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CENTRAL GOVERNMENT

AUDIT REPORT

DEFENCE SERVICES

1948



(INCLUDING REPORT ON THE APPROPRIATION ACCOUNTS OF THE
DEFENCE SERVICES FOR 1946-47)

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PREFATORY REMARKS

The Accounts dealt with in this Report relate to the year 1946-47. The Audit Report is prepared in accordance with paragraph 13 (1) (i) and (iii) of the Government of India (Audit and Accounts) Order, 1936, and Section 169 of the Government of India Act, 1935. It embodies the report of the Auditor of Indian Home Accounts relating to transactions in the United Kingdom affecting the Defence Services, submitted under sub-Section (4) of Section 170 (now defunct) of the Government of India Act, 1935. It includes also the comments it is deemed necessary to make upon the examination of the accounts of receipts and of stores and stock made under paragraph 13 (2) of the Order in Council already mentioned.

2. The comments which it is deemed necessary to make upon the results of the audit of all trading, manufacturing and profit and loss accounts and balance sheets kept in respect of Government commercial or quasi-commercial concerns are contained in a "Commercial Appendix" separately printed.

3. The Appropriation Accounts are prepared by the Financial Adviser, Ministry of Finance (Defence), and are accompanied by a departmental review. The accounts have been scrutinised in detail by the Military Accounts Department and test-checked by the statutory audit staff working under the Director of Audit, Defence Services.

4. In this Report irregularities discovered alike by the internal check authorities, *viz.*, the Military Accounts Department, and by the Audit Department have been included without distinction; this being in accordance with the recommendation of the Public Accounts Committee for 1930-31. Comments have been confined as far as possible to audit points of outstanding interest or importance, the examination of which by the Audit Department and the administrative authorities respectively has reached a sufficiently advanced stage to make their inclusion of practical use.

5. Though Defence expenditure was non-voted, the Defence Appropriation Accounts stood, in practice at any rate, on the same footing as the other Appropriation Accounts so far as examination by the Public Accounts Committee is concerned.

6. In order that only agreed statements of facts and completed cases may be included in the Report a convention has been established between the Auditor General and the Defence Department (now Ministry of Defence) whereby cases relating to any previous year which have become ripe for inclusion since the writing of the last Report are included in the Report of the first convenient year.

As there was considerable delay in some cases in the acceptance of the paragraphs of the Audit Report sent to the Departments concerned, the Military Accounts Committee in their Report on the accounts of 1943-44 desired that no more than a period of six weeks be allowed to the Departments to accept or modify the form of the paragraphs of the Audit Report. If the Departments were unable to do so within the prescribed time, Audit would be justified in treating its own draft as final. To avoid delay in the presentation of important material this procedure has been adopted in the present Report.

7. The cases of financial irregularity, apparently defective administration, etc., which are brought to notice in the Report represent only a small percentage of the total financial transactions of the year. The comments on such cases must not be understood as conveying any general reflection on the administration of public expenditure. Attention is, however, invited to paragraphs 34 and 48 of this Report.

AUDIT REPORT, 1948

PART I—CHANGES OF THE YEAR UNDER REPORT

1. There has been no important change either in the form and classification of the accounts or in the form of the presentation of the Appropriation Accounts which continue to be the same as introduced in 1939-40, consequent on the Financial Settlement with His Majesty's Government regarding the incidence of Defence expenditure.

2. As explained in the Audit Report, 1941, while Appropriation audit is confined to the units of appropriation in respect of expenditure ultimately debit to Indian revenues, the whole field of defence expenditure, whether met from Indian revenues or by His Majesty's Government, is checked in audit (the latter on behalf of the Comptroller and Auditor General in the United Kingdom) from the point of view of propriety and regularity, and the important results of such audit are embodied in the usual in the relevant chapters of this Report.

PART II—GENERAL REVIEW OF THE RESULTS OF AUDIT

SECTION 1.—APPROPRIATION AUDIT

3. The actual expenditure registered a net saving of Rs. 35.73 crores and Rs. 43.32 crores as compared with the original and modified appropriation respectively. The main variations occurred under the following heads :—

	Over the original appropriation	Over the modified appropriation
Excesses (In crores of rupees)		
Head 58/XLVII—Defence Services—Effective
New Main Head 2—Provision for increase in prices	5.14	1.48
Head 59/XLVIII—Defence Services—Non-effective	4.03	2.33
Head 36—Defence Capital expenditure	.66	1.03
Total	9.83	5.32
Savings (In crores of rupees).		
Head 53/XLVII—Defence Services—Effective, New Main		
Head 3—War Measures chargeable to Indian revenues.	45.58	48.64
Net Saving	35.73	43.32

The reasons for the variations have been explained in detail in paragraphs 3 and 8 of the Financial Adviser's review.

SECTION 2.—PRELIMINARY REMARKS.

4. Only important or typical financial irregularities have been mentioned in this Report. The arrangement of the Report follows that of the previous years except that Chapter 2 has been amplified to include cases relating to disposal of stores as well.

5. Consequent on the partition of India, the branch Audit Offices located in the area now under Pakistan ceased to function with effect from August 15, 1947, under the Director of Audit, Defence Services. The audit of the accounts for 1946-47 was completed by that date except in regard to certain final accounts which had not been closed or not prepared by the date of partition. The certificates and reports and returns required in connection with the Appropriation Accounts for 1947 and the Audit Report, 1948, could not, therefore, be rendered by the branch offices before they were wound up. These final accounts and returns for 1946-47

been rendered by the Accountant General (Military), Pakistan, who combines audit and accounts functions. On the basis of his check the Audit certificate has been given by the Auditor General.

CHAPTER I.—WORKS EXPENDITURE

MINISTRY OF DEFENCE

Engineer-in-Chief's Branch

6. *Accounts of Garrison Engineers.*—A synoptic review of the condition of accounts in Military Engineer Services formations during 1945-46 was given in para. 5 of the Audit Report, 1947, in which certain important types of irregularities were mentioned. Irregularities of similar nature continued to persist in two Commands during the year under review. A few of them of special interest are mentioned below :—

- (i) In one division a recovery of Rs. 3.12 lakhs is outstanding in respect of stores issued to two Indian States. As no recovery could be effected by the Military Engineer Services authorities, the question has now been taken up by the Ministry of States. Recoveries on account of stores issued to contractors and Indian States were either not made or considerably delayed in another division.
- (ii) Instances were noticed in which debits were not raised against the contractors for stores and transport supplied to them. As a result of objections raised in audit a sum of Rs. 2.65 lakhs was noted for recovery.
- (iii) In four formations loss statements were not prepared in several cases nor action taken for their regularisation.

7. *Special procedure for the settlement of old objections (Military Engineer Services).*—Mention was made in para. 12 of Audit Report, 1947, of the special procedure devised to deal with the back-log of audit objections raised on the accounts of the Military Engineer Services up to the end of 1944-45.

The above procedure was further extended to apply to all objections raised in respect of the accounts up to and including those for 1945-46, to final bills of works completed prior to April 1, 1946, to miscellaneous items of expenditure prior to October 1946, and to numerical accounts of materials, tools and plant and furniture prior to April 1947. Outstanding objections and objection statements were required to be reviewed jointly by the Controllers of Military Accounts and the executive officers concerned so that no time might be lost in closing as many items as possible.

The review has been completed in one Command except in a few cases still awaiting action. The money value of objections waived amounted to approximately Rs. 318 lakhs in regard to three categories of objections; the financial effect in regard to other categories is not available. In another Command, necessary particulars are still being collected for the review.

8. *Irregular expenditure on unauthorised items of work.*—After obtaining administrative approval of the competent financial authority to the provision of accommodation at a certain station for housing an Air Borne Division for about a year, at an estimated cost of Rs. 82.93 lakhs the authorities responsible for the actual execution of the project carried out certain additional items of work, not originally contemplated, without reference to the competent financial authority. This is said to have been done in the hope that the additional cost would be covered by the permissible

excess of 20 per cent. over the amount administratively approved. This in itself irregular. As, however, the completion costs were later anticipated to exceed the said limit, revised estimates envisaging an expenditure of about Rs. 13 lakhs were submitted in November 1945, by which time orders for the stoppage of work had issued as the accommodation, which was occupied for not more than 10 months, was no longer required. This resulted in the actual expenditure on the project being limited to about Rs. 111.5 lakhs. Government refused to accord *ex-post-facto* sanction to this expenditure on the ground that unauthorised work on a large scale had been carried out in providing water supply and furniture. When the project was sanctioned it was intended that troops occupying the accommodation for training purposes should live as far as possible under Field Service conditions and accordingly minimum expenditure was authorized on water supply and furniture. The Command, however, without consulting General Headquarters authorised the provision of furniture and water supply to ordinary scales. This caused an excess of approximately Rs. 52 lakhs on the two items in question. The expenditure would not have been authorised by the Government of India if the proposal had been referred to them for prior sanction as it should have been. The furniture costing Rs. 34 lakhs is reported to have been used on other projects and there was, therefore, no infructuous expenditure on this account. It has been explained that a court enquiry cannot be held to investigate responsibility, owing to lack of documentary evidence, though it has been admitted that the irregularity involved in this case was such as should have been accounted for by the officer(s) responsible.

9. *Infructuous expenditure on production of coal.*—To cope with the anticipated acute shortage of coal required for burning bricks in his area during the winter season of 1943-44, the Chief Engineer of a Command submitted a proposal in January 1944 for the development of an alternative supply from certain existing coal fields up to 10,000 tons per month for 12 months, stating therein that costs would be worked out by him on receipt of sanction. As the maintenance of an adequate supply of coal for brick burning was of vital importance for the construction of war works the proposal in question was approved subject to the proviso that General Headquarters should be kept in touch with developments.

The work was commenced in March 1944, but no financial appreciation or manufacturing estimate was prepared, as required under rules and as assured by the Chief Engineer, in spite of repeated instructions from General Headquarters. Later, on the suggestion of the Ministry of Industry and Supply to reconsider the arrangements for extracting coal, he was specifically asked in August 1944, to produce an estimate of the arrangements for quarrying coal, and to submit a detailed report on the working. On its receipt it was found that the output, which was less than 20 per cent. of the quantity originally forecast, did not justify the continuance of the scheme and it was accordingly ordered to be closed down in September 1944.

From the statement of expenditure on the project and the quantity of output since compiled, it appears that a sum of Rs. 12.60 lakhs approximately was expended on the production of 19,343 tons (against the anticipated outturn of 70-80 thousand tons) of coal giving an average of Rs. 65.2 per ton. This price compares very adversely with the prevailing price, Rs. 20 per ton, of coal elsewhere in India and it appears that there has been infructuous expenditure, possibly up to Rs. 5 lakhs, though the exact amount is difficult to assess now.

