

R E P O R T

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF THE

GOVERNMENT OF PAKISTAN

FOR THE

YEARS 1954-55, 1955-56 AND 1956-57

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FOREWORD

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

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

Chairman.

1. Mr. Mohammad Shoab, Minister for Finance.

Members.

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

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

PART I—REPORT

Introduction

We were called to meet at Rawalpindi for examining the Central Government's Appropriation Accounts for the years 1954-55 to 1956-57 and the Comptroller and Auditor General's Reports thereon. We held 17 sittings in all spread over two sessions. During the course of the first session which lasted from the 12th December, 1960 to 24th December, 1960, we examined the Civil Accounts for the years 1954-55 to 1956-57 along-with the Audit Reports thereon. In the second session which was held from the 30th January, 1961 to 3rd February, 1961 we scrutinized the Defence, Railways and Posts and Telegraphs Accounts for the years 1954-55 to 1956-57 together with the Audit Reports thereon. In the latter session we also examined the Civil Accounts relating to two Ministries which were not ready with their explanations in the first session. The proceedings of these meetings are appended to our Report. In accordance with the past practice, these proceedings and the specific recommendations, directions and observations contained therein may be regarded as a part of the Report.

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

“ In scrutinizing the Appropriation Accounts and the Report of the Comptroller and Auditor General thereon, it shall be the duty of the *ad hoc* Public Accounts Committee to satisfy itself :—

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

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

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

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

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

4. *Compliance Reports.*—We examined also the compliance reports submitted by the various Ministries on the recommendations and suggestions made and directions given by the previous Public Accounts Committee in their Report on the Accounts for the year 1953-54. Where these recommendations or directions were not adequately complied with by the Ministries concerned, we indicated further action which is mentioned in the proceedings of our meetings in Part II.

5. The previous Committees had been reviewing from year to year the difficulties experienced by the Audit and Accounts Department in the timely compilation and submission of Accounts. These difficulties sprang mainly from the shortage of trained staff and the inordinate delay in the reconciliation of departmental figures of accounts with those of the Audit Office. The previous Committee were informed that as a result of the measures already taken, these difficulties had to a large extent been overcome and efforts were being continued to remove them completely. They had also been assured by the Comptroller and Auditor General that no efforts would be spared to clear the back-log of accounts and to bring them up-to-date within a short time.

We were given to understand that while efforts were continued to pull up the work, it was felt that unless the Accounts in arrears were compiled by adopting some *ad hoc* measures, it would not be possible to restore normalcy within a reasonable space of time. It was, therefore, decided that the Appropriation Accounts in arrears should be compiled by Grants and Appropriations as a whole instead of by budget sub-heads as usual. Where, however, a Grant or Appropriation consisted of more than one major head of account or related to more than one Ministry, the Appropriation Accounts might be compiled by each major head or Ministry-wise. The Accounts for the years 1954-55 to 1955-56 were prepared in the usual manner while the Accounts for the year 1956-57 were compiled in the modified form. We were also informed that although it was originally proposed that the Accounts up to 1958-59 only should be prepared in the modified form, it was decided on the recommendations of the Comptroller and Auditor General that the modified system should be applied to the Accounts for 1959-60 too. We hope that it would enable the Comptroller and Auditor General to clear the arrears and to present the Accounts in time in future.

6. As in the previous years, savings and excesses over voted Grants and Appropriations were reported by Audit in a number of cases during each of the years 1954-55 to 1956-57. Although ordinarily the departmental representatives would have been asked to explain the reasons for these variations, we decided to concentrate only on cases of financial irregularities, losses etc., and major instances of savings and excesses in view of the magnitude of the work that we had to dispose of during the two sessions.

GENERAL REVIEW OF THE RESULT OF APPROPRIATION AUDIT

Overall Position

7. *Examination of Appropriation Accounts.*—The following tables summarise the overall results of the appropriation audit during the years 1954-55 to 1956-57 :—

Appropriation Accounts 1954-55

			Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving (—)	Percentage
VOTED :			(In Lakhs of Rs.)				
<i>Expenditure met from</i>							
<i>Revenue—</i>							
Civil			36,69	36,69	42,67	(+) 5,98	16·30
Defence			64,05	64,05	63,51	(—) 54	·84
Railways			34,72	34,72	36,79	(+) 2,07	5·99
Posts & Telegraphs ..			6,08	6,08	6,23	(+) 15	2·47
Total ..			1,41,54	1,41,54	1,49,20	(+) 7,66	5·41
<i>Expenditure met from</i>							
<i>Capital—</i>							
Civil			22,78	22,78	10,82	(—)11,96	52·50
Defence			15,95	15,95	7,83	(—) 8,12	50·91
Railways			14,00	14,00	8,58	(—) 5,42	38·71
Posts & Telegraphs ..			3,00	3,00	2,40	(—) 60	20·00
Total ..			55,73	55,73	29,63	(—)26,10	46·83
<i>Disbursement of Loans and</i>							
<i>Advances—</i>			6,95	6,95	6,18	(—) 77	11·08
Total—VOTED ..			2,04,22	2,04,22	1,85,01	(—)19,21	9·41
CHARGED :							
<i>Expenditure met from</i>							
<i>Revenue—</i>							
Civil			10,70	10,83	11,15	(+) 32	2·95
Railways			5,10	5,10	4,41	(—) 69	13·53
Posts & Telegraphs ..			27	27	21	(—) 6	22·22
Total ..			16,07	16,20	15,77	(—) 43	2·65
<i>Disbursement of Loans and</i>							
<i>Advances—</i>			30,57	30,57	22,09	(—) 8,48	27·74
Total—CHARGED ..			46,64	46,77	37,86	(—) 8,91	19·05
Total Expenditure met from							
Revenue			1,57,61	1,57,74	1,64,97	(+) 7,23	4·58
Total Expenditure met from							
Capital			55,73	55,73	29,63	(—) 26,10	46·83
Total Disbursement of Loans							
and Advances			37,52	37,52	28,27	(—) 9,25	24·65
GRAND TOTAL ..			2,50,86	2,50,99	2,22,87	(—) 28,12	11·20

Appropriation Accounts 1955-56

		Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving (—)	Percentage
(In Lakhs of Rs.)						
VOTED :						
<i>Expenditure met from Revenue—</i>						
Civil		37,82	48,41	47,12	(—) 1,29	2.66
Defence		71,15	82,56	92,36	(+) 9,80	11.87
Railways		34,02	36,43	37,77	(+) 1,34	3.68
Posts & Telegraphs ..		6,79	7,45	7,44	(—) 1	.13
Total ..		1,49,78	1,74,85	1,84,69	(+) 9,84	5.63
<i>Expenditure met from Capital—</i>						
Civil		31,51	79,80	71,41	(—) 8,39	10.51
Defence		8,85	11,57	12,66	(+) 1,09	9.42
Railways		14,50	10,53	11,55	(+) 1,02	9.69
Posts & Telegraphs ..		3,31	3,74	3,79	(+) 5	1.34
Total ..		58,17	1,05,64	99,41	(—) 6,23	5.90
<i>Disbursement of Loans and Advances</i>		13,22	7,34	5,43	(—) 1,91	26.02
Total—VOTED ..		2,21,17	2,87,83	2,89,53	(+) 1,70	.59
CHARGED :						
<i>Expenditure met from Revenue—</i>						
Civil		11,47	12,26	11,93	(—) 33	2.69
Railways		4,65	4,56	4,56	..	..
Posts & Telegraphs		32	29	28	(—) 1	3.45
Total ..		16,44	17,11	16,77	(—) 34	1.99
<i>Disbursement of Loans and Advances</i>		37,94	36,36	33,49	(—) 2,87	7.89
Total—CHARGED ..		54,38	53,47	50,26	(—) 3,21	6.00
Total Expenditure met from Revenue		1,66,22	1,91,96	2,01,46	(+) 9,50	4.95
Total Expenditure met from Capital		58,17	1,05,64	99,41	(—) 6,23	5.89
Total Disbursement of Loans and Advances		51,16	43,70	38,92	(—) 4,78	10.94
GRAND TOTAL ..		2,75,55	3,41,30	3,39,79	(—) 1,51	.44

Appropriation Accounts 1956-57

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving (—)	Percentage
(In Lakhs of Rs.)					
VOTED :					
<i>Expenditure met from</i>					
<i>Revenue—</i>					
Civil	46,15	56,96	53,83	(—) 3,13	5.49
Defence	86,36	86,36	80,54	(—) 5,82	6.74
Railways	36,42	40,44	42,89	(+) 2,45	6.06
Posts & Telegraphs ..	8,23	8,23	8,43	(+) 20	2.43
Total ..	1,77,16	1,91,99	1,85,69	(—) 6,30	3.28
<i>Expenditure met from</i>					
<i>Capital—</i>					
Civil	71,91	1,43,69	1,15,63	(—) 28,06	19.53
Defence	22,65	22,65	6,21	(—) 16,44	72.58
Railways	13,99	13,99	9,45	(—) 4,54	32.45
Posts & Telegraphs ..	4,96	4,96	4,83	(—) 13	2.62
Total ..	1,13,51	1,85,29	1,36,12	(—) 49,17	26.54
<i>Disbursement of Loans and</i>					
<i>Advances</i>	8,54	8,76	7,27	(—) 1,49	17.00
Total—VOTED ..	2,99,21	3,86,04	3,29,08	(—) 56,96	14.75
CHARGED :					
<i>Expenditure met from</i>					
<i>Revenue—</i>					
Civil	12,85	14,22	15,51	(+) 1,29	9.07
Railways	4,69	4,72	4,70	(—) 2	.42
Posts & Telegraphs ..	38	38	36	(—) 2	5.26
Total ..	17,92	19,32	20,57	(+) 1,25	6.47
<i>Expenditure met from</i>					
<i>Capital—</i>					
Civil .. ..	..	..	1	(+) 1	..
Total ..	..	..	1	(+) 1	..
<i>Disbursement of Loans and</i>					
<i>Advances</i>	45,89	45,89	28,48	(—) 17,41	37.94
Total—CHARGED ..	63,81	65,21	49,06	(—) 16,15	24.77
Total Expenditure met from Revenue	1,95,08	2,11,31	2,06,26	(—) 5,05	2.39
Total Expenditure met from Capital	1,13,51	1,85,29	1,36,12	(—) 49,17	26.53
Total Disbursement of Loans and Advances	54,43	54,65	35,75	(—) 18,90	34.58
GRAND TOTAL ..	3,63,02	4,51,25	3,78,13	(—) 73,12	16.20

8. The following tables given an analysis of savings and excesses by main Departments, that is, Civil, Defence, Railways and Posts and Telegraphs for each of the years 1954-55 to 1956-57.

