 1956 to a diplomatic post, pay at Rs. 2,250 per month less his pension. He, however, drew his pay of Rs. 2,250 and only deducted the amount of pension after commutation instead of the whole of pension. This resulted in an excess payment of Rs. 9,815 as pay and Rs. 7,592 as exchange compensation allowance which was irregularly drawn on the full pay inclusive of pension although under the Rule it should have been calculated on the pay *minus* pension.

Statement made by the departmental representative.—The departmental representative stated that it had since been decided by the Ministry of Finance that the Head of the Mission was at liberty to draw the full pay and was thus entitled to exchange compensation allowance on the full amount. He added that the whole of the pension drawn by the Head of the Mission had been refunded by him.

Correct position as verified subsequently.—The factual position of the case is that out of Rs. 9,815 overdrawn by the Officer a sum of Rs. 7,176 only has been refunded and the balance amount of Rs. 2,639 is yet to be refunded.

Explanation of the Ministry

II. The statement made by the representative of this Ministry in the meeting of the Public Accounts Committee held on the 13th December, 1960, was not incorrect. The detailed position is as follows :—

The Head of Mission drew full amount of his salary as High Commissioner instead of reducing it to the extent of his pension of £ 1,058 per annum. He was also drawing exchange compensation on the full amount of salary. During the course of local audit the audit objected to this and worked out the recovery of (1) Rs. 8,011|9|- on account of pay and (2) Rs. 6,954 on account of exchange compensation.

Later on the Head of Mission was allowed exchange compensation on the full amount of his salary *i.e.* pay *plus* pension *vide* our sanction No. PFS-II/4/2/60, dated 18th July, 1960. However, the amount overdrawn as pay remained recoverable. In August, 1959 the Accountant General, Pakistan Revenues, advised the Chief Auditor of the Mission to recover Rs. 9,815 instead of Rs. 8,011/9/-. Accordingly recovery was started at the rate of Rs. 598 per month with effect from August, 1959 and it continued upto July, 1960. The Chief Auditor of the Mission then enquired about the details of Rs. 9,815 advised by the A.G.P.R., as recoverable. Thus upto July, 1960 Rs. 7,176 had been recovered. As a result of the clarification sought by the Chief Auditor, the A.G.P.R. seemed to have discovered that the figure of Rs. 9,815 (communicated earlier) was not correct and that a sum of Rs. 8,011 on account of pay only was recoverable. Thus a sum of Rs. 835/9/- and not Rs. 2,639 remained to be recovered from the Head of Mission at the end of July, 1960. At the same time the position also was that the Head of Mission had been underpaid his exchange compensation allowance to a certain extent. Therefore on the one hand Government had to recover Rs. 835/9/- from the Head of Mission and on the other had to pay to him arrears of exchange compensation allowance which covered the recoverable amount. The Director of Audit has carried out the adjustments this month. Thus after July, 1960 when the recovery was suspended by the Chief Auditor, London the position was that the Head of Mission had actually nothing more to pay to the Government. It was then only the question of adjusting one amount against another and not question of recovery from the High Commissioner.

In view of the position explained above the statement of representative of this Ministry was correct.