The failure on the part of the Chief Engineer to prepare the estimate of manufacturing and to submit the monthly progress reports called for by the authorities at General Headquarters contributed to this apparent infructuous expenditure, which the Government finally refused to regularise.

No disciplinary action could be taken as the officers concerned had left the country on reversion or retirement.

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10. *Irregular contract for repairs.*—According to the terms of the contract agreement for a work entrusted to a firm of contractors, the firm was responsible for making good the defects noticed during the maintenance period in the buildings constructed by it. The Chief Engineer of the Army concerned, however, limited the firm's liability for such defects to a sum of Rs. 10,000 only, by entering into a fresh repair contract with it for a sum of Rs. 21,004. The Chief Engineer had no power to enter into this repair contract which was contrary to the provisions of the original agreement. The Government Solicitor, to whom the matter was referred, held that Government was bound to abide by the terms of the repair contract. Government, however, refused to accord *ex-post-facto* sanction to regularise the execution of the repair contract.

As the officer responsible for the irregularity had left the country no disciplinary action was taken against him. The personal dissatisfaction of the Engineer-in-Chief at the Chief Engineer's action was, however, conveyed to him.

11. *Irregularities in a project executed under undue pressure.*—A project was sanctioned in March 1944, at a cost of Rs. 36.35 lakhs and was required to be completed by June 1, 1944. It was, however, actually completed in August 1944 at a final cost of Rs. 66.9 lakhs.

Several irregularities occurred during the execution of the work, and investigations carried out by two courts of enquiry revealed the following unsatisfactory features:—

- (1) The store accounts were not maintained properly and a loss of Rs. 5.75 lakhs arising from local purchase, deficiencies, theft and fraud had to be written off by Government.
- (2) Out of the total cost of Rs. 66 lakhs incurred on the project, expenditure on transport amounted to Rs. 19.85 lakhs. The high cost of transport was attributed, mainly, to lack of proper planning in regard to:—
 - (a) provision of bricks and metal close to the site of the work, with the result that they had to be transported over long distances, and
 - (b) improvement and maintenance of a direct approach road which resulted in payment for transport being made by a circuitous route, although it appears that the direct route was being used in dry weather.
- (3) There were other irregularities in regard to expenditure on transport, such as, provision in the contract for payment at 12 annas per ton per mile which was high especially for long distances, calculation of tonnage carried by lorries on the assumption that there were 336 bricks to a ton instead of at the correct figure of about 400, non-preparation of transport indents in all cases and signing of contractor's challans for services rendered by subordinate staff, such as, mistries.
- (4) After due examination, it was held by the authorities at General Headquarters that though the pressure resulting from the setting of an impossible target date and shortage of trained personnel were extenuating factors, yet they could not be taken as adequate to absolve the officers concerned completely from their responsibility for adequate planning and control. Disciplinary action was taken against two individuals concerned for fraud and theft in connection with store losses, but no action could be taken against the officers responsible for other irregularities, as they had been either released or repatriated to the United Kingdom.
- (5) Suitable remedial action has been taken to ensure that target dates for completion are fixed after due examination and having regard to availability of necessary staff.

12. *Extra expenditure on stores.*—In a contract concluded in one Military Engineer Services Division there was provision for supplying "ballies" to the contractor through the Forest Utilization Officer and a rate of recovery had been fixed for such supplies. Arrangements were not, however, made by the Military Engineer Services authorities for the supply through the Forest Utilization Officer although sufficient quantities of "ballies" were available for issue. But the contractor was allowed, on account of urgency, to use his own "ballies" for the work without the rates being settled. The contractor claimed payment at a rate more than thrice the rate fixed in the contract agreement. His claim was accepted by placing a covering single tender contract for the "ballies" supplied by him. Recovery was then effected from him at the rate fixed in the contract agreement. This resulted in an extra expenditure of Rs. 44,717.

CHAPTER 2.—ACQUISITION AND DISPOSAL OF STORES
MINISTRY OF INDUSTRY AND SUPPLY

13. *Infructuous expenditure due to faulty inspection.*—An order was placed on a firm in March 1944, for supply of certain stores but was cancelled in May 1944 as the store was rejected in inspection. In June 1944, the firm tendered six rolls of the store for inspection without the knowledge of the Purchase Branch and the Inspectorate accepted them although no contract was in existence on that date. On the basis of this inspection, the original contract was reinstated by the Purchase Branch in September 1944 for a reduced quantity. The Inspectorate subsequently intimated that the original sealed sample and the six rolls were lost. Consequently, representative samples from the supplies tendered by the firm were sent for approval to the indenter who rejected them. Accordingly, the Inspectorate also rejected the entire quantity tendered by the firm. The firm, however, contended that the stores conformed to the original sealed sample and the six rolls subsequently accepted. The question was referred to the Government Solicitor who held that the rejection of the supplies by the Inspectorate without reference to the sealed sample and at the instance of the indenter would not be in order and there was a contract binding on Government. Accordingly 1,608 rolls already manufactured by the firm, costing Rs. 1.16 lakhs, had to be accepted by Government and are awaiting disposal through the Disposals Organisation.

14. *Delay in finalisation of prices.*—It was noticed during audit in an Accounts Office that provisional payments for over Rs. 21 lakhs had been made in 19 cases pending finalisation of the prices. The contracts in these cases had been made during the years 1942 to 1945. Although the supplies against the contracts were completed either long before, or stopped due to the termination of the war, the prices have not been finalised so far. The delay has been brought to the notice of the financial and administrative authorities concerned by the Accounts Officer for necessary action.

15. *Disposal of timber.*—A certain branch of the Disposals Organisation was requested in March 1946 by the Director General to arrange for the disposal of about 3,400 tons of timber, valued at approximately Rs. 5.9 lakhs, to the best advantage of the State by public auction. Although the local Finance Officer advised sale by advertised tender, arrangements were made, after delay of over a month, for the disposal of the entire quantity by public auction. Owing to inadequate publicity and formation of a strong ring, the bids received, which averaged Rs. 40 per ton, were found very poor, having regard to the quality of the timber and had to be rejected. As a result of subsequent negotiations, and in view of the imminence of the monsoon, the entire quantity was sold, with financial concurrence, on May 30, 1946, at a rate of Rs. 56 per ton.

As a result of further investigation, the superior Administrative and Financial authorities expressed their dissatisfaction with the handling of the sale.

The transaction may be taken to have involved Government in a loss of Rs. 4.25 lakhs approximately. No disciplinary action was taken as the officer concerned had retired from service.

16. *Loss on disposal of scrap owing to absence of competition.*—A certain Disposals Organisation entered into a rate contract for a period of 3 months in the first instance for the removal of certain scrap at a rate of Rs. 30 per ton, without calling for tenders, on grounds of urgency, it being stipulated that due publicity would be given and competition ensured for the next contract. The rate contract was, however, renewed for a further period of a little over 2 months at the rate of Rs. 40 per ton without calling for tenders on the plea that it was not worthwhile doing so for so short a period. Later, when tenders were actually called for a further extension of the contract for a period of one month more, the same contractor quoted Rs. 75 per ton. On the basis of the prices obtained in the last contract Government may be held to have sustained a loss of Rs. 23,000 approximately, in respect of the second contract, owing to failure to invite competitive tenders as originally intended.

17. *Loss on sales of surplus Army vehicles.*—Bulk sales of surplus Army vehicles lying in two vehicle depots were made after individual negotiations with single firms, without inviting tenders either open or limited, at a price of Rs. 2,900 each in one case and Rs. 3,000 in another, while the average prices realised in auctions of small lots in the same depots about the same time worked out to Rs. 5,495 and Rs. 3,460 respectively. The loss to Government on the basis of the prices obtained in auction amounted to over Rs. 3.63 lakhs. It was stated that bulk sales were necessary to clear the depots early and to avoid overhead expenses on storage etc., as auctions in small lots would have taken longer time. It was also said that as previous sales had indicated an average price of Rs. 3,000 which was considered as a target and as other dealers who were contacted did not come up to the same, the average realised in these two sales was considered satisfactory. The records showing the enquiries made and quotations received from these other dealers could not, however, be shown to Audit. In the absence of competition, it was not possible to ensure that the negotiated sales were in the best interests of the State and the prices obtained reasonable.

18. *Loss in disposal owing to incorrect procedure. (1)—Disposal of timber.*—A certain Regional Disposals Organisation disposed of about 230 tons of junglewood and 170 tons of teakwood by negotiations for Rs. 76,000 on the basis of a test auction sale of mixed lots. Although the necessary cross-mandate had not been received in respect of the teakwood, an officer of the Directorate General who happened to be on tour in the station authorised the local authorities to proceed with the sale, as the stock-holders pressed for immediate clearance of the timber. The cross-mandate communicating an offer of Rs. 11 per c.ft. obtained by the Directorate General for teakwood, was received in the Regional Office immediately after finalisation of the sale. The Government on the basis of this rate would have obtained about Rs. 94,000 for teakwood alone. The loss sustained by Government may be roughly taken as Rs. 18,000 less realised for 170 tons of teakwood plus the value of 230 tons of junglewood which, even as scrap timber, was worth about Rs. 12,000.

Remedial action has since been taken by the Director General of Disposals by issue of orders requiring such sales being effected in future only after the receipt of the relevant cross-mandates.

(2) *Disposal of goggles.*—12 lakhs pairs of dust goggles were declared surplus for disposal by the Defence Services. The book value of the stores was Rs. 1.2 per pair. The item was cross-mandated to a Regional Disposals Organisation on July 16, 1946, with instructions that the entire quantity should be sold by auction or site as quickly as possible to the best advantage of Government. The stores were put up for auction in the first instance on August 31, 1946, when an offer of 2

9 pies per pair was received from a party. This offer was considered too low and was not accepted. The stores were again put up for auction on February 17, 1947, when the highest offer received was only one anna per pair. Moreover, none of the bidders was prepared to lift more than one lakh pairs. However, after the auction, an offer was received from another party to buy the whole lot for a sum of Rs. 77,000 which was subsequently raised by negotiation to Rs. 80,000, giving an average of 1 anna 1 pie per pair. The first party, who had bid 2 annas 9 pies per pair at the first auction was not called in for negotiations when the deal was settled at Rs. 80,000. This party made a complaint that it was not allowed to bid before the above offer was accepted. This action of the Regional Disposals Organisation in concluding the deal with the second party without negotiating further with the first, thus put Government to a loss of Rs. 1,26,250.