Appropriation Accounts 1954-55

(a) Without taking into account the surrenders made :

(In Lakhs of Rupees)

	Final Grant	Expenditure	Excess (+) Saving (-)	Percentage
Civil	1,07,82	92,91	(-)14,91	13.83
Defence	80,00	71,34	(-) 8,66	10.83
Railways	53,82	49,78	(-) 4,04	7.5
Posts & Telegraphs	9,35	8,84	(-) 51	5.5
Total	2,50,99	2,22,87	(-) 28,12	11.20

(b) After taking into account the surrenders made :

Civil	88,90	92,91	(+) 4,01	4.52
Defence	80,00	71,34	(-) 8,66	10.83
Railways	50,39	49,78	(-) 61	1.19
Posts & Telegraphs	9,08	8,84	(-) 24	2.7
Total	2,28,37	2,22,87	(-) 5,50	2.40

Appropriation Accounts 1955-56

(a) Without taking into account the surrenders made :—

Civil	1,84,17	1,69,38	(-) 14,79	8.03
Defence	94,13	1,05,02	(+) 10,89	11.57
Railways	51,52	53,88	(+) 2,36	4.59
Posts & Telegraphs	11,48	11,51	(+) 3	28
Total	3,41,30	3,39,79	(-) 1,51	47

(b) After taking into account the surrenders made :—

Civil	1,75,43	1,69,38	(-) 6,05	3.45
Defence	94,13	1,05,02	(+) 10,89	11.57
Railways	51,50	53,88	(+) 2,38	4.62
Posts & Telegraphs	11,47	11,51	(+) 4	3
Total	3,32,53	3,39,79	(+) 7,26	2.18

Appropriation Accounts 1956-57

(a) Without taking into account the surrenders made :—

(In Lakhs of Rupees)

	Final Grant	Expenditure	Saving (—) Excess (+)	Percentage
Civil	2,69,52	2,20,73	(—) 48,79	18·10
Defence	1,09,01	86,75	(—) 22,26	20·42
Railways	59,15	57,04	(—) 2,11	3·57
Posts & Telegraphs	13,57	13,62	(+) 5	·4
Total	4,51,25	3,78,14	(—) 73,11	16·22

(b) After taking into account the surrenders made :—

Civil	2,46,83	2,20,73	(—) 26,10	10·57
Defence	91,47	86,75	(—) 4,72	5·16
Railways	57,31	57,04	(—) 27	·48
Post & Telegraphs	13,54	13,62	(+) 8	·6
Total	4,09,15	3,78,14	(—) 31,01	7·58

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

Appropriation Accounts 1954-55

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Saving (—) Excess (+)	Percentage
(In Lakhs of Rs.)					
CIVIL					
<i>Expenditure met from Revenue :</i>					
Voted	36,69	36,69	42,67	(+) 5,98	16·30
Charged	10,70	10,83	11,15	(+) 32	2·95
Total	47,39	47,52	53,82	(+) 6,30	13·26
<i>Expenditure met from Capital :</i>					
Voted	22,78	22,78	10,82	(—) 11,96	52·50
<i>Disbursement of Loans and Advances :</i>					
Voted	6,95	6,95	6,18	(—) 77	11·08
Charged	30,57	30,57	22,09	(—) 8,48	27·74
Total	60,30	60,30	39,09	(—) 21,21	35·17
GRAND TOTAL	1,07,69	1,07,82	92,91	(—) 14,91	13·83

Appropriation Accounts 1954-55—contd.

			Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving (—)	Percentage
(In Lakhs of Rs.)							
DEFENCE							
<i>Expenditure</i>	<i>met</i>	<i>from</i>					
<i>Revenue :</i>							
Voted	..	..	64,05	64,05	63,51	(—) 54	84
<i>Expenditure</i>	<i>met</i>	<i>from</i>					
<i>Capital :</i>							
Voted	..	..	15,95	15,95	7,83	(—) 8,12	50.91
GRAND TOTAL	..		80,00	80,00	71,34	(—) 8,66	10.83
RAILWAYS							
<i>Expenditure</i>	<i>met</i>	<i>from</i>					
<i>Revenue :</i>							
Voted	..	..	34,72	34,72	36,79	(+) 2,07	5.97
Charged	..	..	5,10	5,10	4,41	(—) 69	13.53
Total	..		39,82	39,82	41,20	(+) 1,38	3.46
<i>Expenditure</i>	<i>met</i>	<i>from</i>					
<i>Capital :</i>							
Voted	..	..	14,00	14,00	8,58	(—) 5,42	38.71
GRAND TOTAL	..		53,82	53,82	49,78	(—) 4,04	7.5
POSTS & TELEGRAPHS							
<i>Expenditure</i>	<i>met</i>	<i>from</i>					
<i>Revenue :</i>							
Voted	..	..	6,08	6,08	6,23	(+) 15	2.47
Charged	..	..	27	27	21	(—) 6	22.22
Total	..		6,35	6,35	6,44	(+) 9	1.42
<i>Expenditure</i>	<i>met</i>	<i>from</i>					
<i>Capital :</i>							
Voted	..	..	3,00	3,00	2,40	(—) 60	20.0
GRAND TOTAL	..		9,35	9,35	8,84	(—) 51	5.5

Appropriation Accounts 1955-56

			Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving (-)	Percentage
(In Lakhs of Rs.)							
CIVIL							
<i>Expenditure Revenue :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	37,82	48,41	47,12	(-) 1,29	2.66
Charged	..	..	11,47	12,26	11,93	(-) 33	2.69
Total	..	..	49,29	60,67	59,05	(-) 1,62	2.67
<i>Expenditure Capital</i>	<i>met</i>	<i>from</i>					
Voted	..	..	31,51	79,80	71,41	(-) 8,39	10.51
<i>Disbursement of Loans and Advances :</i>							
Voted	..	..	13,22	7,34	5,43	(-) 1,91	26.02
Charged	..	..	37,94	36,36	33,49	(-) 2,87	7.89
Total	..	..	82,67	1,23,50	1,10,33	(-)13,17	10.66
GRAND TOTAL	..	..	1,31,96	1,84,17	1,69,38	(-)14,79	8.03
DEFENCE							
<i>Expenditure Revenue :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	71,15	82,56	92,36	(+) 9,80	11.87
<i>Expenditure Capital :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	8,85	11,57	12,66	(+) 1,09	9.42
GRAND TOTAL	..	..	80,00	94,13	1,05,02	(+)10,89	11.57
RAILWAYS							
<i>Expenditure Revenue :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	34,02	36,43	37,77	(+) 1,34	3.68
Charged	..	..	4,65	4,56	4,56	..	..
Total	..	..	38,67	40,99	42,33	(+) 1,34	3.27
<i>Expenditure Capital :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	14,50	10,53	11,55	(+) 1,02	9.69
GRAND TOTAL	..	..	53,17	51,52	53,88	(+) 2,36	4.59

Appropriation Accounts 1955-56—contd.

		Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving(—)	Percentage
(In Lakhs of Rs.)						
POSTS & TELEGRAPHS						
<i>Expenditure met from Revenue :</i>						
Voted	.. ..	6,79	7,45	7,44	(—)1	·13
Charged	.. ..	32	29	28	(—)1	3·45
Total	.. ..	7,11	7,74	7,72	(—)2	·26
<i>Expenditure met from Capital :</i>						
Voted	.. ..	3,31	3,74	3,79	(+)5	1·34
GRAND TOTAL	.. ..	10,42	11,48	11,51	(+)3	·28

Appropriation Accounts 1956-57

CIVIL

<i>Expenditure met from Revenue :</i>						
Voted	.. ..	46,15	56,96	53,83	(—)3,13	5·49
Charged	.. ..	12,85	14,22	15,51	(+)1,29	9·07
Total	.. ..	59,00	71,18	69,34	(—)1,84	2·58
<i>Expenditure met from Capital :</i>						
Voted	.. ..	71,91	1,43,69	1,15,63	(—)28,06	19·53
Charged	.. ..	..	..	1	(+) 1	..
Total	.. ..	71,91	1,43,69	1,15,64	(—)28,05	19·53
<i>Disbursement of Loans and Advances :</i>						
Voted	.. ..	8,54	8,76	7,27	(—) 1,49	17·00
Charged	.. ..	45,89	45,89	28,48	(—)17,41	37·94
Total	.. ..	1,26,34	1,98,34	1,51,39	(—)46,95	23·67
GRAND TOTAL	.. ..	1,85,34	2,69,52	2,20,73	(—)48,79	18·10

Appropriation Accounts 1956-57—contd.

			Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving (-)	Percentage
(In Lakhs of Rs.)							
DEFENCE							
<i>Expenditure Revenue :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	86,36	86,36	80,54	(-) 5,82	6.74
<i>Expenditure Capital :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	22,65	22,65	6,21	(-)16,44	72.58
GRAND TOTAL	..	..	1,09,01	1,09,01	86,75	(-)22,26	20.42
RAILWAYS							
<i>Expenditure Revenue :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	36,42	40,44	42,89	(+)2,45	6.06
Charged	..	..	4,69	4,72	4,70	(-) 2	.42
Total	..	..	41,11	45,16	47,59	(+)2,43	5.38
<i>Expenditure Capital :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	13,99	13,99	9,45	(-)4,54	32.45
GRAND TOTAL	..	..	55,10	59,15	57,04	(-)2,11	3.57
POSTS & TELEGRAPHS							
<i>Expenditure Revenue :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	8,23	8,23	8,43	(+)20	2.43
Charged	..	..	38	38	36	(-) 2	5.26
Total	..	..	8,61	8,61	8,79	(+)18	2.09
<i>Expenditure Capital :</i>	<i>met</i>	<i>from</i>					
Voted	..	..	4,96	4,96	4,83	(-)13	2.62
GRAND TOTAL	..	..	13,57	13,57	13,62	(+) 5	.4

GENERAL OBSERVATIONS

Control over Expenditure

10. The percentages of savings and excesses given in the preceding tables indicate that both budgeting and control over expenditure during the years 1954-55 to 1956-57 left much to be desired although previous Committees had been emphasising the importance of paying greater attention to accuracy in budgeting and effectiveness in control over expenditure. Although we did not deal with this aspect of the matter in greater detail during the scrutiny of the accounts pertaining to the various Ministries, we observed in the reports on the accounts for all the three years instances of defective control over expenditure, of wholly or partly unnecessary supplementary grants, of excesses or uncalled for reappropriations under individual sub-heads and of wrong and un-justified surrenders. All of these instances suggest the desirability of more effective control over expenditure and accurate budgeting. We would like to point out that without correct budgeting and strict control over expenditure, no financial arrangement can successfully work and it is the foremost duty of the Heads of Departments to ensure that both these objectives are always kept in view. This task can be facilitated if the re-reconciliation of departmental figures of accounts with those booked in the accounts offices is carried out in time. The Comptroller and Auditor General promised to indicate a definite procedure to be followed by the various Ministries/Departments in this context. We desire that the Ministry of Finance should circulate the same to the various Ministries/Divisions for future guidance and report compliance to us.

UNCOVERED EXPENDITURE REQUIRING REGULARISATION

11. The statements in Annexures I to III give the particulars of Voted Grants and Charged Appropriations for the years 1954-55 to 1956-57, the expenditure incurred against them and the variations between the two. In certain cases the actual expenditure has exceeded the final grant or appropriation as indicated in the following statements :—

Appropriation Accounts 1954-55

A.—Statement of excesses over the Voted Grants (Showing separately the amounts which stand covered by the Supplementary Grants and the amounts requiring the approval of the President.)

Sl. No.	No. and Name of Grant	Final Grant	Actual Expenditure	Excess	Excess covered by Supplementary Grant	Excess required to be regularised
		Rs.	Rs.	Rs.	Rs.	Rs.
1.	5—Provincial Excise ..	20,000	20,168	168	..	168
2.	6—Stamps ..	25,000	6,25,968	6,00,968	..	6,00,968
3.	9—Pakistan Railways	34,72,17,000	36,79,31,464	2,07,14,464	1,93,42,000	13,72,464
4.	14—Ministry of the Interior ..	9,26,000	9,29,404	3,404	..	3,404

Appropriation Accounts 1954-55—contd.