(3) *Disposal of vehicles.*—All vehicles at a particular Depot were cross-mandated to a certain Regional Commissioner by the Director General (Disposals). Excepting 175 vehicles of a particular class the rest were disposed of by the Regional Commissioner. As the Regional Commissioner could not get the target price of Rs. 3,000 for the unsold quantity, he requested the Director General (Disposals) to offer them to a certain Delhi firm and communicate their best offer to him. Instead negotiations were carried out with this firm by the Director General and it was decided by him to sell the entire unsold balance to it at Rs. 2,400 each and orders were issued to the Regional Commissioner to issue the sale letter. By the time the orders reached the Regional Commissioner, he had received an offer from another Delhi firm who showed willingness even to negotiate a higher rate. This offer could not, however, be taken advantage of as the Director General had already communicated his acceptance of Rs. 2,400 to the first firm. The action of the Director General in concluding the deal hurriedly at headquarters without ascertaining from the Regional Commissioner about other higher offers which might have been received and in confining negotiations to a single firm had thus put Government to a loss of Rs. 35,000.

19. *Delay in removal of stores—Non-recovery of ground rent.*—According to the conditions of sale of surplus and salvage stores by the Disposals Organisation, ground rent is recoverable from the buyer when he fails to remove the stores by the stipulated date. There was no systematic watch on the timely removal of stores in a certain Regional Disposals Organisation. There was also lack of co-ordination between that Organisation and stockholders. Consequently, stores were removed in several cases after due dates without recovery of ground rent. In certain cases examined by Audit in test check, the amount of ground rent recoverable aggregated approximately Rs. 2.6 lakhs. There was evidence in a few cases, of buyers utilising Government storage space beyond the due dates for the disposal at a profit of the stores at Government depots. In the majority of cases ground rent was not recovered. The position is expected to improve as a result of revised orders regarding recovery of ground rent which have since been issued.

MINISTRY OF DEFENCE.

Engineer-in-Chief's Branch.

20. *Irregularities in supply of minor forest produce.*—Minor forest produce was supplied to the Military Engineer Services from 1943-44 onwards in one area by the Forest Department of a Provincial Government through their contractors. The contractors were paid directly by the Forest Department on the evidence of supply made in the manner indicated below :—

- (i) On production of receipt from the consignee or Military Engineer Services Storekeeper ;
- (ii) On evidence of despatch by rail or steamer :

(iii) On evidence of acceptance in a temporary storage depot of the Forest Department.

(2) Consequent on the receipt of certain anonymous letters alleging fraudulent payments in respect of supply of the minor forest produce, a special audit was carried out. This disclosed the following unsatisfactory features :

- (i) Minor forest produce bills preferred by the Provincial Government Forest Department against the Defence Services not supported in all cases by receipt vouchers issued by the Military Engineer Services,
- (ii) Issues made to works then non-existent and apparently fraudulent entries made in ledger,
- (iii) Folios in ledgers in certain cases torn off,
- (iv) Unauthorised corrections and interpolations in ledgers and receipts.

(3) A detailed linking, early in 1947, in internal check of the vouchers supporting bills with the relevant entries in the ledgers showed that out of 1,034 bills amounting to Rs. 46 lakhs only 457 bills amounting to Rs. 17 lakhs could be linked. The remaining bills, could not be linked for want of records, receipt vouchers and entries in the ledgers. Further irregularities of the nature mentioned in clause (2) above were also discovered and reported to the Army authorities for investigation through a court of enquiry. The linking could not be carried out earlier owing, mainly, to non-receipt of debits for the supplies from the Accounts Officer concerned.

(4) As a result of the recommendations of the Court of Enquiry the case is being investigated by the Special Police. Of the individual officers, it could not avoid grave suspicion against two and gross negligence against another. It could not also avoid grave suspicions against all the contractors engaged on the works. The two Military Engineer Services officers have, in the meantime, been removed from positions of independent charge and General Officer Commanding-in-Chief's expression of severe displeasure has been conveyed to them and also entered in their personal documents.

21. *Extra expenditure owing to irregular termination of a contract.*— A contract for the supply of dairy produce was entered into on March 29, 1946, with a contractor for a period of six months from April 1, 1946. On April 5, 1946, a notice was issued to the contractor stating that his apparatus was not capable of producing 'Dairy Products' according to Army specifications. A further notice was served on him, after a month from this date, rescinding the contract as it was alleged by the authorities that his supplies did not conform to the terms of the contract. Local purchase which was subsequently converted into an informal agreement, was resorted to from a particular firm for nearly five months at the risk and expense of the contractor. An appeal against the termination of the contract on the grounds of defects in terminology and non-conformity with the requirements of law in operating the contract was made by the contractor to the higher authorities. It was then found that the action of the subordinate authorities in terminating the contract was taken without considering the full legal implications involved as a result of which it was considered advisable to settle the matter amicably with the contractor by offering him a new contract for the next period of six months. This was duly entered into. The premature termination of the contract resulted in an extra expenditure of Rs. 72,000.

MINISTRY OF FOOD

Purchases of the Food Department

22. *Loss in purchase of ghee of a lower standard.*—Owing to the unavoidable delay in the completion of a certain ghee centre, certain stocks of raw ghee accumulated at the Centre. The acidity of these stocks increased and it was

decided to relax the standard regarding acidity from 12 points to 14 points in respect of these stocks. But through an oversight of the officers at the Centre, ghee up to 14 points continued to be accepted in excess of the quantity for which the relaxation was agreed to. Later, when the 12 points standard was reverted to the agents claimed that they had made purchase of raw ghee on the understanding that it would be blended up to 14 points acidity. The result was that the centre was left with 1398 tons of raw and rejected ghee which could not be accepted for the Army. The Government Solicitor considered that the legal liability of the agents for the quality of rejected ghee was not clear and advised Government to take over the same and to consume it in the best manner possible. The stocks of high acidity ghee were issued to Japanese Surrendered Personnel in lieu of cooking oil which was included in their scale of ration and was in short supply. Government could not intimate the price of cooking oil prevalent at the time but taking into account the amount paid for the above stocks of ghee and the then prices of Vanaspati, Government appeared to have suffered a loss of about Rs. 22 lakhs.

CHAPTER 3. STORE ACCOUNTING

MINISTRY OF DEFENCE

23. *Condition of store accounts.*— In para. 36 of the Audit Report, 1947, important types of irregularities in the store accounts during the year 1945-46 were mentioned. A review of the condition of store accounts in 1946-47 in Army units and formations, other than the Military Engineer Services, indicates that the unsatisfactory state of accounts continued in the two Commands during the year 1946-47. The following are some of the irregularities noticed :—

- (1) In several formations store accounts were not either kept at all or were kept unsatisfactorily, mainly, in regard to ration accounts, accounting of stores received and issued and recoveries for stores issued on payment.
- (2) There were irregularities in the transport accounts of several formations and in certain cases necessary recoveries for transport supplied have not been effected.
- (3) Rations were overdrawn and articles of clothing issued in excess of authorised scales in certain units.
- (4) Accounts or supporting documents were not produced for audit by certain formations.
- (5) In certain formations stores were overstocked owing to failure to review and reduce stocks with the reduction in the size of the formations consequent on the termination of the war. Necessary action is being taken.

24. *Regularisation of losses, irregularities, etc., relating to store accounts for the period prior to April 1, 1947.*— To deal with the large back log of audit objections and with a view to expedite the regularisation of losses, etc.; relating to store accounts maintained during the abnormal period brought about by the war and placing of these accounts on a satisfactory footing, Government issued orders in July 1947. Under these orders all objections, losses and other irregularities (excepting cases of theft, fraud, gross neglect, abuse or extravagance) which occurred prior to April 1, 1947, were to be reviewed by the General Officer Commanding-in-Chief /Air Officer Commanding Group/Flag Officer Bombay, in consultation with the Controllers of Accounts concerned and waived where the actual or constructive amount involved did not exceed Rs. 2½ lakhs. Cases exceeding this limit were required to be reported to Government. Monthly summaries of the more important cases ordered to be dropped were to be rendered to the Defence Department and this was to be followed up in October 1947, by a joint report by the administrative and accounting authorities indicating the action taken and the nature and extent of the irregularities being pursued.

The monthly summaries of cases waived have not been rendered to the Defence Department as required by the above orders. The money value of the objections dropped where known, as ascertained by audit, was Rs. 46.1 lakhs up to December, 1947 in the Eastern Command, Rs. 8.05 lakhs up to February 1948 in the Southern Command and Rs. 9.1 lakhs up to March 6, 1948, in respect of Naval Accounts. In respect of the Air Forces accounts the review had not been completed by March 1948.

25. *Non-maintenance of accounts.*— In several branches of the General Headquarters no accounts in respect of stores and equipment received by them either by local purchase or by placing indents on lower formations were maintained for a considerably long time. No stock-taking was, therefore, carried out. It has now been decided that a stock of all stores should be taken by the branches and an inventory, with the ground balances as actually found on August 1, 1947, prepared. Orders regularising the non-maintenance of store accounts have not so far been issued except in the case of certain branches under one Administrative Officer.

Engineer-in-Chief's Branch

26. *Alleged fraudulent disposal of stores.*— The Military Engineer Services authorities of a station received a police report in March 1947, intimating the seizure of Government stores from an overseer of a sub-division who, it was alleged, was attempting to dispose of them. On receipt of this report, a hundred per cent check of the stores held in the sub-division was conducted by a special officer of the Military Engineer Services. It revealed that large quantities of stores were missing.

The alleged fraudulent disposal of Government stores was rendered possible due to failure to maintain certain store accounts and omission to verify stock. A complete audit of the accounts of the sub-division was not carried out as the accounts were not produced when called for by the regional Audit Officer in May 1946, at the time of final closing audit of the division. The general irregularities were, however, pointed out by the Unit Accountant in November 1946. In May 1947, when the audit of the division with which the original division had been amalgamated was being carried out it was found that the accounts had been made over to the Police.

The overseer was suspended from service from April 5, 1947, and his prosecution is proceeding before a Court.

Air Forces

27. *General state of accounts.*— The store accounts in the Air Force formations generally continued to be unsatisfactory, in spite of the action taken to improve these accounts by supplementing the unit staff by personnel of the Military Accounts Department as mentioned in para. 48 of the Audit Report, 1947.

Two half-yearly cycles of reviews have disclosed that the accounts of Air Force units are generally unsatisfactory. In about 50 per cent. of the major units there were serious irregularities. There were in all 227 cases of non-maintenance of accounts or essential records and 8 cases in which accounts were maintained in a very slipshod manner. There were also numerous cases of other irregularities of a diverse nature, such as, erroneous postings, failure to take stores on charge, unattested alterations of figures and unauthorised and uneconomical use of mechanical transport, etc. Cases of suspected falsification of figures in original documents were not infrequent and so far as is known, 17 courts of enquiry have been held or ordered. The reviews carried out in the second cycle have not indicated any appreciable improvement in the state of accounts.

The serious irregularities in respect of ration deserve special mention. There were considerable overdrawals, unauthorised issues and loss or leakage of ration articles, besides general non-observance (during 1946) of the civil ration scales

in respect of controlled ration articles issued on payment to officers and others. For instance, in a Royal Air Force hospital, diets charged off in excess in a single month amounted to over Rs. 21,000. Determined efforts are, however, now being made by Air Headquarters to raise the general level of accounting.

28. *Aviation fuel to civil aircraft.*—Under an arrangement made by the Government, the work of maintaining and handling stocks of aviation fuel and of refuelling service aircraft at certain airfields was entrusted to two oil companies who were paid for this service at a flat service charge per gallon delivered to or off-loaded from service aircraft. The oil companies, as agents of Government, were to draw supplies of fuel and aero-lubricants from Royal Indian Army Service Corps and render accounts to Air Headquarters. The scheme allowed for issues from Government stocks to Civil Air Lines aircraft in emergencies provided that immediate action was taken by the oil companies to replace stocks. A review of stock accounts submitted by the companies for the period January 1946 to June 1947 disclosed that about 12.59 lakhs of gallons of aviation fuel and oil to the value of about Rs. 20 lakhs issued by the companies to civil and foreign aircraft from Government stocks had not so far been fully replaced or paid for.

Against issues of 6.45 lakhs of gallons of fuel aviation to civil aircraft requiring replacement, the companies have since replaced 4.88 lakhs of gallons and action is being taken to verify replacements of the remaining quantity.

29. *Wrong Certificates.*—Exchanges of old clothing of airmen for new clothing are made during 'clothing parades' under the supervision of a witnessing officer who is required to sign a certificate on the conversion voucher to the effect that he has witnessed the exchange of the items detailed therein and that the exchanges are justified. An examination of the clothing accounts section of a unit disclosed 11 blank voucher forms (without indication of quantities) already signed and certified by 6 witnessing officers. The administrative authorities, while mentioning the insufficiency of personnel to cope with increased work as an extenuating circumstance, did not exonerate witnessing officers of blame. No disciplinary action was, however, taken against these officers as they had been repatriated to the United Kingdom.

Navy

30. *Irregularities in a grain shop.*—The store accounts in a Government Grain shop were found to be unsatisfactory. The following irregularities were noticed :—

- (i) The record of individuals eligible to obtain supplies at concessional rates was not maintained in a satisfactory form, with the result that there was no control over unauthorized drawings. Instances of such drawings were actually noticed.
- (ii) Rationed articles were issued in excess of prescribed scales.
- (iii) Supplies were accepted without actual weighment and issues made daily were not reconciled with the quantities paid for by the buyers.
- (iv) The stock ledgers showed that stock-taking was carried out on the last day of each month. But the verification had no value as the ledgers were never up-to-date and there were no weighing facilities in the godown.
- (v) Excessive quantities of wheat, rice and sugar were reported as lost, almost every month.
- (vi) No account of packing materials was maintained after December 1945.
- (vii) No register of cash memo books received and used up was maintained and, although the cash memos were numbered consecutively, missing numbers were never investigated.

These irregularities are attributed to inadequate staff and accommodation.

The affairs of the Grain shop were investigated by a Committee of Enquiry in January 1947 and Government orders on the remedial measures suggested by them are still awaited. Meantime, a store accounting directive was issued in August 1947 by the Grain shop authorities with a view to eliminate the irregularities as far as possible, and the practical working of the directive is under examination by Accounts authorities.

MINISTRY OF INDUSTRY AND SUPPLY.

31. *Special procedure for purchases in India.*—In paragraph 55 of the Audit Report, 1947, reference was made to the special procedure of making 100 per cent advance payments on proof of inspection and despatch of materials and the delay in the receipts of consignees' acknowledgments and linking them with the payments made.

A review of the position in July 1947 revealed that out of about 2.5 lakhs items for which acknowledgments had been called for up to March 31st 1947, consignees receipts were outstanding in approximately 6.2 per cent of the cases.

Orders were issued by the Accounts Officer in August 1947 that all items of 100 per cent advance payments up to March 31, 1947 outstanding for want of consignees receipts might be treated as finalised provided "there were no ground for suspecting losses due to fraud, theft, arson or gross carelessness". Approval of the Government has since been sought for waiving the linking of the old items.

32. *Condition of timber accounts.*—Mention was made in paragraph 51 of the Audit Report, 1947, of the condition of timber accounts. An up-to-date review of the position shows that the Accounts office has not received a large number of issue vouchers requiring financial adjustment and in respect of issues to private parties cash deposits received by Government to the extent of Rs. 80 lakhs could not be adjusted finally for want of issue vouchers. On a request from the Timber Directorate the Accounts Office has since posted a special party to finalise outstanding adjustments with reference to issue vouchers which are available in the Timber Directorate. In regard to issues to private parties from one Port Timber Depot mentioned last year, the number of unadjusted issue vouchers is now estimated at about 9,000 after eliminating the issue vouchers for issues to the Military Engineer Services for which financial adjustment has been abandoned with the approval of competent authority. As regards issues to private parties from up-country depots as distinct from centrally controlled Port Timber Depots, Timber Directorate has been in correspondence with the Provincial forest authorities for obtaining priced statements of issues in lieu of issue vouchers to facilitate adjustment of unadjusted credits. As regards issues to paying Government departments, etc., the number of unadjusted wanting issue vouchers is now estimated at about 28,400. As the collection of issue vouchers by sending out Accounts Office staff to numerous and scattered depots was not found feasible, it has since been decided, with the approval of competent authority, to raise debits against the consignees on the basis of the "Bulk adjustment statements" to be prepared by the Timber Directorate with reference to their statistical records and completion certificates received from Port Depots and Forest Officers concerned. In respect of one department, this adjustment has since been almost completed. The concurrence of other paying departments and Governments in the adoption of the same procedure of bulk adjustment is now awaited and the work is expected to be finalised in a few months.

33. *Accounts of Reserve Stocks—Non-submission of stock accounts for Cresylic Acid (Lease/Lend).*—Mention was made in para. 64 (a) of the Audit Report, 1946, of the non-maintenance of stock accounts for one Lease/Lend item of stock. Though orders for the appointment of the stockists were issued in January 1947, the stock accounts are still awaited.

AUDIT CERTIFICATE ON STORE AND SUPPLY ACCOUNTS.

34. The usual test check of store and supply accounts has been carried out. In view of the remarks in paragraph 10 of the Financial Adviser's review of the Appropriation Accounts and paragraphs 6, 11, 22, 24 to 26, 29, 31, 32, 34 to 39 of this Report the condition of store accounts cannot yet be considered as satisfactory. Efforts to improve the situation continue to be made by the executive and financial authorities.

STOCK VERIFICATION

MINISTRY OF DEFENCE

35. As mentioned in para. 58 of the Audit Report, 1947, the procedure for stock verification remained unchanged during the year under report except that the stock-taking period in Ordnance Depots was changed from the calendar year to the financial year.

During 1946-47, stock was not verified in 49 Army units and formations in one command. In one of these, no stock verification was carried out since 1944. In 29 others, stock was only partially verified during the year, while in 7 others, stock verification revealed serious discrepancies.

In 5 Military Engineer Services formations in the same Command, where verification of stock had not been carried out, it has since been completed. This revealed certain discrepancies in three cases, one of which has been regularised while the other two cases are subject of a court of enquiry and regularisation by proper authority. In 4 other Military Engineer Services formations where stock verification had already been carried out and revealed serious discrepancies, action to regularise them is in hand. In still another case discrepancy amounting to Rs. 1 lakh was noticed as a result of stock taking. This case is under investigation.

In another Command, a large discrepancy amounting to Rs. 4.5 lakhs was noticed as a result of stock taking in one Military Engineer Services formation and the case has since been submitted for regularisation. In another Military Engineer Services formation, ledgers and returns contained no proper indication of stock verification. This has, however, since been regularised under proper authority. Stock was verified only partially in one Supply Depot. Large discrepancies amounting to over Rs. 15 lakhs were discovered in one Ordnance Depot which were stated to be mainly due to the confusion created during the war years when no effective stock-taking system was in operation.

It was noticed in another area that there was delay in stock taking in two Military Engineer Services formations. The first case was dropped by the competent authority whereas regularization of the second case is under investigation. In a third formation stock of a huge quantity of timber were not verified for a considerable time and the irregularities connected with it have since been regularised.

In September 1946, the General Headquarters ordered that a special stocktaking should be carried out in a certain Ordnance Depot, with a view to placing the accounts on a satisfactory footing. Accordingly in October 1946 stock was verified in a few sections of the Depot, and fresh accounts started with the ground balances. However, subsequent stocktaking in March 1947, revealed further discrepancies indicating that the previous special stocktaking was not so satisfactory as it should have been.

36. *Stock verification in Factories.*— The procedure for stock verification described in paragraph 31 of the Audit Report, 1944, remained unchanged during the year under report.

During 1946-47, stock verification in all factories was completed by due date except in 10 factories where some items could not be verified. In two of them the outstanding items were many. The verification had not been completed up to the end of October 1947. The outstanding which consisted generally of scrap, timber and heavy textiles were mainly due to heavy ground balances, want of storage space and irregular stacking. The post facto condition to the postponement of verification during 1946-47 has been obtained.

Stock verification in an Ordnance Factory revealed large excesses and deficiencies in timber stocks. The administrative authority has accorded its assent to the holding over of the discrepancy vouchers pending re-verification of the stock which has not yet been done.

Navy

37. The failure to carry out the prescribed quantum of stock verification in the principal naval store formation mentioned in para-graph 36 of Audit Report 1947, was noticed in the year 1946-47 also. In spite of special steps taken the stock verification continued to be slow and covered only about 45 per cent of the 48,300 items in the formation up to December 1946. The slow progress was attributed to the difficulties created by the segregation and retention of surplus stores, and a strike in the formation. After December 1946, stock verification proceeded concurrently with the segregation and retention of surplus stores and by December 1947, 70 per cent of the items including a large proportion of the valuable and important items were verified. The physical process of segregation has not yet been completed. It was stated that additional staff had been applied for to speed up stock verification.

MINISTRY OF INDUSTRY AND SUPPLY

38. Reserve stocks approximately worth Rs. 72 lakhs formerly held by a central Directorate General were not subjected to physical verification during 1944-5. Verification was, however, taken up in the beginning of 1948 and completed in March 1948.

39. Stock verification in Directorate General (Aircraft) formations.—The procedure for stock verification remained unchanged during the year 1946-47.

Stock verification in all Directorates General (Aircraft) formations was completed during the year except in three formations.

40. Stock verification in Supply Department formations.—According to Standing Orders for Government Timber Depots, a quarterly physical verification of 5 per cent stock of timber held in the depots in respect of external measurements is to be carried out. In addition, a 1 per cent check of stock in respect of the number of pieces and volume should also be conducted concurrently.