Sl. No.	No. and Name of Grant	Final Grant	Actual Expenditure	Excess	Excess covered by Supplementary Grant	Excess required to be regularised
		Rs.	Rs.	Rs.	Rs.	Rs.
5.	21—Ministry of Finance ..	37,81,000	40,58,573	2,77,573	1,03,000	1,74,573
6.	26—Ministry of Communications ..	3,01,000	3,01,588	588	..	588
7.	41—Zoological Survey ..	97,000	99,254	2,254	..	2,254
8.	43—Mines ..	80,000	81,313	1,313	..	1,313
9.	49—Agriculture ..	46,54,000	53,59,804	7,05,804	..	7,05,804
10.	63—Superannuation Allowances and Pensions ..	43,09,000	51,02,626	7,93,626	6,59,000	1,34,626
11.	64—Stationery and Printing ..	31,60,000	55,53,704	23,93,704	..	23,93,704
12.	69—Miscellaneous Adjustments between the Central and Provincial Governments	17,000	41,940	24,940	..	24,940
13.	70—Extraordinary Charges ..	1,02,92,000	2,72,83,137	1,69,91,137	..	1,69,91,137

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

Sl. No.	No. and Name of Grant	Final Appropriation	Actual Expenditure	Excess requiring the sanction of the Government of Pakistan.
		Rs.	Rs.	Rs.
1.	62—Civil Works ..	1,85,000	3,33,687	1,48,687
2.	—Interest on Debt and Other Obligations and Reduction or Avoidance of Debt ..	8,95,59,000	9,37,14,295	41,55,295

Appropriation Accounts 1955-56

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

Sl. No.	No. and Name of Grant	Final Grant	Actual Expenditure	Excess requiring approval of the President
		Rs.	Rs.	Rs.
1.	3—Survey of Pakistan	45,52,000	48,39,358	2,87,358
2.	13—Other Expenditure of the Ministry of Commerce	8,99,000	9,87,227	88,227
3.	14—Ministry of Communications	3,20,000	3,56,735	36,735
4.	15—Pakistan Railways	36,42,77,000	37,77,38,332	1,34,61,332
5.	17—Central Road Fund	1,23,40,000	1,29,63,140	6,23,140
6.	19—Ministry of Defence	10,02,000	10,44,513	42,513
7.	22—Defence Services	82,55,71,000	92,35,45,790	9,79,74,790
8.	23—Ministry of Economic Affairs	28,92,000	29,36,133	44,133
9.	28—Ministry of Finance	50,82,000	53,07,378	2,25,378
10.	38—Ministry of Food	18,04,000	21,33,907	3,29,907
11.	39—Ministry of Foreign Affairs and Commonwealth Relations	29,89,000	30,04,755	15,755
12.	44—Public Health	15,00,000	15,04,086	4,086
13.	47—Irrigation, Navigation, Embankment and Drainage Works (met from Revenue)	12,35,000	7,74,674	5,39,674
14.	49—Industries	45,23,000	47,39,223	2,16,223
15.	51—Stationery and Printing	1,60,19,000	1,91,32,850	31,13,850
16.	52—Other Expenditure of the Ministry of Industries	4,46,000	4,47,628	1,628
17.	53—Ministry of Information and Broadcasting	55,32,000	55,33,329	1,329
18.	57—Police	1,14,40,000	1,26,28,314	11,88,314
19.	65—Ministry of Law	5,56,000	5,79,757	23,757
20.	67—Other Expenditure of the Ministry of Law	65,000	65,813	813
21.	70—Rehabilitation of Refugees and Protection of Evacuee property	2,45,72,000	2,73,24,576	27,52,576
22.	71—Ministry of States and Frontier Regions	4,52,000	4,67,962	15,962
23.	72—Frontier Regions	6,66,58,000	6,75,46,902	8,88,902
24.	74—Baluchistan	81,07,000	86,11,639	5,04,639
25.	76—Civil Works	4,76,97,000	4,98,72,804	21,75,804

Appropriation Accounts 1955-56—contd.

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

Sl. No.	No. and Name of Grant	Final Grant	Actual Expenditure	Excess requiring approval of the President
		Rs.	Rs.	Rs.
26.	77—Other Expenditure of the Ministry of Works	2,03,000	2,36,403	33,403
27.	81—Capital Outlay on Railways ..	10,53,11,000	11,54,76,180	1,01,65,180
28.	82—Capital Outlay on Pakistan Posts and Telegraphs	3,73,59,000	3,79,38,751	5,79,751
29.	85—Capital Outlay on Defence Services ..	11,57,00,000	12,66,35,049	1,09,35,049
30.	86—Capital Outlay on Currency and Mint	16,64,16,000	16,64,70,794	54,794
31.	87—Capital Outlay on Pensions ..	35,77,000	36,56,271	79,271
32.	88-A—Capital Outlay on Salt .. .. .	..	6	6
33.	90—Capital Outlay on Medical Stores ..	89,29,000	92,42,684	3,13,684
34.	91—Capital Outlay on Industrial Development	10,88,89,000	10,97,71,728	8,82,728
35.	95—Capital Outlay on Broadcasting Service	12,67,000	13,50,895	83,895

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

Sl. No.	No. and Name of Grant	Final Appropriation	Actual Expenditure	Excess requiring the sanction of the Government of Pakistan
		Rs.	Rs.	Rs.
1.	7—Cabinet	24,33,000	25,57,484	1,24,484
2.	15—Pakistan Railways	4,55,98,000	4,55,99,820	1,820
3.	35—Superannuation Allowances and Pensions.	—	6,379	6,379
4.	47—Irrigation, Navigation, Embankment and Drainage Works (met from Revenue).	—	1,75,772	1,75,772
5.	64—Other Expenditure of the Ministry of Labour.	—	2,292	2,292
6.	65—Administration of Justice	9,50,000	10,50,413	1,00,413
7.	—Pakistan Public Service Commission..	5,70,000	5,83,805	13,805
8.	76—Civil Works	2,46,000	2,99,874	53,874

Appropriation Accounts 1956-57

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

Sl. No.	No. and Name of Grant	Final Grant	Actual Expenditure	Excess requiring approval of the President
		Rs.	Rs.	Rs.
1.	15—Pakistan Railways	40,43,32,000	42,89,37,471	2,46,05,471
2.	16—Pakistan Posts and Telegraphs ..	8,22,95,400	8,43,24,477	20,29,077
3.	17—Central Road Fund	1,12,62,000	1,44,50,713	31,88,713
4.	21—Aviation	1,73,38,000	2,07,02,943	33,64,943
5.	34—Currency and Mint	59,07,000	74,00,547	14,93,547
6.	37—Other Expenditure of the Ministry of Finance.	13,53,000	14,26,337	73,337
7.	38-A.—Other Expenditure of the Ministry of Food.	—	1,72,18,209	1,72,18,209
8.	41—Other Expenditure of the Ministry of Foreign Affairs & Commonwealth Relations.	10,58,000	14,61,881	4,03,881
9.	42—Ministry of Health	3,93,000	3,95,560	2,560
10.	48—Geological Survey	7,34,000	7,45,120	11,120
11.	51—Stationery and Printing	1,50,32,000	1,58,72,153	8,40,153
12.	69—Ministry of Refugees and Rehabilitation.	10,29,000	10,39,761	10,761
13.	71—Ministry of States and Frontier Regions.	4,59,000	4,87,939	28,939
14.	75—Ministry of Works	5,16,000	5,16,606	606
15.	76—Civil Works	4,51,84,000	5,78,12,757	1,26,28,757
16.	80—Capital Outlay on Jute and Cotton Purchases.	4,86,000	11,49,569	6,63,569
17.	84—Capital Outlay on Civil Aviation ..	85,00,000	98,23,909	13,23,909
18.	87—Capital Outlay on Pensions ..	25,96,000	30,76,828	4,80,828
19.	91—Capital Outlay on Industrial Development.	12,64,49,000	13,95,08,217	1,30,59,217
20.	95—Capital Outlay on Broadcasting Service.	18,00,000	19,69,783	1,69,783

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

Sl. No.	No. and Name of Grant	Final Appropriation	Actual Expenditure	Excess requiring the sanction of the Government of Pakistan
		Rs.	Rs.	Rs.
1.	—Debt Services	11,22,72,000	12,58,21,367	1,35,49,367
2.	35—Superannuation Allowances and Pensions.	—	9,749	9,749
3.	—Staff, Household and Allowances of the President.	10,49,000	10,62,075	13,075
4.	66—Administration of Justice	6,53,000	6,68,408	15,408
5.	76—Civil Works	1,27,000	2,83,794	1,56,794
6.	97—Capital Outlay on Civil Works	—	1,14,194	1,14,194

The excesses during each of the years 1954-55 to 1956-57 were the result of inevitable expenditure and we recommend that the same may be regularised in accordance with the provisions of the Expenditure (Authentications) Order, 1960.

Non-utilisation of funds provided for Nation-building Activities

12. The following table indicates the savings in the grants for major works during the years 1954-55 to 1956-57 :—

	Budget Provision	Actual Expenditure	Net Savings	Percentage of net saving to budget provision
(In thousands of Rs.)				
1954-55	6,48,98	3,90,07	2,58,91	39·89
1955-56	7,24,85	5,27,18	1,97,67	27·27
1956-57	12,42,20	7,24,55	5,17,65	41·67

Appreciably large savings in the final grants for major works had occurred in the budgets of the previous years as well. We were given to understand that in order to avoid persistent savings in the grants for works a new procedure was devised with effect from the year 1957-58 which laid down that provision should be made in the budget for only such works as were administratively approved. During the course of the examination of the Appropriation Accounts for the year 1953-54, the previous Committee had desired that the effect of this restrictive measure should be reported to them. The Comptroller and Auditor General informed us that in spite of the new instructions savings to the extent of 22.84% were noticed in the

works expenditure in the year 1957-58 as well. The Ministry of Rehabilitation and Works held that the savings in works expenditure mainly resulted from the fact that the Ministries concerned approached the Ministry of Finance direct for provision of funds and that could be avoided if the proposed budget estimates were approved by the Public Works Department before incorporation in the budget. We consider that there should be realistic estimation of expenditure and provision should be made only to the extent funds are likely to be really needed during the course of a year. The Ministry of Rehabilitation and Works should set up a Committee consisting of the representatives of the Works Division, the Ministry of Finance and a main sponsoring Ministry to devise a detailed procedure to ensure proper budgeting and utilisation of funds for works, so that unwanted funds are spared for allocation elsewhere. It should also be ensured by the Ministry of Rehabilitation and Works that no works other than those necessitated by emergencies like floods are started without obtaining prior sanction to the works involved. A report on this subject should be submitted to us in the next session.

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

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

14. *Regularisation of the expenditure incurred in excess of the limits prescribed in the Allowances and Privileges (Governor General's) Order, 1951.*—The Comptroller and Auditor General had reported that the expenditure under the various sub-heads of some of the Schedules appended to the Allowances and Privileges (Governor General's) Order, 1951 had exceeded the limits prescribed in that Order during the years 1947-48 to 1957-58. Another objectionable feature brought to our notice was that even the budgeted provisions were in excess of the prescribed limits in the case of certain sub-heads. We were informed by the departmental representative that action was being taken to revise the monetary limits prescribed in the Allowances and Privileges (Governor General's) Order, 1951. We hope that the matter would be finalised expeditiously. As for the regularisation of the excess expenditure pertaining to the previous years, we were given to understand that necessary action could not be taken as the figures of expenditure had not been reconciled with those booked by the Audit Office. We recommend that a meeting of the representatives of the President's Secretariat and the Accountant General, Pakistan Revenues should be held to resolve the differences in the figures of expenditure. In case the reconciliation of the figures could not be effected even then the regularisation of the excess expenditure should be done on the basis of the figures booked by the Accountant General, Pakistan Revenues.

15. *Certificates of check of furniture in Pakistan Missions abroad.*—In their Report on the Accounts for the year 1953-54, the previous Committee had directed that the Ministry of External Affairs should supply to Audit the outstanding certificates of check of furniture in Pakistan Missions abroad. The representative of the Ministry of External Affairs informed us that in the case of certain Missions the certificates in question had not been furnished for the reason that the heads of the Missions concerned were no longer in service and in the circumstances it

seemed impracticable for the Missions to obtain and submit the certificates in question for the previous years. In order to overcome this difficulty, the Comptroller and Auditor General agreed that in the cases where the heads of Missions in question were not in service, he would have no objection to accept a certificate say as on 1st April, 1960 to cover all the previous years. We accept this arrangement though we feel that the certificates should have been furnished each year. The Ministry of External Affairs should issue instructions to Pakistan Missions abroad asking them to ensure that the certificates of check of furniture are submitted by them on due dates in future.