In a certain Timber Depot, it was noticed that since 1943, stock verification as indicated above was not carried out regularly, mainly, due to rush of receipt and issue transactions and during 1946-47 also, only the 5 per cent stock verification of external measurements was carried out once in October 1947. A special 10 per cent stock verification was carried out in February 1948 which disclosed surpluses and deficiencies amounting to Rs. 6.75 lakhs and Rs. 1.25 lakhs respectively. Surpluses of Government Stores amounting to Rs. 1.25 lakhs and deficiencies of Rs. 1.25 lakhs are noted.

Another 100 per cent stock verification was carried out in March 1948 which disclosed similar substantial surplus and deficiency. These should be reported since been regularised by Government.

CHAPTER 4—PAY AND ALLOWANCES, MINISTRY OF DEFENCE

41. *Individual running ledger accounts.*—(a) *Accounts of officers.*—(i) Cases of overissue and incorrect regulation of pay and allowances to officers of the Indian Army (including released officers) aggregating to about Rs. 2·8 lakhs came to notice during the year under report. Action is being taken to correct the accounts and to effect recoveries or to regularise the overpayments where necessary.

(ii) Debtor balances continued during the year though on a smaller scale.

(b) *Accounts of Indian Other Ranks.*—(i) Mention was made in para 32(b)(i) of the Audit Report, 1947, that due to faulty citation of names or regimental numbers, a number of Part II orders relating to the period prior to 1946 could not be identified and had to be removed from the outstanding lists of Field Pay Offices. Similar misquotations continued to be noticed in Part II Orders pertaining to the year 1946 and owing to the difficulty in identifying them, these have also had to be removed from the outstanding lists. No disciplinary action against those responsible was considered practicable in view of the frequent changes in the staff.

(ii) In paragraph 35 of the Audit Report, 1945, mention was made of the write off of amounts aggregating to Rs. 66,576 by a Controller on account of field advances which could not be identified at the time of adjustment owing to inadequate and incorrect particulars recorded by the imprest holders on the acquittance rolls of the individuals. Such cases continued to be noticed also in the subsequent years and the total amount of unidentifiable items written off by the Controller and other competent financial authorities during the entire period up to December 31, 1947, aggregated to Rs. 96,87,151.

(iii) Arrears in the posting of acquittance rolls and Part II Orders showed improvement. At the end of November 1947, 0·57 lakhs of Part II Orders remained unposted in ledgers as against 3·89 lakhs at the end of June 1946. Acquittance rolls of the value of Rs. 1·7 crores remained un-adjusted at the end of November 1947 as against those amounting to Rs. 4·85 crores at the end of June 1946. Of these Rs. 1·7 crores, Rs. 98·8 lakhs worth of acquittance rolls were held up due to lack of particulars recorded by imprest holders.

(iv) 1,92,342 accounts of non-effective personnel (including 48,075 deserters) remained to be finalised at the end of June 1947 in all the Field Pay Offices. The delay in the closing of these accounts in some depots resulted in considerable overpayments of family allotments due to failure to notify or belated notification of casualties, non-receipt of orders in the Record and the Field Pay Offices and incomplete documentation. Overpayments amounting to Rs. 4·42 lakhs which proved irrecoverable were written off by the Government and other competent financial authorities. Instructions for the expeditious settlement of the deserters' and other inoperative accounts have been issued.

(v) Debtor balances continued in the accounts of soldiers as well. In certain depots, soldiers coming up for release were paid heavy advances, by military authorities in disregard of instructions issued from time to time, even though debit balances were outstanding against them. Debtor balance noticed at the end of June 1947 amounted to Rs. 1·09 crores, out of which Rs. 39·6 lakhs pertaining to non-effective accounts were written off during the year.

(vi) Family allotments of Indian troops, whose accounts are maintained on the war system of accounting, are remitted by means of special postal money orders. In the Pay Centre of a certain Corps, Government was defrauded to the extent of about Rs. 11,000 by the issue of faked money orders during the period June 1945 to January 1946. The fraud was facilitated by lax supervision on the activities of the remittance clerk. The individuals involved were tried by court martial and one of the accused was sentenced to three years' rigorous imprisonment.

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42. *Overpayment of war service increments to officers of the Indian Army.*—Officers of the Indian Army were provisionally transferred to pay with effect from September 3, 1934, based on the length of their War Service on full pay reckoning from September 3, 1933, under orders issued by the Government in December 1934. Six months later, in June 1935, an amendment to the original orders was issued (without specifying the date of effect) to the effect that increments were to be assessed on service on full ordinary rates of pay only. In a subsequent order issued six months later, the amendment was given retrospective effect from the date of the original orders. As parts of service on non-military rates of pay had been included in the assessment of qualifying service under the original orders and payments had been made, the later orders necessitated recoveries having to be effected. One hundred and twenty-four cases were detected and one of Rs. 169,342 that had to be recovered Rs. 57,025 have been recovered and Rs. 4,168 written off so far. The question of re-constitution of the balance that has been overpaid is under consideration.

43. *Overpayment of war service increments to Indian State Forces Officers.*—War service increments were sanctioned by Government to Indian Army Officers with effect from September 3, 1934, based on length of service reckoned from September 3, 1933. Such increments were allowed by the pay authorities to Indian State Forces Officers also serving in the Indian Army based on their total length of service from September 3, 1933, including service in the State Forces, on the analogy of the Government of India order under which the Indian State Forces Officers were allowed to count their service in the State Forces for increase of pay. Although it was ordered by Government in July 1945 that the qualifying service of Indian State Forces Officers would commence from the date of entry into British India for service under the crown, payment of war service increments was not adjusted with reference to the reduced length of service not war-time overpayments, which were then well within one year, recovered. Payment of war service increments was continued at the higher rates and the question of a possible revision of the Government order of July 1945 referred to the higher authorities in September 1945 and their authorities were also informed that the higher rates were being continued pending a decision. The final reply remaining the Government order was, however, issued only in November 1946. The total overpayment amount to Rs. 1,74,443 lessed only in November 1946. The total overpayment amount to Rs. 1,74,443 of which Rs. 43,688 have been on a being recovered. The question of regarding the balance of Rs. 1,30,755 is under consideration.

44. *Final cash transactions.*—In paragraph 31 (A) (ii) of the Audit Report, 1945, it was mentioned that unadjusted balances to the extent of Rs. 33,35,055 relating to officers and Rs. 8,17,371 relating to personnel were outstanding under suspense heads at the close of the accounts of 1944-45. The balance in respect of the former was added to Rs. 10,41,419 which the balance in the latter was added to Rs. 4,23,85,151 at the close of 1945-46. The increase in the amount relating to personnel is due to adjustment of advances which were paid prior to September 1, 1944, and in respect of which schedules had been despatched to depts but completion of suspense head had not been made. Complete clearance of the balances either by recovery or by readjustment where recovery already effected might have been misestimated has been considered extremely difficult as full particulars of the outstanding advances are not available. The balances have since been transferred to a deposit head pending final decision regarding the readjustment to suspense heads.

45. *Imprest holder's accounts.*—Mention was made in paragraph 67 of the Audit Report, 1947, that a balance of Rs. 6 lakhs was outstanding on account of non-accrual of advances or other receipts, and non-submission of vouchers by certain imprest holders. Many more cases of this type, involving a sum of Rs. 10 lakhs,

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APPENDIX

came to light during further reconciliation of the remaining cash accounts with the respective ledger accounts. Out of the total amount of Rs. 13 lakhs, Rs. 5.9 lakhs have been written off, Rs. 5.1 lakhs cleared by cash recovery, or subsequent production of relevant documents, and a sum of Rs. 4 lakhs has been reported to the Government of India for regularisation. The net balance of Rs. 1 lakh is still under investigation.

46. *Irregular payments made from Extra Temporary Establishment allotments.*— In one Command, large irregular payments were made from the extra temporary establishment allotments of Ordnance formations during the period September 1941 to February 1947. The irregularities comprised of overpayments to, and unauthorised employment of, personnel and non-maintenance of accounts such as cash books, attendance registers, overtime records etc. While the total amounts involved during the entire period could not be arrived at for want of sufficient data, in cases where they could be worked out, overpayments of pay and allowances to personnel amounted to Rs. 1.58 lakhs.

The irregularities have, from time to time, been reported to higher authorities for regularisation.

47. *Regularisation of irregularities etc. relating to cash accounts for the period prior to April 1, 1947.*— Orders were issued by the Government to deal with the large back-log of objections and to expedite the regularisation of irregularities relating to cash/imprest accounts, individual running ledger accounts, employment of extra temporary establishment not covered by Government sanction and overpayments to personnel no longer in service. Under these orders all irregularities (excepting cases of theft, fraud, gross neglect, abuse of powers or extravagance) which occurred prior to April 1, 1947, were to be reviewed by General Officers Commanding-in-Chief, Commands/Commodore-in-Charge, Bombay, Air Headquarters in consultation with the Controller of Accounts concerned and where their further pursuit was considered to serve no useful purpose the cases were to be viewed as regularised if the amount involved was not more than Rs. 500 or Rs. 10,000 in the case of personal entitlements of Other Ranks and officers respectively and Rs. 50,000 in respect of other irregularities in the Army and Rs. 10,000 in the Navy and the Air Force. Cases exceeding these limits were required to be reported to the Government which was to be followed up by a joint report by the administrative and accounting authorities on prescribed dates indicating the action taken and the nature and extent of the irregularities being passed.

The money value of the objections dropped so far, as ascertained by Audit, is Rs. 17 lakhs.

CHAPTER 5—GENERAL

GENERAL REMARKS

48. The abnormal conditions arising out of the war, mentioned in previous Reports, continued even during the year under review. The standard of financial administration was, therefore, no more satisfactory than in previous war years.

MINISTRY OF DEFENCE

49. *Allocation of expenditure between His Majesty's Government and the Government of India.*—The procedure for determining the liabilities of the two Governments under the Financial Settlement has been summarised in paragraph 28 of the Audit Report, 1944. The Financial Settlement terminated on March 31, 1947. The check of the financial adjustments between the two Governments, up to the date of termination has been completed with the exception of a few minor items in regard to which no action is now necessary in view of the recent agreement with the U. K. regarding the Sterling Balance. Transactions pertaining to the

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49. *Control of expenditure in the Budget 3 of the Budget 1947.*—The non-preparation of accounts in respect of jobs created in the Government Dockyard and the consequent absence of control over production costs were commented upon in para 71. of the Audit Report, 1947. The irregularity continued during the year under report.

It has been stated that the special committee appointed to investigate the cost accounting and other problems relating to the Dockyard submitted its report to Government in March 1947. Orders of Government on the recommendations made by the Committee are awaited.

51. *Avoidable expenditure (Rent charges).*—The local Military authorities at one station informed the Lands, Hiring and Disposals Services in November 1945 that certain buildings which had been hired by the Defence Department at a monthly rental of Rs. 5,870 would no longer be required and that they could be released to the owners. Final action to obtain administrative orders of the Government to release the buildings was taken by the Command authorities on October 28, 1946, and the sanction of Government was intimated to the local Military authorities on November 22, 1946. The buildings were, however, not released till October 1, 1947.