16. *Financial Irregularities in Pakistan Missions abroad.*—The instances of financial irregularities, losses, etc., in the Pakistan Missions abroad mentioned in the Audit Reports on the Accounts for the years 1954-55 to 1956-57 were discussed by us with the departmental representative and our comments and recommendations in this regard are recorded in the proceedings of our meeting held on the 13th December, 1960. The Ministry of External Affairs should implement the recommendations made by us in each case and submit a detailed compliance report in the next session of the Committee.

17. *Audit of the Accounts of Finance and Development Corporations sponsored by Government.*—The previous Committee had recommended that explicit provision should be made in the statutes of all the Corporations in which majority shares were owned by Government to the effect that their Audit would be entrusted to the Comptroller and Auditor General of Pakistan. The information furnished to us by the representatives of the Ministries concerned revealed that the Acts of all Corporations except the Small Industries Corporation had been amended accordingly. We were also given to understand that an Ordinance (Annexure VI) had been issued under which the Central Government were empowered to give directions to the various Corporations in connection with the maintenance of their accounts and other financial procedures and that in accordance with the advice given by the Ministry of Law, the Finance and Development Corporations sponsored by Government could, under this Ordinance, be asked to entrust the audit of their accounts to the Comptroller and Auditor General. We recommend that the question regarding entrusting the audit of the Small Industries Corporation to the Comptroller and Auditor General should be taken up by the Ministry of Industries with the Ministry of Finance asking them to issue necessary instructions to the Corporation in accordance with the provisions of the new Ordinance and compliance reported to us.

18. *Price Equalisation Fund (Iron and Steel).*—In paragraph 35 on page 34 of the Audit Report, 1956, it was reported that payments in respect of the Price Equalisation Fund (Iron and Steel) were made to stockists in violation of the rules on the subject in a number of cases. The departmental representative informed us that the irregularities had occurred mainly due to lack of trained staff. We regard this position to be unsatisfactory and recommend that experienced officers should be borrowed by the Ministry of Industries from the Audit Department so that accounts are properly maintained and a report indicating the action taken to regularise the transactions submitted to the Committee in the next session.

19. *Details of expenditure on Deputations/Delegations sent abroad.*—In accordance with the instructions issued by the Government of Pakistan, details of expenditure on deputations/delegations sent out of Pakistan are required to be included in the Audit Report. We were informed that the Ministry of Finance (Economic Affairs Division) had prepared a pamphlet bringing out therein the details of the expenditure incurred on each delegation since the beginning and that Government now take decisions well in advance about the composition of delegations sent abroad. In view of this position the details of expenditure on delegations/deputations sent out of Pakistan need not be included in the Audit Report in future.

20. *Financial Irregularities pertaining to the Ministry of Industries.*—During the course of the examination of the accounts relating to the Ministry of Industries, it came to our notice that in some cases purchases were made in disregard of the interests of the State. In a number of cases, the contracting party originally tendering a certain rate later on failed to execute the contract with the result that purchases had to be made from an alternative source at a higher rate at the risk of the defaulting firm. More often the additional expenditure incurred by Government remained unrecovered or was not fully recovered because either earnest money deposit was too small or the whereabouts of the firm could not be traced. A few instances of infructuous expenditure due to ambiguous provisions in the agreements were also pointed out to us. Our observations and recommendations in these cases are given in the proceedings of our meeting held on the 15th December, 1960. The Ministry of Industries should implement the recommendations made by us in each case and submit a compliance report in our next session.

21. *Proforma Account of Co-ordinated Locust Control Scheme (Page 237 of the Appropriation Accounts 1953-54).*—The previous Committee had recommended that the Agriculture Division should take up with the Government of West Pakistan the question of recovering the outstanding amount of Rs. 36,26,551 on account of contributions due from the former provincial units of West Pakistan towards Coordinated Locust Control Scheme. The departmental representative told us that the Government of West Pakistan had not yet made any payment as the exact amount due from them had not been determined. We were also given to understand that under the existing procedure it was not possible to effect recoveries in advance every year from the Provincial Government. The Ministry of Food and Agriculture should finally work out the total amount due from the Provincial Government and let us have a report in the next session indicating the recoveries actually effected from them. We also desire that a suitable procedure should be devised for effecting recoveries pertaining to a year in that very year.

22. *Financial irregularities in the purchase of foodstuffs.*—In the Audit Reports, the Comptroller and Auditor General had mentioned a number of financial irregularities pertaining to the Ministry of Food and Agriculture. We noticed cases where the terms of the contracts had not been rigidly adhered to. In some cases the dates of delivery were extended without recovering the liquidated damages. Sub-standard supplies had been accepted at full rates in a number of cases. In one case, the price of the commodity had fallen during the extended delivery period, but the Food Ministry continued to make purchases at the original rate thereby unnecessarily putting Government to an extra expenditure. In two cases, though the supplies were of substandard quality, the same

were accepted at full rates by arranging inspection through private agencies instead of at the Central Food Laboratory. In these cases, the contractor, instead of being penalised under the terms of the contract, was allowed premium generally reserved for meritorious compliance with the contractual terms. Shortages in imports of foodgrains and sugar also came to our notice. It was further observed that recoveries from clearing agents were pending for years together. These irregularities were discussed by us with the departmental representative and our comments and recommendations in regard to each of these cases are recorded in the proceedings of our meeting held on the 17th December, 1960. The Ministry of Food and Agriculture should submit a compliance report in our next session.

23. *Grant No. 43-Medical Services and Grant No. 44-Public Health (Pages 172 and 174 of the Appropriation Accounts for the year 1956-57).—*Savings of Rs. 20,46,360 and Rs. 3,59,846 appearing under Grant No. 43-Medical Services and Grant No. 44-Public Health respectively were explained in the Appropriation Accounts for 1956-57 to be mainly due to non-receipt of book debits from the Government Medical Stores Depot on account of drugs, chemicals and equipments, etc. The departmental representative informed us that the amount of debits could not be ascertained as there had been some difficulty in the pricing of certain items of medicines. We feel that the pricing policy should have been expeditiously settled by the Ministry of Health, Labour and Social Welfare to enable the Medical Stores Depot to raise the necessary debits in time and to avoid heavy savings on this account. We hope that such situations will not be allowed to be created in future.

24. *Loss of Stores.*—During the course of the examination of the compliance report of the Ministry of Kashmir Affairs on the Accounts for the year 1953-54, it came to our notice that in 1949, 3,514 gunny bags received by Gujrat storage office for onward despatch to Jhelum storage office were stated to have not been received by the latter resulting in a loss of Rs. 3,800. Both the consignor and the consignee left service about ten years ago and the relevant records of the case were reported to be not available. We are convinced that the loss could have been avoided had appropriate steps been taken for the disposal of the unwanted bags in time. We recommend that all Ministries/Divisions should issue necessary instructions to the effect that such stores as are no longer required by them should not be kept undisposed of for any length of time.

25. *Unfinalised cases of financial irregularities pertaining to the Ministry of Kashmir Affairs.*—A list of unfinalised cases of financial irregularities, losses, etc., pertaining to the Ministry of Kashmir Affairs (Annexure VII) was furnished to us by the Comptroller and Auditor General. The position regarding these cases should be reviewed by the Ministry of Kashmir Affairs and a report giving information *inter alia* on the following points should be submitted to us in the next session:—

- (i) What steps have been taken to recover the loss involved in each case ;
- (ii) What action has been taken to write off the losses in cases where it is established that it is not possible to effect recoveries ;

- (iii) What action has been taken regarding the disciplinary aspect of the case ; and
- (iv) Whether the case has been referred to a Court of Law and if so, what are the results.

26. *Unauthorized assignments of the proceeds of the Sales Tax for the years 1948-49 to 1951-52 to Provinces and States and retention by the Centre of the entire proceeds of Income Tax for the years 1947-48 to 1951-52.*—In his Audit Report on the Accounts for the year 1953-54 the Comptroller and Auditor General had reported that a portion of the proceeds of sales tax for the years 1948-49 to 1951-52 was distributed among the Provinces and the acceded States while the entire proceeds of income tax for the years 1947-48 to 1951-52 were retained by the Central Government without the issue of an Order of the Governor General as required by Sections 140-A and 138 of the Government of India Act, 1935 (as adapted). Although this arrangement was agreed to by the Provinces and the States concerned, the action of the Central Government in both the cases was open to question and required to be regularised. The previous Committee had recommended that the matter should be examined by the Ministry of Finance in the light of Article 118 of the 1956 Constitution and legal advice obtained on the point whether it would be necessary to resort to legislation or to issue a President's Order with a view to supplying the omission.

In their compliance report the Ministry of Finance had stated that the matter had been examined by them in November, 1957 in consultation with the Ministry of Law in accordance with the recommendations of the previous Committee. The Ministry of Law had agreed with the Ministry of Finance that Orders for regularising the action in each case could be made by the President only under Article 118 of the Constitution which would become operative when the Finance Commission contemplated under that Article was appointed and its recommendations submitted. The Ministry of Law had also agreed that in the circumstances the best course would be to bring the matter to the cognizance of the National Assembly by insertion of suitable paragraphs to this effect in the Appropriation Accounts.

The departmental representative, however, informed us that as the Constitution no longer existed, the position could be regularised by the issue of a Presidential Order if so desired by the Public Accounts Committee. We recommend that necessary action for the issue of a Presidential Order should be taken and compliance reported to us.

27. *Share of export duty on Jute payable to East Pakistan.*—In paragraph 25 of the Audit Report on the Accounts for the year 1955-56, the Comptroller and Auditor General had reported that payments on account of share of export duty on Jute were made by the Central Government to the East Pakistan Government from 1947-48 to 1951-52 in excess of the amounts payable under the Government of India (Distribution of Revenues) Order No. 9 of 1936 and the Government of Pakistan (Distribution of Revenues) Order No. 3 of 1949. The excess payments were made during all these years on the basis of an agreement between the two Governments which was announced through a press note. The Comptroller and Auditor General held that these payments were irregular in the absence of an amendment to the relevant Orders of 1936 and 1949 and that regularising action was called for. The departmental representative

informed us that there had been some legal difficulties in regularising the position due to the inauguration of the 1956 Constitution under which an Order could be issued only after the findings of the National Finance Commission were available in accordance with Article 118 *ibid.* However in the present circumstances when the Constitution is no longer in existence, the omission could be supplied by the issue of an Order of the President if so desired by the Public Accounts Committee. We recommend that action for the issue of a Presidential Order should be taken in this case as well and compliance reported to us.

28. *Confidential Reports in respect of the Divisional Accountants serving in Pakistan P.W.D.*—The Comptroller and Auditor General informed us that the West Pakistan Government had decided that the confidential reports in respect of Divisional Accountants should in future be written by the officers of the Audit Department instead of the Executive Engineers. We recommend that the Ministry of Rehabilitation and Works should introduce a similar system with regard to the confidential reports of the Divisional Accountants working in the Pakistan P.W.D.

29. *Irregular reimbursement of Rs. 51,39,183 on account of the losses sustained by Orient Airways Limited.*—In paragraph 38(b) of the Audit Report, 1957 the Comptroller and Auditor General had reported that questionable reimbursement on account of losses of an air company was made by Government. The facts of the case are that with a view to developing integrated air transportation services in the country, Government decided in 1953 to set up a State controlled Pakistan International Airlines Corporation by amalgamation with the Orient Airways Limited. While settling the basic terms of this amalgamation it was decided that the Central Government shall make good all losses sustained by the Corporation during the first three years of its working. This condition was incorporated in Section 26 of the Pakistan International Airlines Corporation Act, 1956. The Pakistan International Airlines Corporation could not actually be set up till 11th March, 1955 and the Orient Airways Limited continued to function independently in the intervening period and the losses incurred by it during that period were reimbursed by Government although the guarantee against losses was provided for the Pakistan International Airlines Corporation. The departmental representative informed us that Section 26 of the Pakistan International Airlines Corporation Act, 1956 was intended to cover losses which took place in the intervening period, and the same were reimbursed after taking a decision at a very high level. We are not convinced by the explanation given by the departmental representative in view of the fact that Government had no control over the working of the Orient Airways Limited during the period in question and since the company continued to work as an independent body, there should have been no question of reimbursement of the losses incurred by it. We recommend that a Committee consisting of the representatives of the Ministry of Defence, its Financial Adviser and a representative of Comptroller and Auditor General should be appointed to look into this question further and a report submitted to us in the next session to enable us to give further directions in the matter.

30. *Overvaluation of Assets of the Orient Airways Limited by Rs. 43,18,109.*—It had also been reported in paragraph 38(c) of the Audit Report, 1957 that the physical assets of the Orient Airways Limited were overvalued for purposes of its amalgamation with the Pakistan International Airlines Corporation. We were told that this assessment was entrusted to a foreigner appointed by Government who could complete it by

December, 1955. By then the Pakistan currency had been devalued but the assessment was based on the pre-devaluation rate. We desire that this case should also be examined by the Committee to be set up in accordance with our recommendation in paragraph 30 above and a report submitted to us in the next session.

31. *Work-charged Establishment.*—The Comptroller and Auditor General had reported in paragraph 60 of the Appropriation Accounts for the year 1956-57 that the test check of the accounts of two Divisional Offices (Mangla Dam Project and Warsak Dam Project) revealed that some officers and staff had been employed as work charged establishment although their duties were of a different nature. The procedure appeared to have been adopted to avoid the sanction of the competent authority for the creation of temporary posts on the regular establishment. The departmental representative informed us that in certain types of work, officers holding supervisory posts had to be employed as work charged establishment. It appears to us that the main question in this case is to define what expenditure on establishment should be regarded as work charged. The matter should be examined by the Ministry of Fuel, Power and Natural Resources in consultation with the Comptroller and Auditor General and the decision reported to us in the next session.

Commercial Accounts, 1954-55 to 1956-57

32. The Government of Pakistan have declared 16 organisations as commercial, the accounts of which are required to be maintained in the commercial form and published in the Commercial Accounts and Audit Reports thereon along with the connected financial reviews and audit comments. The Commercial Accounts for the years 1954-55 also included the accounts and reports in respect of the following institutions which were transferred to the Provinces under the Constitution of 1956 :—

1. Central Excise and Salt Depot, Lahore.
2. Government owned Salt Stores at Saran.
3. Government Opium Alkaloids Factory, Lahore.
4. Mechanical Cultivation Scheme in Quetta Region.
5. Scheme for Exploitation of Ephedra Plants in Quetta Region.

33. *Poultry and Cattle Breeding Farms.*—We noticed that two Commercial Institutions, viz., Poultry Farm and Cattle Breeding Farm at Landhi were constantly running at a loss. In the case of Poultry Farm, mortality rate of birds was found to be as high as 88% in 1956-57 inspite of the highly technical staff available for supervision. We suggest that the question regarding the percentage of mortality among birds that may be allowed as normal may be examined by the Department, and the necessary orders of Government obtained under report to us in due course.

The working of the Pakistan Animal Husbandry Research Institute Peshawar also disclosed a net loss during 1956-57 due mainly to the fact that there was a decline in production without a proportionate decrease in production cost due to rise in prices of raw material. The Comptroller and Auditor General reported also that the selling rates of drugs approved by Government were less than the cost price. We recommend that the Ministry of Food and Agriculture should either revise the prices to meet the cost or get a decision to the effect that the sale would be subsidised.

34. *Government Sales Depots, Display Centres and Show Rooms.*—The Comptroller and Auditor General informed us that Government Sales and Display Centres had been transferred to the Small Industries Corporation without determining the terms of transfer of the assets and liabilities involved. We were given to understand that there was a dispute between the Small Industries Corporation and the Ministry of Industries on the question of assessment of the value of assets and the extent of liabilities. We desire that this matter should be settled expeditiously by the Ministry of Industries and compliance reported to us.

35. *Lighthouses and Lightships Department.*—It had been reported in paragraph 168 of the Commercial Accounts 1956-57 that light dues were collected at the rate of one anna per ton for all ships other than sailing ships arriving at and departing from any port in Pakistan and half anna per ton for sailing ships. These rates were in force from the year 1938. Audit was of the view that as the cost of almost all the items comprising expenditure of the lighthouses had considerably increased since then, the rates should be revised by Government keeping in view the index of cost of living and the rates prevailing in the ports of neighbouring countries. We agree that a revision in the rates is called for. One of the objects of a commercial organisation is to raise enough funds to provide for its expansion. We, therefore, recommend that the possibility of raising enough funds by the Lighthouses and the Lightships Department should be examined so that more lighthouses could be provided. We wish to be apprised of the action taken in this regard in the next session.

The statements of comparative Income and Expenditure Accounts for the years 1955-56 to 1956-57 on pages 110-111 of the Commercial Accounts 1956-57 indicated that over-head charges on account of pay of officers etc., were included in the Headquarter District. These charges were required to be distributed equitably between the Karachi and Chittagong districts. It appears to us that the form of commercial accounts in use in the Lighthouses and Lightships Department is defective. We recommend that the question of revision of the form of these accounts should be examined by the Communications and Transport Division in consultation with the Comptroller and Auditor General and a report submitted to us in the next session.

Appropriation Accounts (Defence Services) 1954-55 to 1956-57 and Commercial Appendices thereto

36. The position of the Defence expenditure incurred during the years 1954-55 to 1956-57 compared with the original and final grants for each of these years is as follows :—

(Rs. in Lakhs)

Year	Original Grant	Final Grant	Actual Expenditure	Saving — Excess +	Percentage
1954-55	80,00	80,00	71,34	(—)8,66	10·83
1955-56	80,00	94,13	1,05,02	(+)10,89	11·57
1956-57	1,09,01	1,09,01	86,75	(—)22,26	20·42

As usual, there were large variations in expenditure under individual sub-heads as compared to the original as well as the finally modified grants. In this connection, the previous Committee had directed that the position regarding large variations in expenditure under various sub-heads of the Defence Services should be carefully reviewed by the Financial Adviser, Military Finance, and a procedure evolved whereby it should be possible to avoid such variations and to take necessary regulatory action before the close of each financial year. We were told that several measures had been adopted by the Ministry of Defence to avoid recurrence of variations in future. We hope that consequent upon the revision of the system of financial control and budgeting, the position would appreciably improve and large variations between actuals and estimates would disappear.

37. *Losses of Stores.*—The Audit Reports on the Accounts for the years 1954-55 to 1956-57 mentioned a number of cases of losses of stores caused by fire, defective storage or negligence etc. The departmental representative informed us that they had given priority to storage accommodation and more buildings were being constructed to satisfy the demand. We hope that the extent of losses due to defective storage and deterioration would be reduced in the years to follow. We recommend that the Ministry of Defence should tighten up the security arrangements also and take suitable disciplinary action against the persons whose negligence in the performance of their duties may lead to such losses.

38. *Ordnance Factories.*—The Audit Reports on the Commercial Appendices to Appropriation Accounts of the Defence Services indicated that the basis for the compilation of the preliminary expenses of Ordnance Factories and the manner in which they were to be charged to future production had not so far been decided by Government. It was also reported that certain expenditure actually incurred on overheads had not been adjusted in the cost of production. The percentages of expenditure to be charged to production were actually fixed in 1952 and revised in 1954. The departmental representative informed us that the preliminary expenses had been calculated afresh and stood at Rs. 8 crores. These expenses included overhead charges also. We noticed that as a substantial portion of the capacity of the Ordnance Factory was meant for war time, the whole of the overhead charges could not be charged to current production and a rational pro-rata charge had to be worked out for this purpose. Besides, expenditure was being incurred on training of staff and some portion of it was also to be charged to current production. We feel that this is a complicated question and would suggest that the Ministry of Defence should appoint an expert firm to go into it and make suitable recommendation for adoption by them.

Appropriation Accounts (Railways) 1954-55 to 1956-57

39. The position of the actual expenditure incurred as compared to the original and final grants during the years 1954-55 to 1956-57 is as follows :—

(Rs. in lakhs)						
Year	Original Grant	Final Grant	Actual Expenditure	Saving-- Excess +	Percentage	
1954-55	53,82	53,82	49,78	(—)4,04	7.51	
1955-56	53,16	51,52	53,88	(+)2,36	4.59	
1956-57	55,10	59,15	57,04	(—)2,11	3.57	

The percentages of savings|excesses in the final grant work out to 7.51, 4.59 and 3.57 per cent as indicated above during 1954-55, 1955-56 and 1956-57, respectively against a saving of 12.69 per cent in 1953-54 and of 10.63 per cent in 1952-53. Although this position indicates some improvement in estimating, there is a considerable scope for further control over expenditure and we hope that the extent of the variations would decrease in the years to come.

40. *Financial Irregularities*.—While examining the Railway Audit Report, 1955, the previous Public Accounts Committee had recommended that an Enquiry Committee should be appointed to determine if any of the officers of Government who handled the case regarding the purchase of 471 railway wagons, reported in paragraph 14(a) of the Audit Report, were directly or indirectly at fault so that further action as envisaged in paragraph 1822 and 1823 of the State Railway General Code Volume I could be proceeded with against them. This case was examined by us at a great length with the assistance of the departmental representative who furnished all documents and information required by us in this connection. From the evidence made available to us, it was difficult to hold keeping in view the circumstances in which action was taken by the Railway Division at various stages that any individual was at fault. A full record of the discussions made with the departmental representative and the documents examined by us is given in the proceedings of our meetings held on the 31st January, 1961 and the 3rd February, 1961. We would like to point out that it is unfortunate that full facts of the case which were placed before us during the course of discussion were not furnished by the Railway Board to the Comptroller and Auditor General for incorporation in the Audit Report. It would have saved us considerable time if sufficient data had been made available earlier. We consider that in view of the explanation given to us it is not necessary to pursue further the departmental enquiry aspect of the case. We would, however, recommend that the proceedings of the Arbitrators to whom the case is reported to have been referred should not be allowed to drag on unnecessarily and the matter should be finalised without much delay.

41. *Liquidated Damages*.—In paragraph 22 of their Report on the accounts for 1951-52, the Public Accounts Committee had observed that in all cases of extended dates of delivery or complete failure to supply the stores, some loss was incurred by Government and any waiver or reduction of financial penalties to which the supplier thus became liable, should be permitted only in exceptional cases. The Committee had also recommended that the Comptroller and Auditor General should mention in the Audit Report all important cases in which the financial penalties provided in the contracts had either been waived or reduced to an appreciable extent. Some cases of this type mentioned in the Railway Audit Reports were noticed by us. The departmental representative informed us that the Ministry of Law had given a ruling that no liquidated damages could be recovered in accordance with the clause appearing in the contract entered into by the Railway Board. We would in the circumstances, recommend that the matter should be examined further by the Railway Board with a view to amending the relevant clause and compliance reported to us in the next session.