The abnormal delay in releasing the buildings is partly attributable to delay in disposing of certain War Department assets which were located in them. An auction for the disposal of these assets was conducted only on April 21, 1946. Due to the delay in releasing the buildings, Government had to meet rent charges amounting to Rs. 1,29,140 (approximately) for the period from December 1945 to September 1947. A major portion of this expenditure could have been avoided if the authorities concerned had taken expeditious action for release of the buildings as soon as it was known that they would no longer be required.

The question regarding regularisation of the loss by the Government is under reference to the Command authorities.

52. *Loss in the manufacture of cast steel tub wheels.*—Manufacture of 1200 cast steel tub wheels was undertaken by an Ordnance Factory, for a private firm without settling the rate or entering into a contract with it, and was completed at a total cost of Rs. 1,42,117. This amount includes the cost of manufacture of additional 139 wheels rejected during inspection. There was inordinate delay in the supply of the wheels; and as the actual cost of production was far in excess of the market rate, the firm refused to pay the former rate. Ultimately the firm accepted 782 wheels and in accordance with the recommendations of the Government collector, paid for them at a rate of Rs. 25.2 for the first 160 wheels and for the balance at Rs. 15 each which was stated to be the market price. This resulted in a loss of Rs. 1,22,853 from which will have to be deducted the sale proceeds of 160 wheels out of the total of 587 rejected wheels lying in the factory. Action is being taken to regularise the loss.

53. *Non-maintenance of proper rent records.*—Under an arrangement, certain groups of residential Civil buildings were placed at the disposal of the War Department from January 1945. The debits for the rent of these buildings were raised against the War Department by the Civil Accounts Officers, the former being responsible for the allotment of the accommodation to the service officers and recovery of rent where due. It was also made clear that the War Department would maintain proper records of the buildings showing how they were occupied from January 1945.

It was, however, noticed early in 1946 that no proper records were kept and, in their absence, it proved impracticable to ensure in audit that the recovery of rents at the authorised rates had been effected in all cases, and that the accommodation had been fully utilised to the best advantage of the State.

Government refused to condone the failure of the Defence Services authority concerned. No disciplinary action could be taken as the connected papers could not be traced and the Officers responsible for the irregularities had left the country.

54. *Non-adjustment of Inter-Governmental transactions in respect of supplies made or services rendered during the war.*—Early in 1946 orders were issued relaxing the normal procedure of supporting debits with receipted copies of vouchers in respect of supplies made and services rendered by one Department of the Government of India to another during the period of war. Accordingly all inter-Governmental transactions arising upto March 31, 1946, were required to be settled during 1945-46 on the basis of receipted or unreceipted copies of the relevant vouchers. As no satisfactory progress in the matter was made during 1945-46 all outstanding transactions were required to be adjusted during 1946-47 after which the financial settlement with H. M. G. ceased to be operative.

However, in a certain Controller's office there were at the end of October 1947, 174 outstanding items involving a sum of Rs. 12,42,776, some of which dated as far back as 1943. The outstandings were attributed to non-availability of receipted or unreceipted copies of vouchers, incorrect designation and address of the consignee, etc.

Protracted correspondence to settle outstandings having failed, action is now being taken to have them written off by competent financial authorities as irrecoverable, to the extent necessary.

55. *Settlement of outstanding claims against Railways.*—In order to avoid disproportionate expenditure of labour in settling outstanding claims against Railways for loss of Defence Services stores in transit, it was decided in March 1947 that a broad settlement should be arrived at between the Defence Department and the Railway Board on the question of claims preferred prior to October 1, 1946. Consequently, efforts to settle such claims individually ceased.

To effect the proposed settlement, all outstanding claims, preferred prior to April 1, 1943, and outstanding claims below Rs. 100 preferred up to September 30, 1946, were ignored. In respect of all other outstanding claims preferred between April, 1943 and September 30, 1946 (both dates inclusive) reports were required to be submitted to General Headquarters by April 15, 1947. The matter is still under discussion with the Ministry of Railways (Railway Board).

All claims preferred after September 30, 1946, are required to be pursued in the normal manner.

QUARTERMASTER GENERAL'S BRANCH

56. *Arbitration on Hired Transport contracts.*—(1) In connection with the hired transport contracts concluded during the war in a certain Command, the contractors put forward a number of claims which remained outstanding for long periods owing, mainly, to want of prescribed supporting documents or to their not conforming to the terms of the contracts. With a view to the speedy settlement of these claims Government appointed a special committee which, however, could not make satisfactory progress as certain essential information was not forthcoming. The outstanding claims were, therefore, referred to arbitration by the Command authorities under instructions from the Quartermaster General.

(2) In all, 35 cases were put up for arbitration between the dates March 26, 1947 and October 22, 1947. The total claims against Government in these cases amounted

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Rs. 112.9 lakhs approximately and the awards in favour of the contractors amounted to Rs. 92.8 lakhs. Of these 18 cases in which the individual claims exceeded one lakh of rupees and amounted in all to Rs. 95 lakhs approximately were arbitrated upon by a high Military Officer of the Command. The total amount awarded by him in favour of the contractors was about Rs. 79.4 lakhs. A review of these cases in audit revealed the following unsatisfactory features:—

- (i) The reference to arbitration in some of the cases was somewhat hurried and indicated certain lack of detailed and proper examination. Even the forms of the joint submission used in the case of a number of contracts were not prepared with reference to the wording of arbitration clause in the contract. The claims of the contractors against Government were not in some cases reduced to definite terms and an attempt was not made to get full details regarding them and to get them checked by the Controller of Military Accounts. This was essential as no claim could be held to be in dispute between the contractor and Government until the Controller of Military Accounts, the paying authority authorised in the contract, had finally rejected it. As it was, the interests of Government were prejudiced by the reference to arbitration of claims that were to be the subject of Government award and claims not necessarily awarded in the contract.
- (ii) In 11 cases of large claims, the award was made by a high ranking officer in the Command. The award was made without the authority of the Controller of Military Accounts and a high ranking officer, such as a Major General, should not be allowed to arbitrate in such cases. The arbitrator was not present before the arbitration proceedings. In this connection it is pertinent to mention that the Major General's award was not arbitrated in any of the cases.
- (iii) The procedure adopted by some of the awarding authorities in these cases was irregular and defective in many respects. In a few cases the Controller of Military Accounts was not given sufficient time and opportunity to examine carefully the claims, some of which had been put up for the first time, and to state the Government case. In some of the cases the Military Engineer Service authorities concerned were not called upon to offer their remarks. An officer had been nominated to investigate the claims and represent the Station Transport Officers. He did not, however, contest the claims. On the contrary in almost all cases he merely recommended payment in full of all the contractor's claims. The Controller of Military Accounts was, however, called upon by the Arbitrator to contest them. There was, further, some haste in the conduct and closing of the arbitration proceedings. These defects were particularly noticeable in the case of the larger claims arbitrated upon by the high ranking Military Officer mentioned above.
- (iv) These defects in some of the awards would indicate that the procedure of arbitration was not sufficiently carefully observed and the financial interests of Government thereby suffered considerably. The local military authorities pressed for the immediate implementation of all awards by the Controller of Military Accounts and continued to do so even after General Headquarters had issued instructions that the validity of the awards should be examined, which was immediately taken in hand. Finally legal opinion was taken on the more unsatisfactory awards including the 18 cases of large claims, and after a careful review of the cases it was decided that the awards of arbitrators in eleven of

these cases should be contested in the courts. These cases have, however, been settled finally in accordance with the compromise proposals recommended by the Advisory Council, under which the claims of contractors and the Government's liability have been reduced by Rs. 8-88 lakhs.

(3) Some of the factors mentioned above were noticed in the proceedings of an earlier arbitration held in March 1947 as a result of which instructions to avoid recurrence thereof were issued by the Engineer-in-Chief's Branch in January 1948. Necessary instructions for safeguarding the interests of Government in regard to claims referred to arbitration were issued by Quartermaster General's Branch in October 1947. The disciplinary aspect of the case is under consideration.

57. *Loss due to failure to inform accounts and administrative authorities.*—A firm holding contracts for messing officers at certain Military transit camps during 1942-43 applied for an enhancement of messing rates which were sanctioned by the General Headquarters in May 1942 with retrospective effect from April 1, 1942. The sanction was however not communicated to the accounts and administrative authorities concerned. The omission to do so resulted in under-recovery from the residents of the camps who continued to be charged at the old rates for several months. The contractors had to be paid by Government at the enhanced rates agreed to, and as the under charges could not be recovered from the officers concerned to the extent of about Rs. 73,400, these had to be written off by Government.

It was enquired in audit whether disciplinary action, if any, had been taken against the officials responsible for the loss. It was stated that this information could not be given as the relevant files had been lost, and in the absence of the papers it was not possible to state whether disciplinary aspects of the case was or was not taken and, if not, reasons therefor.

58. *Irregularities in procedure for rent recovery.*—Under the War-time procedure introduced in 1944 the recovery of rent, electricity and other charges from officers is effected by Pay Offices with reference to occupation returns submitted by units showing full particulars of the officers and type of the accommodation allotted to them. Copies of such occupation returns have to be sent to the Station Staff Officer who controls the allotment of accommodation to units.

It was noticed generally in one Command that:—

- (a) No watch was kept by the Station Staff Officer to see that occupation returns were regularly received from all the units for the buildings allotted to them, nor were suitable records maintained to enable such a watch being kept;
- (b) Occupation returns could not be traced in respect of a large number of buildings;
- (c) The occupation returns on record with the Station Staff Officer were incomplete in several respects. Particulars of the buildings allotted or the type of accommodation on which the rate of recovery of rent depended were not shown in several cases.

Consequent on the failure to watch the regular submission of occupation returns for all buildings with all particulars, it could not be ensured that all available accommodation was fully utilised and that rent was recovered from all occupants when due. Several cases of non-recovery came to light as a result of a test check. The total actual loss cannot be estimated but must be considerable in view of the large number of buildings involved.

Revised instructions for allotment of quarters to Military officers and for the accounting and audit of rent and other allied services approximating to peace time procedure, have been issued with effect from January 1, 1948. The working of the revised procedure is being examined in audit.

59. *Loss due to non-recovery of rent charges.*—A private building at a certain station was let on contract to Government with effect from October 1, 1944 and was used as a mess hall for Government officers and as a mess hall for the staff. It was found that no recovery had been made from the contractors on account of rent, water and electricity as no occupation returns in respect of officers who resided in the camp were submitted to the Station Engineer concerned. Efforts were made to ascertain the names and addresses of past residents, but the records were so incomplete that no direct assessment was possible. The amount of loss to Government was assessed at Rs. 23,736, after taking into account a sum of Rs. 4,000 in the camp's accounts which was proposed to be credited to Government in partial adjustment of the amount due.

As the officer responsible for the loss is dead no disciplinary action could be taken.

60. *Hostel accommodation for officers.*—Due to shortage of accommodation in one station, four buildings were hired and handed over to contractors or paid managers for being run as hostels for military officers. The procedure followed in running these hostels was unsatisfactory in the following respects:—

- (a) There was no authority for the establishment of officers hostels and conclusion of contract agreements with paid managers or contractors on behalf of the Defence Department.
- (b) Contract agreements were not executed in respect of two of the buildings and in the other two cases the agreements were not sent to the Controller of Military Accounts for scrutiny although they contained special clauses having financial bearing.
- (c) Accommodation allowance at a flat rate of Rs. 120 per mensem for single officers and Rs. 220 per mensem for married officers (which rates are more than double the lodging allowance of the officers) was paid to the contractors or managers.
- (d) Occupation returns in respect of the officers accommodated in the buildings were not prepared by the local military authorities and forwarded to the pay authorities for effecting appropriate recoveries, the result being loss to Government.
- (e) Contrary to rules, all officers, Indian and British, irrespective of their terms of service were provided with free furnished accommodation.
- (f) Recovery of rent was not regularly made from the contractors or managers with the result that in the case of one building a sum of Rs. 17,944 is still to be recovered from the manager.
- (g) A sum of Rs. 1,15,025 has been reported as loss to the State due to the running of another hostel.

The irregularities were mainly attributable to (i) inefficient management and (ii) lack of proper supervision. Necessary action has, however, been taken to avoid such irregularities in respect of two hostels that are still being maintained.

Air Forces

61. *Wrong fixation of rates.*—Ordnance and clothing articles issued on payment to individuals are, under existing orders, valued either at (i) the current Air Ministry (United Kingdom) rates or (ii) the rates published in the Indian Air Price List (pre-war edition) with the addition of 50 per cent of the cost to cover increase on pre-war prices. The basis in each case was incorrect. In the first case, many ordnance and clothing articles are common to Air Forces and Army units and the rates for such items should more appropriately have been the Indian Army prices, which are being periodically kept up to date, instead of Air Ministry (United Kingdom) rates which are often unrelated to articles many of which are of indigenous

origin or manufacture and are of different pattern. In regard to the second method of pricing, the 50 per cent increase over pre-war prices, which had actually been prescribed early in 1942 in the light of conditions then obtaining, was never subsequently revised to accord with the rising trend of prices or the general price index, which has registered an increase of over 150 per cent over pre-war prices in the recent years. In practice too, the Air Force rates of recovery have been found to be comparatively lower, in most cases, than the Officer's Shop (Indian Army) prices for the same articles. The resultant loss to Government is, however, indeterminable owing to the large number of transactions in units some of which have since been disbanded. Action is under way to bring the rates in Air Force shops up to date.

62. *Surplus and obsolete stores.*—As stated in Appendix XXII to the report of the Public Accounts Committee on the accounts of 1936-37, the system suggested by the Auditor General of India of making the particulars of surplus and obsolete stores thrown up from time to time, available to the Audit Department, has been in force since 1934-35. Particulars of Air Force surplus and obsolete stores discarded during the years 1945-46 and 1946-47 were, however, not made available for audit on account of difficulties stated to be due to non-publication of priced vocabularies. Quantitative statements of such stores were also not furnished owing, it was stated, to the limited staff available which was fully employed on the work of reporting the surpluses for disposal action, and later, it was reported that the relevant records had been destroyed on the winding up of the Supreme Commander's Headquarters. The procedure to be followed in the disposal of Air Force surpluses is under consideration.

Notes

63. *Salvage operations.*—It was mentioned in paragraph 72 of the last Audit Report that action was being taken to assess recoveries in respect of salvage operations carried out for private parties. Out of a total of 25 such operations, the Government, after obtaining legal opinion, decided to prefer claims for the recovery of the cost of the operations in respect of five cases. In view of the lapse of time and lack of information regarding the value of vessels and the nature and value of their cargoes, it was considered not advisable to claim for more than the cost of the operations. The expenditure incurred on these five cases was costed at Rs. 3.5 lakhs. The results of the claims are still awaited.

REPORT OF THE AUDITOR OF INDIAN HOME ACCOUNTS

64. The Auditor of Indian Home Accounts has accorded the following observations on the accounts audited by him:—

DEPOSITS AND ADVANCES (RUPEE ACCOUNTS)

DEFENCE DEPARTMENT (NOW MINISTRY OF DEFENCE)

The accounts of many Indian Army officers leaving India on release closed with a debtor balance. Following War Office practice, unless there were special features held to justify exceptional measures, such debtor balances were not recovered either wholly or in part from war gratuities and a prescribed proportion only—generally speaking about one half—of release pay was withheld on that account. Where exceptionally heavy debtor balances were due mainly to overdrawal of advances of pay, gratuity was also withheld and sometimes release pay in full. The recoveries made under the procedure outlined above did not however in all cases liquidate the debt due to Government and the sums unrecovered which were or will be written off amounted in the aggregate to a substantial sum.

In the case of debtor balances arising on the accounts of deceased Indian Army Officers, no claim for recovery was made, following the British practice, unless the

Due of the Officer's estate amounted to £2,000 or over where there were dependants or £100 where there were no dependants.

During the year further cases came to light where the delay referred to in last year's Report in comparing in the India Office statements prepared in India of deductions from officers' pay in respect of allotments with the payments in the United Kingdom on that account, contributed to under-recoveries from pay or overissues of allotment. The amounts written off during the year in respect of unrecovered allotments exceeded £1,500.

Debit balances of released officers which have been reported to the India Office after the closing of the accounts in London have been pursued only in a limited category of cases e.g. those arising from advances of pay, clothing supplied on repayment or India Income Tax. Otherwise unless there was evidence of bad faith, the procedure prescribed was to report the debts back to India for disposal without any approach to the officer for repayment. Generally the amount was small or the debit was not reported until long after the closing of the account. There were however instances where adherence to the prescribed procedure involved failure to pursue public claims under circumstances in which it would seem that they might properly have been pursued with hope of success.

The question of the final disposal of debit balances of British personnel on leaving the Indian Army is still under consideration.

(2) Instances have occurred in which an officer whose debt to Government has been written off has been paid the amount of credits subsequently coming to light.

In one case a sum of \$ 381 in respect of overissue of allotment remained due from an officer at the date of his release. After withholding Overseas Grant and other credits due, recovery of the balance of \$ 27-17-7 was waived and the officer was so informed. A sum of \$ 110-8-9 which subsequently was found to be due was paid in full largely on the ground that the intimation of the waiver was not qualified by any reference to the possibility that further sums might fall due.

In another case a sum of £40-5 which had been owed by an officer in consequence of a double payment and which had been recovered from his release gratuity was, on his representation, refunded to him and a credit of Rs. 96 subsequently coming to light, that also was paid to him.

A third rather different case illustrates the same principle. Through an error in recording an officer's date of birth an overissue of married allowances amounting to £75-5 was made in India. Part of the overissue was recovered from the officer's release benefits but on his protesting against the recovery in view of the lapse of time (but without reference to grounds of hardship) the recommendation of the Commander in Chief, Middle East Land Forces, that the overissue should be written off was endorsed by the Secretary of State who directed that the amount already recovered, viz. £36-14-5 should be refunded to the officer.

(3) The Secretary of State decided after consultation with the Government of India that normal release benefits should be paid in respect of the service of Indian Army officers with the civil authorities (including provincial) provided such service was military or quasi military in character. With the exception of leave under civil rules granted in some cases as a concession in lieu of release leave, the benefits in question paid in the United Kingdom have been charged wholly to defence revenues. The question of a contribution by the Provincial Governments concerned is under consideration.

(4) The Regulations provide for the payment to Indian Army Officers during release and overseas leave of pay at Indian rates based on the highest paid rank held during the year preceding release. A number of officers who, whilst serving in

Imperial formations had drawn as a reserved right the Indian rates of pay of the substantive or war substantive Indian rank as being more favourable to them than British pay of their appointment, were paid during release and overseas as I have Indian rates of pay applicable to their higher British rank, thus receiving during terminal leave a rate of pay higher than had been drawn on duty. On this interpretation of the release regulations being brought to notice it was decided that in such cases pay during the release and overseas I have should be admissible in future either at the Indian rates appropriate to the lower Indian rank or at the British rates of the higher rank, but that no adjustment of past cases should be made. The total of the overissues thus waived amounted to £ 480.

(5) Under the regulations release leave begins on the date of disembarkation in the country where release is to be effected. Several instances occurred where the date of the commencement of release leave in a country other than the United Kingdom appears to have been unnecessarily deferred thus entailing avoidable expenditure in respect of the additional leave allowances involved.

On arrival in the United Kingdom an officer's request for release in South Africa was refused, apparently on the assumption that since no arrangements had been made for his direct journey to South Africa, he must have applied in India for repatriation to Argentina where he had resided before the war. The officer accepted the offer of release in South America, but on grounds of his wife's health he was permitted to remain on leave in the United Kingdom. Further postponement of his departure was due to delay in initiating the necessary transport arrangements with the War Office and to the fact that later his personal documentation was found not to be in order. The leave pay and allowances of the officer in respect of the period of 9½ months spent in this country amounted to £600. On reference to India no confirmation could be obtained that he had applied in the normal way for release in either South Africa or South America. If he had done so, and if, as prescribed in the regulations, the necessary arrangements had been made before his departure from India, a substantial portion of the expenditure on his account after the date of striking off duty would not have been incurred.

The intimation of an officer's election to be released in the United States of America was received in the India Office 2 months before his arrival in the United Kingdom but a further 4 months elapsed before the necessary documentation was complete and a request for passage could be issued to the War Office. The officer's leave allowance was just under £100 a month.

In another case advance information as to repatriation to Chile was received a month before the officer's arrival in the United Kingdom but delay in completing documentation and obtaining onward passage led to his remaining 5 months in the United Kingdom on leave allowance of £72 a month.

The Canadian authorities had been requested by cable to retain, pending further instructions, an Indian Army Officer who while on leave in Canada had been selected for a permanent commission in the Canadian Army, but did not apparently, through some now unascertainable failure of liaison, contact the officer in time to prevent his sailing from New York some 4 weeks after the date of the request. The officer remained on leave in the United Kingdom pending return to Canada where he was released on disembarkation a month later. The additional expenditure thus involved amounted to approximately £200 plus the cost of passages.