42. *Revision of the form of Appropriation Accounts (Railways)*.—The Railway Board had submitted a memorandum on the subject which is at Annexure X. During the course of our meeting on the 3rd February, 1961, the departmental representative informed us that in view

of the establishment of the Railway Board and the decision to separate the Railway Budget from the General Revenues, it was considered necessary to re-examine the question. It was further stated that as the Separation Convention would come into force with effect from the 1st of July, 1961, the Accounts for 1958-59 to 1960-61 could be prepared in the form proposed in paragraphs 6 and 8 of the memorandum. We agree to the preparation of the Appropriation Accounts (Railways) for the years 1958-59, 1959-60 and 1960-61 in the proposed form.

Appropriation Accounts (Posts and Telegraphs) 1954-55 to 1956-57

43. The position of the expenditure on Posts and Telegraphs Department incurred during the years 1954-55 to 1956-57 as compared with the original and final grants is as follows :—

(Rs. in Lakhs)

Year	Original Grant	Final Grant	Actual Expenditure	Savings — Excess +	Percentage
1954-55	9,35	9,35	8,84	(—)51	5.45
1955-56	10,41	11,48	11,51	(+)3	.28
1956-57	13,57	13,57	13,62	(+)5	.37

The years 1955-56 and 1956-57 indicated excesses of .28 and .37 per cent both under Revenue and Capital Accounts as compared to a saving of 5.45 per cent. in 1954-55 and of 5.3 per cent in 1953-54. The Audit Reports included cases of reappropriations obtained unnecessarily, non-surrender of savings and injudicious re-appropriations causing excesses over allotments. This shows defective control over expenditure. We hope that the Department would exercise better control over its budget and expenditure after the introduction of revised system of financial control and budgeting.

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

Branches	Profit (+) Loss (—)			
	1953-54	1954-55	1955-56	1956-57
	(In Thousands of Rupees).			
Post Offices	(+)26,36	(—)36,89	(—)30,19	(—)21,81
Telegraphs	(+) 4,10	(—)3,08	(+)17,46	(+) 4,55
Telephones	(+)1,06,25	(+)1,02,37	(+)1,70,28	(+)1,94,20
Radios	(+)5,33	(+) 3,38	(+)15,61	(—)11
Total	(+)1,42,04	(+)65,78	(+)1,73,16	(+)1,76,83

The Audit Report 1958 indicated that the accumulated surplus to the end of the years 1956-57, after meeting the losses incurred during the years 1947-48 and 1949-50 amounted to Rs. 8,81,18,000.

45. *Financial Irregularities, Losses etc.*—The Audit Reports on the Accounts for the years 1954-55 to 1956-57 mentioned a number of defalcations or losses of public money etc. The total number of defalcations

or losses which came to light in the years 1954-55 and 1955-56 was stated to be 34 and 83 respectively involving amounts of Rs. 47,856 and Rs. 3,01,975 as compared to 28 such cases in 1953-54 involving an amount of Rs. 58,729. This indicated an increase both in the number of cases and in the total amount involved. The departmental representative informed us that efforts were being made by them to ensure that there were no defalcations in future by drawing the attention of all concerned from time to time to the strict observance of the relevant rules.

General Conclusions and Remarks

46. In the course of examination of the Appropriation Accounts, we noticed that in some cases the information furnished to us by certain Ministries and the explanations given by them were vague and lacking in essential details with the result that we could not draw any definite conclusion. We would not like this to be repeated. All Ministries|Divisions are expected in future to be precise in their explanation and to furnish full information on the points raised by us.

47. We decided that in order to facilitate our examination of the accounts, all Ministries|Divisions should in future furnish their replies in writing on the various points brought out in the Audit Reports and the Appropriation Accounts to be considered by us and copies of the statements thus furnished by the Ministries should be circulated to us sufficiently in advance of our meeting. The information furnished by the various Ministries in the statements circulated to us could be amplified by the departmental representatives at the time of the examination of the accounts.

48. We regret to note that the departmental representatives of some Ministries were found unprepared to answer the points raised regarding the expenditure controlled by them with the result that in some cases we had to ask them to furnish to us notes on the points on which they could not fully satisfy us in the course of their examination. As stated earlier, in two cases the examination of the accounts pertaining to two Ministries had to be postponed to our second session as the Ministries concerned were not ready for being examined by us. We hope that in future the departmental representatives would appear before the Committee fully prepared to answer all questions that may be put to them by the Committee.

49. Another unsatisfactory feature which came to our notice in the course of examination of the departmental representatives was that action on the recommendations made by the previous Committee had been initiated by most of the administrative Ministries|Divisions a little before our meeting with the result that no headway could be made with the examination of the points involved. In the case of one Ministry the departmental representative was unable to furnish the requisite information in respect of almost all items leaving us with no choice except to postpone the examination of the accounts pertaining to that Ministry to the next session. We recommend that in order to avoid such situations in future all Ministries|Divisions should initiate action on the various

items concerning them as soon as the examination of their accounts is over without waiting for the publication and the circulation of the Committee's Report.

50. The previous Committee had recommended that in future the recommendations of the Public Accounts Committee should be brought to the notice of the Minister concerned for his consideration and action. The compliance reports of the various Ministries/Divisions merely recorded that this recommendation had been noted by them. This did not clearly indicate that the recommendations of the Public Accounts Committee were actually brought to the notice of the Minister. We would, therefore, reiterate the recommendation made by the previous Committee that our recommendations and directions should invariably be brought to the notice of the Minister incharge.

51. In certain cases the Secretaries/Joint Secretaries in administrative charge of the Ministries did not attend the meeting for one reason or the other, in spite of the recommendation made by the previous Committees that they should personally represent their Ministries at the meeting of the Committee. This led us to the conclusion that the Ministries concerned failed to realise the importance of the work assigned to the Public Accounts Committee. We reiterate the recommendation made in this regard by the previous Committees that the Secretary in-charge of the Ministry should himself appear before the Committee at the time of the examination of the accounts relating to that Ministry.

52. The Audit Reports on the accounts examined by us indicated that the following general types of irregularities continued to occur in a majority of offices inspite of the fact that the Comptroller and Auditor General had been drawing attention of the various Ministries/Departments to this state of affairs year after year and the previous Public Accounts Committee had issued directions in the past that such irregularities should not recur :--

- (i) Cash Books were not properly maintained, closed and balanced, and no proper check was exercised by the drawing and disbursing officers. Cash in hand was not physically verified at intervals which facilitated misappropriations, etc.
- (ii) Competitive rates were not obtained while making local purchases. In some cases purchases were made without obtaining sanction of the competent authority.
- (iii) Moneys received on behalf of Government were not credited promptly into the Treasury.
- (iv) Securities were not obtained from the officials handling cash and stores.
- (v) Staff cars placed at the disposal of the various Ministries/Departments were allowed to be used by persons not entitled to use them under the rules and recoveries on account of private journeys were not effected expeditiously. Full particulars of the journeys were also not recorded in the Log Books.

- (vi) The stock and contingent registers and accounts of service postage stamps were not properly maintained.
- (vii) Certificates of check of Secret Service Expenditure and other returns were not submitted to Audit in time.

We are unhappy to note that the essential requirements of proper maintenance of accounts and keeping of stock and contingent registers etc., are still not being satisfied by the various Ministries|Departments. This disregard of the prescribed rules and regulations should not be allowed to continue any longer. We would wish the administrative Ministries|Divisions to take effective steps to put a stop to such irregularities in future.

53. We were told that the non-maintenance or defective keeping of the departmental accounts was in some cases attributable to non-availability of trained staff. We feel that in order to make good the existing shortage and to cope with the ever growing demand for accounts trained personnel in the years to come adequate arrangement should be made for providing intensive training (including practical courses) in accountancy at various colleges of commerce in the country. We recommend that the Ministry of Finance and the Comptroller and Auditor General should take up this question with the universities concerned through the Ministry of Education. A report on the subject should be furnished to us in the next session.

54. The Audit Reports also indicated a number of cases in which physical verification of stocks of stores was either delayed or not carried out at all by the Ministries|Departments concerned. Reasons for the failure were generally not furnished by the Departments. Our comments on individual cases are contained in the minutes of the various meetings in Part II of the Report. The answers given to us by the departmental representatives were unsatisfactory in most cases. There are great chances of losses to Government in case physical verification of stocks of stores is not conducted in time. We, therefore, recommend that the administrative Ministries|Divisions should issue instructions to all concerned asking them to carry out the outstanding physical verification of stocks of stores without further delay and inter-alia determine the ground balance. Once this is done it should not be difficult to carry out such verifications in future at regular intervals.

55. Another tendency on the part of nearly all the Ministries which we noticed during the course of our examination was that they proceeded very slowly in investigating cases of mis-appropriation, losses and financial irregularities etc., and unduly long time was taken by them in finalising them. An examination of such cases gave us the impression that a lenient departmental view had been taken in the past of such happenings. We suggest that suitable disciplinary action should be taken where necessary against officers and staff whose conduct of public business results in loss of public funds. Undue delay in fixing of responsibility for the losses sustained by Government should also be avoided. We came across certain instances in which it became impossible to take action against the defaulting Government servant because departmental proceedings were delayed and in the meantime he left Government service.

56. The Comptroller and Auditor General pointed out that out of 302 cases of misappropriation etc., included in the Audit Reports (Civil) up to 1959, only 70 had been settled so far. Again out of 118 items mentioned in the Annexures thereto only 14 items had been finalised. Some of the cases mentioned were stated to be outstanding since 1947-48. We were also informed that the Departments were not dealing with inspection reports with the requisite promptness. Several Audit objections were reported to be outstanding for years together and it appeared that the Ministries concerned took little or no notice of those objections. Explanations for variations and other information required by Audit in connection with the Appropriation Accounts and the Audit Reports was also not furnished expeditiously causing delay in the publication of the accounts. We observed that the Ministries supplied in many instances the wanted information to us. Had they taken the trouble of forwarding the information to the Audit Departmental earlier it would have saved a lot of correspondence and our work. We recommend that the position regarding the outstanding cases of financial irregularities, losses etc., should be carefully reviewed by all Ministries in order to settle them expeditiously. The Ministry of Finance should also issue instructions to the Ministries/Divisions impressing on them the importance of quick action in this context.

57. We also noticed that in cases of misappropriations, the losses involved were generally written off with the approval of the Ministries concerned. We take a very serious view of this approach on the part of the administrative Ministries and recommend that as far as possible recoveries of the amounts involved should be effected from the persons held at fault. Losses should be written off only where it is fully established that recovery cannot be made.

58. The previous Committee had recommended that in the case of financial irregularities, measures should be adopted to expedite investigation and prosecution wherever necessary and that even though an officer might be under prosecution in a Court of Law, this should not unduly delay the initiation of the departmental proceedings against him and or the supervisory staff whose dereliction of duty appeared to have led to loss of Government money. In fact the departmental proceedings should proceed side by side with the criminal prosecution. We were informed that the long drawn out procedure of obtaining prior sanction from the Ministry of Home Affairs for prosecuting a Government servant had since been changed and the prosecution sanction could now be issued by the appointing authority. We were also informed that the Ministry of Law had given a ruling that disciplinary action could be instituted and finalised against accused Government servant without waiting for the finalisation of the case against him in a Court of Law. We asked the Ministry of Railways and Communications to communicate the ruling given by the Ministry of Law to the Establishment Division for necessary action. A report indicating further action taken in this regard should be submitted to us in the next session.

59. In the course of our meeting held on the 14th December 1960 the Ministry of Finance submitted to us a memorandum (Annexure IV) regarding the exhibition of Secret Service Expenditure in the Audit Report at one place. We do not favour the proposal made in paragraph 4 thereof and recommend that the existing procedure should continue to be followed in this regard.

60. We agree to the proposal of the Ministry of Finance contained in Annexure V on the subject of raising of limits of the cost of such new works expenditure on which is required to be incorporated in the Appropriation Accounts in some detail.