An officer of the Royal Indian Naval Reserve who was due for release in Canada, and for whom a passage from India via the United Kingdom had been arranged, for private reasons disregarded the sailing instructions received and booked a passage by another ship sailing direct to Vancouver. He reported this action to Naval Headquarters who in the circumstances considered that to initiate disciplinary action at that stage would do more harm than good, and accordingly allowed him to

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proceed on the understanding that he sailed at his own expense. The ship by which he sailed was delayed and the voyage to Vancouver took more than 4 months, during which the officer drew full Indian rules of pay. The question was considered of ante-dating the beginning of his release leave to the date on which he would have reached Canada if he had taken the passage allotted to him but since it appeared that the authorities in India, in condoning his action in booking his own passage, had imposed no condition as to the date of release, it was held that this could not properly be done. On the reasonable assumption that release was deferred by three months, the obligatory expenditure amounted to £183-8, of which however must be set the cost of passage.

(6) Towards the end of his leave in the United Kingdom an officer was warned in October 1943, to hold himself in readiness to return to India, but no further action in the case was apparently taken until the following March when in reply to his enquiry he was informed that he would be retained in the United Kingdom pending the outcome of an application to return to his university. It was not however until July that steps were taken by the India Office to ascertain the results of an application, which proved to have been unsuccessful. As the officer's release with his age and service group was almost due he was released with effect from 15th July. On review of the case, ex post facto sanction was accorded to the payment of leave allowances amounting to £ 235-10, in respect of the 8 months from the expiry of the leave originally granted to the date of release.

(7) An officer due for deferred release in February 1947 (Class A) came to the United Kingdom in January 1943 for interview for an appointment in the Home Civil Service for which he was accepted in April 1943. He was granted leave for an unspecified period apparently in the expectation that an application from the Civil Service Commission for his special release (Class B) would shortly be received. As however he was a candidate in a later examination for a different branch of the Civil Service (in which he was unsuccessful) he did not take up the appointment for which he had been accepted until November 1943. Meanwhile leave pay continued in issue until October 29, 1946, the date from which he was granted an accelerated Class A release. On the matter being brought to notice, the grant of leave for this period was confirmed. The avoidable expenditure involved was estimated to amount to £184.

(8) An increase of £15 in the grant for Outfit Allowance to members of the V.A.D. sanctioned with effect from January 1, 1943 was inadvertently issued in India to members appointed before that date and on the error being discovered recovery of the overissues was ordered and partially effected. Representations were however made that the payments had been received in good faith and that recovery would involve hardship, and the Secretary of State decided that recovery should be waived. Through a misunderstanding the submission to the Secretary of State indicated that the number of cases involved was 24 only and the sum of £ 330 was accordingly included in the list of amounts written off appended to the accounts for 1943-46. The waiver was however communicated to the Government of India in general terms without any numerical restriction and was moreover taken as authority for the refund of sums already recovered in India. Sums totalling £ 2,353 have in consequence been credited to the accounts of V.A.D. members in this country on advice from the accounts authorities in India and the total amount involved (including refunds which may have been made and amounts written off in India) was probably not less than £ 4,000. The position was brought to light before the Comptroller-in-Chief of the Indian Independent Accounts in a report before the Comptroller-in-Chief before August 13, 1947.

(9) An officer in receipt of marriage allowance was allowed to reside in the United Kingdom on the ground that he was divorced, although he had not been so by the regulations, reported the divorce in connection with his pay entitlement. It seemed desirable

therefore that enquiry should be made as to whether, and if so from what date he had ceased to provide for his wife and to be eligible for the allowance. On the ground however that the answer to the questionnaire apportioned to the Inland Revenue Department and, therefore, should not have been on the file and available to Audit, the enquiry was not made, and the officer's entitlement to the allowance remains in doubt.

It has since been decided to obtain from each officer coming into the payment of the Commonwealth Relations Office a certificate as to his family condition as affecting his eligibility for married allowances.

(10) A civilian member of an Indian Defence establishment in this country was granted an emergency commission specifically in order that he might hold military rank during a short period of deputation to India. It was decided that on his return, while retaining his commission, he should revert to the civilian rate of pay of his appointment. No similar provision was made to cover the period between the date of commission and that of departure for India and as the latter was unexpectedly deferred for nearly 4 months, he drew pay and allowances for that period which exceeded the corresponding civil emoluments of the post by £59-16-10. On demobilisation, which was effected with his appropriate age and service group some 11 months after his return to duty in the United Kingdom, he was granted the usual terminal benefits, including pay at military rates in respect of 56 days release leave amounting to £199-2-6. His duties were unaffected by his civilian or military status and as he continued to draw civil pay the grant of release leave with pay involved a duplication of emoluments for which there was no apparent justification.

(11) Premises held on long lease for the use of the King's Indian Orderly Officers which had been closed since the outbreak of war, were used from March, 1943 to July, 1945 as an Indian Forces Leave Club. Part of the resulting expenditure, including the cost of redecoration, was met from the Viceroy's War Purposes Fund but certain charges amounting to approximately £ 300 per annum including rent and insurance which would have been payable in any case, and rates (about £80 a year) which were not payable when the house was closed, were incurred during the Club's occupancy of the premises. In addition no charge was made to the Club for the use of furniture valued in 1939 at £1,500, against which however must be set the cost of storing the furniture. The question of the incidence of these charges, which had been under discussion for some time, had not been settled by August 14, 1947 after which no decision by the Secretary of State in the matter was possible. Technically there is no authority for the charge to Government revenues of the sum involved which amounts, apart from the question of the furniture, to about £ 4745.

(12) Owing partly to the abnormal circumstances governing the supply of funds to formations in Germany and the operation of the Financial Settlement between the Government of the United Kingdom and the Government of India for the allocation of Defence Expenditure during the War, the accounts of the Indian Military Mission which was established in Berlin in February, 1946, were not compiled in all respects in accordance with normal procedure. The expenditure involved is about £4,000. Adequate accounts of the portion debited to Indian Revenues have still to be submitted for audit and audit queries affecting incidence are outstanding. The Commonwealth Relations Office is taking steps to expedite the matter.

(13) The accounts of Welfare Funds placed at the disposal of the Officers commanding a number of Prisoner of War Camps in the United Kingdom, the last of which closed down nearly two years ago, have not yet been finally presented for audit. The expenditure in question is considerable (about £ 70,000) and the Commonwealth Relations Office is taking steps to expedite the matter.

DEFENCE SERVICES—NON-EFFECTIVE

(14) *Royal Indian Navy.*—A retired officer of the Royal Indian Navy was re-

employed by the Admiralty from February 1943 to October 1945 but owing to a failure to notify re-employment pension was continued in issue throughout this period. The gross amount overissued was £ 1 756 10-1 but was reduced by a refund of income tax and by a credit of £ 916-17-8 due in respect of arrears of pay, leaving a net balance for recovery of £ 276 5-1. The officer appeared to have received the overpayment in good faith and on grounds of hardship this balance was written off subject to absorption of any arrears of pension subsequently found due.

(15) *Defence Expenditure adjustable with His Majesty's Imperial Government.*— Three candidates recruited for the Directorate of Lands, Hirings and Disposals (India), who had been offered and accepted appointment, were awaiting passage when the Government of India intimated that their services would not be required. As compensation for loss of appointment a sum of £ 200 was awarded to each and recovery of Outfit Allowance of £50 was waived.

MINISTRIES OF DEFENCE AND INDUSTRY AND SUPPLY

65. *Ad hoc adjustments.*— (i) Moneys creditable to Defence Services are, under the prescribed procedure tendered in Civil Treasuries under Military Receivable Orders. The crediting party forwards the treasury receipts to the departmental officer who transmits them to the Defence Accounts Officers for raising debits against the Civil Accounts Officer concerned, through a remittance account in the exchange account. The latter gives a corresponding credit through the same account and also furnishes quarterly lists of unadjusted credits along with copies of Military Receivable Orders to the former to facilitate clearance.

(ii) Due to non-availability of Treasury Receipts, Military Receivable Orders and other relevant particulars, on account of the unsatisfactory initial accounts, the outstanding debits and credits aggregating Rs. 40.17 lakhs and Rs. 52.31 lakhs respectively, pertaining to the years 1941 to 1946, were adjusted *ad hoc* to the Miscellaneous Revenue head in one Accounts Office in the accounts for the year 1946-47. In the same accounts office debits/credits aggregating approximately Rs. 22.64 lakhs/Rs. 3.63 lakhs relating to the years 1943-46, which were outstanding under a suspense head of account and could not be cleared in the normal manner for want of full particulars, were also adjusted *ad hoc* to the final head in the Defence Accounts for the same year, subject to the Accounts Officer continuing to maintain the necessary records or ledgers in respect of the outstanding relating to private parties and contractors to enable the correctness of recoveries or claims for refunds being checked when made.

(iii) Similarly credit and debit balances amounting approximately to Rs. 17.42 lakhs and Rs. 24.18 lakhs respectively, which were awaiting clearance on the books of ten other Defence Accounts Officers as on March 31, 1946 under the remittance account referred to in (i) above and which could not be cleared for want of Military Receivable Orders and other relevant particulars, were cleared by transfer to a Miscellaneous Revenue/Charge head in the accounts for 1946-47. In one Defence Accounts office a debit balance of Rs. 16.65 lakhs outstanding under another Debt and Remittance head was also adjusted *ad hoc* by transfer to a service head as it was not possible to clear the same in the normal manner due to the re-organisation, amalgamation and the closing down of the various formations to which the outstanding transactions pertained.

MINISTRY OF INDUSTRY AND SUPPLY

66. *Outstanding sale accounts.*— Sale accounts with details of treasury credits and issue vouchers receipted by consignees in respect of sales of surplus stores to private parties, and issue vouchers only without consignee's receipts for sales to paying Government departments are required to be furnished by the issuing depots to the Accounts Officer to enable him to adjust the credits and raise debits against the consignee's Accounts Officers. A review of the records of one Defence Account

Officer as on July 1, 1947, showed 4,905 sales to private bodies and 1,533 sales to paying Governments or departments amounting to Rs. 15.43 and Rs. 8.69 crores respectively. Some of the sales dated back to 1945. As the connected sale accounts and issue vouchers had not been received by the Accounts Officer he could not adjust the sale proceeds in the Government account. It was stated that lists of outstanding disposal orders have been furnished to the Regional Commissioners of disposals for expediting submission of sale accounts etc. by the stockholders and that the Army authorities have been requested by the Director General of Disposals to instruct the stockholders under them to submit issue vouchers without waiting for the consignees' receipts for sales to paying Governments or departments.

CHAPTER 6.—COMMENTS ON THE APPENDICES TO THE APPROPRIATION ACCOUNTS

67. There are no comments to offer on those appendices.

NEW DELHI;

Dated the 10th sept. 1949

Countersigned.

SIMLA,

Dated the 17th sept. 1949

K. R. RAMAIYER,

Director of Audit, Defence Services.

V. NARAHARI RAO,

Auditor General of India.