MOHAMMAD SHOAIB,
Chairman.

YAQUB SHAH,
Member.

SARDAR BARKAT HYAT KHAN,
Member.

EBRAHIM KHAN,
Member.

JASIMUDDIN AHMAD,
Member.

ABDUR RAOUF,
*Secretary of the
Public Accounts Committee.*

RAWALPINDI :
The 10th November, 1961.

PART II—PROCEEDINGS**Proceedings of the first meeting of the Public Accounts Committee held on Monday the 12th December, 1960 at 11.30 A.M.**

The Public Accounts Committee met in Pakistan Secretariat-II, Rawalpindi, at 11-30 A.M. on Monday, the 12th December, 1960, under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance. The following were present :—

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

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

9. Mr. N. A. Faruqui, C.S.P., Cabinet Secretary.
10. Mr. J. D. Hardy, C.B.E., C.S.P., Establishment Secretary.
11. Mr. Azizul Hasan, Deputy Secretary (Cabinet Division).
12. Mr. A. B. S. Safdar, P.S.P., Assistant Director, Intelligence Bureau.

PLANNING COMMISSION

13. Mr. M. Ayub, C.S.P., Secretary, Ministry of Finance.
14. Mr. Nazir Ahmad, Deputy Secretary, Planning Commission.

Secretary of the Public Accounts Committee

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

2. The Chairman opened the meeting by requesting the Comptroller and Auditor General to enlighten the Members on the origin, aims and objects of institution of the Public Accounts Committee. The Comptroller and Auditor General explained that the Public Accounts Committee originated from the practice obtaining in the United Kingdom. He added that originally the King was the absolute Monarch who spent money according to his wishes. Later, Parliament exerted its right to consider the demands of the King and the executive Government to levy taxes

and after a great deal of struggle it was agreed that all demands would be placed before Parliament who would vote the expenditure required during each financial year for various services. Even then Parliament was an authority who voted money but did not know how actually it was spent. They, therefore, appointed special authority called the Auditor General and entrusted him with the duty of reviewing the expenditure. The Auditor General presented the audited accounts of all the expenditure of each year with important observations indicating whether the amounts expended were authorised by Parliament and were within the limits originally sanctioned. Ultimately, the House appointed a Committee called the Public Accounts Committee which was entrusted with the duty of scrutinising the annual accounts and the report of the Auditor General thereon.

3. The Comptroller and Auditor General then gave a brief account of the various types of irregularities mentioned in his Reports together with other special features which deserved special attention of the Public Accounts Committee. The Reports *inter alia* indicated cases in which the actual expenditure incurred during a year was in excess of the amounts voted by the National Assembly. This amounted to spending of moneys without the vote of the Legislature and all excesses over voted grants were thus required to be regularised on the basis of the recommendations of the Public Accounts Committee. Secondly, the Audit Reports indicated cases in which the actual expenditure incurred for a particular service was less than the amount voted by the National Assembly. Under the existing rules, the controlling officers were required to surrender all unwanted funds before the close of financial year. If they did not do so it meant these funds remained tied unnecessarily. The Comptroller and Auditor General also pointed out that the administrative Ministries were required to give broad details of the expenditure incurred under the sub-head "Other Charges" in cases where such expenditure exceeded a sum of Rs. 50,000. He added that in certain cases such details had not been furnished by the administrative Ministries for incorporation in the accounts. The most important items brought out in the Audit Reports related to the financial irregularities and cases of losses, etc., where the administrative Ministries had spent moneys without proper authority and without regard to prudence.

4. It was also pointed out by the Comptroller and Auditor General that along with the Accounts for the years 1954-55 to 1956-57 and the Audit Reports thereon, the Public Accounts Committee was required to examine the compliance reports of the various Ministries etc., on the recommendations and suggestions made and directions given by the previous Committee in their Report on the Accounts for the year 1953-54.

5. Referring to the position regarding the compilation of the accounts of the previous years, the Chairman pointed out that the Comptroller and Auditor General was making efforts to pull up the arrears and it was expected that by spring next year the work would be up-to-date. Considering that it would not be possible to restore normalcy within a reasonable space of time and to deal adequately with the current work unless some *ad hoc* measures were adopted to clear the back log, it had been decided to compile the Appropriation Accounts in arrears by Grants and Appropriations, instead of by budget sub-heads as usual. Where, however, a Grant or Appropriation comprised more than one major head of account, or related to more than one Ministry the Appropriation Accounts were to be compiled by each major head and Ministry-wise.

The Accounts for the years 1954-55 and 1955-56 were prepared in the usual manner while the Accounts for 1956-57 had been compiled in the modified form. The modified system would be applied up to the Accounts for 1959-60.

The Chairman added that as in the previous years, savings and excesses over voted grants and appropriations had been reported in a number of cases during each of the years 1954-55 to 1956-57. Although, ordinarily the Public Accounts Committee required the departmental representative to explain the reasons for these variations under various sub-heads, in view of the magnitude of the work which the Public Accounts Committee had to dispose of, they might concentrate only on cases of financial irregularities and major instances of savings and excesses. This suggestion was accepted by the Committee.

6. The Committee then took up the examination of the compliance reports of the President's Secretariat on the recommendations and suggestions made and directions given by the Public Accounts Committee in their Reports on the Accounts for the year 1953-54.

7. *Establishment Division—A. General (page 292 of the Compliance Report).*—S. No. 3.—The previous Committee had recommended that detailed instructions issued by the Ministry of Finance regarding control over expenditure for the guidance of the drawing, disbursing and the controlling officers should be strictly observed by all concerned and that in future the Secretary of the Ministry would be held personally responsible for any laxity in the matter of control of expenditure. Mr. Yaqub Shah raised the question as to what was really intended by the expression that the Secretary would be held personally responsible. The Chairman explained that with the introduction of the new system of financial control, the Secretary of each Ministry had been appointed as the Chief Accounting Officer and given a Financial Adviser to assist him in the discharge of his obligations. As Chief Accounting Officer it shall be his duty to ensure that his subordinates do not disregard the instructions issued for the proper utilisation of funds placed at his disposal. It was further pointed out that for simplification etc., of accounts, the Comptroller and Auditor General had appointed a firm of Chartered Accountants whose report was expected to be received by the end of the next month. The Comptroller and Auditor General stated that even under the existing system the Secretary in each Ministry was responsible for the proper maintenance of accounts of the money spent by the departments under him.

8. *S. No. 21 (page 295 of the Compliance Report).*—The previous Committee had recommended that suitable arrangements should be made for proper maintenance of departmental accounts and their periodical reconciliation with audit office figures and a compliance report submitted to them. Mr. Yaqub Shah desired to know what arrangements had been made to carry out these instructions. The Comptroller and Auditor General stated that various measures had been adopted to effect monthly reconciliation between the departmental and audit office figures. To start with the Ministry of Finance had appointed an Officer on Special Duty to form a liaison between the administrative Ministries and the Audit Department. The arrangement was continued up to June, 1960 though during the later period, the officer was placed under the control of the Comptroller and Auditor General. The Chairman added that special teams were appointed to deal with London Accounts and P. W. D.

outstandings. As a result of these steps about 90% of the reconciliation work had been carried out. The up-to-date position was that the reconciliation of departmental figures with the figures booked in the audit office had been completed up to the financial year 1958-59. The Comptroller and Auditor General further stated that in the future years the position was expected to improve further.

9. *Establishment Division.—B. Specific (page 298 of the Compliance Report).—S. No. 1.*—The previous Committee had recommended that measures should be taken to expedite the investigation and prosecution where necessary and for this purpose the desirability of appointing more Magistrates and Prosecutors for trying exclusively cases against the Central Government servants should be considered by the appropriate Ministry. Also even though an official might be under prosecution in a Court of Law, this should not unduly delay the initiation of departmental proceedings against him or against other officials responsible for dereliction of duty leading to loss of Government money. The departmental proceedings should proceed side by side with the criminal prosecution. In their compliance report, the Establishment Division had stated that the first portion of the recommendation in regard to the appointment of more Magistrates and Prosecutors was the concern of the Ministry of Law. As regards departmental proceedings being started side by side with the criminal prosecution, a policy decision had already been taken to that effect and its implementation was under consideration. The Committee desired to know the present position of the case. It was explained by the departmental representative that the matter had been taken up by a High-powered Screening Committee last year and orders had been issued according to their recommendation.

10. *S. No. 2 (page 298 of the Compliance Report).*—The previous Committee had recommended that it should be considered whether it would not be desirable that any declaration required to be given by the Government servants under Government Servants Conduct Rules and by persons holding key political position, the value of jewellery, cash, bank accounts should also not be given. They had also recommended that a summarised note of explanation generally furnished by the officers reported upon by Special Police Establishment for living beyond their means should be submitted to them during the next session. It was explained by the departmental representative that the revised draft Government Servants Conduct Rules had already been submitted to a Special Committee of the Secretaries and the recommendation made by the Public Accounts Committee was being taken care of in that draft. He added that the Establishment Division was not concerned with persons other than the Government servants. The Chairman pointed out that a note indicating the explanations generally furnished by the officials reported upon by Special Police Establishment for living beyond their means had been submitted by the Ministry of the Interior which would be examined when the accounts pertaining to that Ministry came up for consideration before the Committee.

11. *President's Secretariat (Personal) (page 299 of the Compliance Report).—S. No. 1.*—The Allowances and Privileges (Governor General's) Order, 1951, lays down certain monetary limits up to which expenditure can be incurred in the Governor General's President's House. The expenditure under the various sub-heads of Schedules III to V of the Order had exceeded the prescribed limits in respect of the years 1947-48 to 1957-58. The previous Committee had recommended that the

President's Secretariat should take action to regularise the excess in question by an Order of the President in accordance with the suggestion made by the Comptroller and Auditor General. The Comptroller and Auditor General explained that the expenditure under the various sub-heads of Schedules III to V of the Order in excess of the prescribed limits during the 1947-48 to 1957-58 was required to be regularised by the issue of a general or special Order by the President himself as required under para. 8 of the said Order. In the year 1953, the Governor General issued a special Order regularising the excesses in respect of the years 1947-48 to 1950-51 under certain sub-heads. However, there still remained excesses under some of the sub-heads even after the issue of the above Order. These excesses were brought to the notice of the President's Secretariat by the Accountant General, Pakistan Revenues in November, 1958. The excesses for the years 1951-52 to 1955-56 had been communicated to the President's Secretariat by the Accountant General, Pakistan Revenues, in October, 1956 and those in respect of the years 1956-57 and 1957-58 in March, 1960, and September, 1960, respectively. The President's Secretariat were constantly being pressed by the Accountant General, Pakistan Revenues by demi-official communications to arrange the issue of the President's Order to regularise the excess expenditure in the years 1947-48 to 1957-58 in excess of the limits, but without any results so far.

Another objectionable feature in this regard was that even the budgeted provisions were in excess of the prescribed limits. The excess budgeting in the year 1956-57 under the sub-heads "Staff including Dispensary Establishment", "Contract Allowance", "State Conveyances including motor-cars and their replacement" and "Tour expenses including maintenance of Railway Saloons", amounted to Rs. 57,000, Rs. 1,11,700, Rs. 22,200 and Rs. 7,000 respectively. The Comptroller and Auditor General concluded that no authority other than the President himself was competent to authorise expenditure in excess of the limits laid down in the Schedules and that the remedy lay in the revision of the limits.

12. It was explained by the departmental representative that action was being taken by them to revise the monetary limits prescribed in the Allowances and Privileges (Governor General's) Order, 1951. As regards the regularising of the excess expenditure pertaining to the previous years, a special Order could be issued only after the figures of expenditure had been reconciled with the figures booked by the Audit Office. The President's Secretariat had addressed the Chief Engineer, Pakistan P.W.D., to resolve the differences with the Accountant General, Pakistan Revenues. The Military Secretary to the President had proposed a meeting of the representatives of the President's Secretariat, Accountant General, Pakistan Revenues, Pakistan P.W.D., and the Cabinet Division. The Accountant General, Pakistan Revenues had, however, informed the Cabinet Division that no useful purpose would be served by the proposed meeting as the expenditure figures available with the Accountant General, Pakistan Revenues had already been supplied. The matter was under active consideration and a special Order would be issued by the Cabinet Division after the figures of expenditure in regard to the various Schedules had been checked up by them and those in respect of the Schedules III & V scrutinised by the Chief Engineer, Pakistan P.W.D. and the agreed figures of actual expenditure became available. The Committee directed that a meeting of the representatives of the President's Secretariat and the Accountant General, Pakistan Revenues should be held to resolve the differences. In case the reconciliation of figures could

not be effected, the regularisation of the excess expenditure in question should be done on the basis of the figures booked by the Accountant General, Pakistan Revenues.

13. *Cabinet Division (page 312 of the Compliance Report).*—S. No. 1.—The previous Committee had recommended that the position of gifts received by Ministers, etc., should be reviewed in the light of the orders on the subject and the result reported to Audit. It should also be enquired whether all gifts which should have been deposited in the Tosha Khana had actually been so deposited. The Comptroller and Auditor General stated that the action taken by the Cabinet Division in the matter had not been reported to him. He was of the view that since the individuals received these gifts in their capacity as Ministers or associates of the Government, the gifts should always be deposited in the Tosha Khana. The departmental representative read out the latest rules on the subject which indicated that if the gift was of a value of less than Rs. 250, it could be retained by the Minister. It was not possible to ascertain if all gifts that should have been deposited in the Tosha Khana in the past had in fact been deposited and that this point should not be further pursued. The departmental representative added that in the case of government servants, the policy that had been followed was that all gifts had to be deposited unless they were of trivial value and perishable; in any case, each gift had to be reported and specific orders obtained. Mr. Yaqub Shah desired to know whether these rules were also applicable in the case of gifts received by the wives of the Ministers. The departmental representative explained that the rules were applicable in the case of gifts received by the wives of the government servants and not in the case of gifts received by the wives of the Ministers. The Committee recommended that the rules should be amended so as to cover the gifts received by the wives of the Ministers also. The departmental representative promised to consider the recommendation and submit a report to the Committee in due course.

14. The Comptroller and Auditor General desired to know whether the accounts of the Tosha Khana were being properly maintained and audited. It was explained by the departmental representative that since the Tosha Khana was being maintained by the Ministry of Foreign Affairs and Commonwealth Relations, he was not in a position to furnish the requisite information. He, however, added that the control of the Tosha Khana was being transferred to them and in due course they would submit its accounts for audit as desired by the Comptroller and Auditor General. The Committee desired that a copy of the Tosha Khana Rules, should be submitted to them for perusal and observations. The departmental representative promised to supply a copy of these Rules.

15. The Committee then took up the examination of the Appropriation Accounts, 1954-55 to 1956-57 and Audit Reports thereon in respect of the grants controlled by the President's Secretariat.

16. *Appropriation Accounts, 1954-55—Grant No. 12—Cabinet, Note 10 below the Appropriation Accounts, regarding inadequacy of Audit Safeguards (page 99).*—In this note it was brought out that certain instances came to notice in which extensive and prolonged touring was undertaken by the Ministers at the time of election and in the areas where elections

to the various legislative bodies in Pakistan were in progress. A doubt was felt whether these journeys had been performed for official purpose or in connection with the election being held in the area and whether the cost of such journeys was a correct charge against the Government. A review of the travelling allowance claims of these Ministers showed that the purpose of these journeys was invariably described by them as official. As the statutory rules regulating the grant of travelling allowance to Ministers permitted the payment of allowance for journeys performed on official business only, Government were asked early in 1952 to issue specific orders to the effect that journeys performed by Ministers for elections or party business could not be paid from public revenues. It was decided by Government in July, 1954 that expenditure on journeys performed by Ministers purely for party purposes should not be debited to public revenues. Despite this, cases arose in which extensive and repeated journeys were undertaken during and near about the election period and such journeys were described as on official business although the Ministers performed both official and party work during these journeys and halts. In the absence of any definite indication in the travelling allowance bill, it became difficult for audit to allocate portions of such journeys and halts between official and non-official business. The following two alternative certificates were accordingly suggested by audit for being recorded on the travelling allowance bills of Ministers :—

“Certified that the journeys and halts shown in the above bill were performed purely for the discharge of official duties assigned to my charge.

or

The journeys and halts shown in the bill were performed partly for party purposes and partly for the performance of official duties assigned to the undersigned. The portions thereof which related to party purposes are indicated in the margin and have not, therefore, been included in the bill”
may be deducted from the amounts due on the bill.

These certificates were not accepted by the Government and two certificates noted below were prescribed for T. A. bills without consulting the Comptroller and Auditor General :—

- “(1) Certified that the journeys were performed in the interest of public service.
- (2) Certified that the journeys were not performed purely for party purposes”.

These certificates did not fully meet the situation for which they were required to be laid down and audit had no clear means to satisfy itself that the payments in question were legitimate charge on public revenues. It was explained by the departmental representative that in accordance with the certificate which was required to be recorded on the T. A. bills at present, it had to be certified “that the journeys were primarily undertaken on official business”. The Law Ministry had given a ruling according to which the Ministers had private as well as public capacity. The journeys undertaken by them could relate to both the capacities and it was not always possible to distinguish one from the other. Ordinarily, if a Minister had performed the journey for private interest he should

not claim travelling allowance for it but if it had been undertaken primarily for official purpose the expenditure was to be charged to public revenues. The Committee felt that there was hardly any need for revising the existing certificate recorded on T. A. bills of Ministers, as the question had already been carefully gone into by Government.

17. The Committee then commenced the examination of the compliance report of the Planning Commission on the recommendations and suggestions made and directions given by the Public Accounts Committee in their Report on the Accounts for the year 1953-54 and of grants, for the years 1954-55 to 1956-57 controlled by them.

18. The Chairman, Planning Commission was not present nor had any intimation been received from him. Mr. M. Ayub stated that he had been asked to appear on his behalf before the Public Accounts Committee as the Planning Commission contended that it was a part of the Economic Affairs Division for the period to which the accounts under examination related. The Committee observed that clear instructions had been issued to all Ministries|Divisions indicating that in cases where certain subjects had been transferred from one Ministry to another Ministry consequent upon the reorganisation of the Central Secretariat the Ministry|Division to whom the subject had been transferred was required to explain the position before the Public Accounts Committee. Further, in accordance with the directives given by the previous Committees in the past, the Chairman, Planning Commission should have personally come to attend the meeting. The Committee directed that the recommendations made by the previous Committees in this regard should be carefully observed by the Planning Commission in future.

19. The Committee noted the compliance report of the Planning Commission on the recommendations made and directions given by the previous Committee. No questions were put regarding the compliance report and the grants controlled by the Planning Commission.

20. The Chairman asked Mr. M. Ayub who was associated with the drawing up of the revised system of financial control to enlighten the Committee on the new role of the Secretary of a Ministry in this context and particularly the aspect of his personal responsibility. Mr. M. Ayub explained that the Secretary was supposed to answer for all irregularities relating to his Ministry even in the past but the liability could shift when he was able to show that he was not aware of them. Although theoretically it was expected that the Secretary should be aware of every thing that happened in the Ministry in practice if he was able to establish before the authorities concerned that either he was not consulted or was not even aware of the particular irregularity, he was to that extent exonerated.

Mr. Ayub added that with the introduction of new system of financial control in the Central Government the position had changed. Such a plea would no longer be available to him particularly in the case of serious irregularities. He could not even plead that he was over-ruled by the Minister. The Rules of Business had been amended so that if in any particular case, the Secretary's proposals were either over-ruled by the Minister or the Minister was not agreeable to any particular proposals with regard to the utilisation of funds, it was open to the Secretary to

re-submit the case to the Minister pointing out to him that the overruling or the disagreement affected his accountability. If the Minister still insisted that his orders should stand, the Rules of Business required that the Minister should submit the case to the President and obtain his orders. These safeguards, he added, had been taken to strengthen the hands of the Secretary who could now be held responsible to a much greater degree than at any time in the past. The fact that a Financial Adviser has been appointed in each Ministry does not relieve the Secretary of his responsibility for the actions of the Ministry. In reality the placing of the Financial Adviser under the administrative control of the Secretary is a pointer that the accountability will be that of the Secretary.

21. The Committee then adjourned to meet again at 9 A.M. on Tuesday, the 13th December, 1960.

Proceedings of the second meeting of the Public Accounts Committee held on Tuesday the 13th December, 1960 at 9.00 A.M.

The Public Accounts Committee met in Pakistan Secretariat-II, Rawalpindi at 9-00 A.M. on Tuesday, the 13th December, 1960 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives.

MINISTRY OF LAW

9. Sir Edward Snelson, K.B.E., Secretary.

MINISTRY OF F. A. & C. R.

10. Mr. P. M. Chaudhuri, P.F.S., Joint Secretary.

Secretary of the Public Accounts Committee.

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

2. The proceedings commenced with the examination of the compliance report of the Ministry of Law on the recommendations of the Public Accounts Committee on the Accounts for the year 1953-54.

3. *B-Specific—S. No. 1 (page 288 of the Compliance Report).*—The previous Committee had recommended that measures should be taken to expedite the investigation and prosecution where necessary and for that purpose the desirability of appointing more Magistrates and Prosecutors for trying exclusively cases against the Central Government servants should be considered by the appropriate Ministry. It was explained by the departmental representative that in order to speed up the disposal of cases the Ministry of Law had approached the Ministry of Finance for the appointment of four whole-time special Judges, two in East Pakistan and two in West Pakistan for dealing exclusively with the Central Government cases under the Pakistan Criminal Law Amendment Act, 1958. The Ministry of Finance, however, felt that as the latest figures relating to the number of such cases pending with special Judges in the two wings of the country did not indicate increasing accumulation of

pending work, the appointment of additional Judges was not justified. The Comptroller and Auditor General desired to know whether the Ministry of Law still felt that additional Judges were required for the work in question. It was explained by the departmental representative that such cases would be dealt with under the ordinary Criminal Law and they thought that such cases should be dealt with by the Sessions Judges, Additional Sessions Judges and the Assistant Sessions Judges in future. This would ensure speedy justice. They had taken up this question with the Ministry of the Interior.

4. S. No. 2 (page 283 of the *Compliance Report*).—The Ministry of Law had been directed by the previous Committee to consider the question regarding advance payment of fees by the various Ministries to the lawyers engaged for them and to give a report to the Public Accounts Committee during their next session. In their compliance report the Ministry of Law had stated that the Cabinet had decided to centralise the Central Government's litigation work in the Ministry of Law, and that to implement this decision a scheme was being worked out and would be put into operation very soon. Under that scheme, the payment of fees, etc., to the lawyers would be direct responsibility of the Ministry of Law and this would ensure expeditious payments to lawyers engaged on behalf of the Government. The Chairman asked the departmental representative to elaborate the contemplated scheme. It was explained by the departmental representative that it was intended that the Law Ministry should act as a kind of a general solicitor's office for the whole Government and engage Counsel for the various Ministries etc. At present the Law Ministry functioned only as a consultative Ministry both for advice and for the appointment of Counsel. It was open to the Ministry concerned not to accept the Counsels proposed by the Law Ministry if it so chose. Even when the advice of the Law Ministry was accepted the fees of the Counsel engaged were required to be paid by the referring Ministry. Payments of fees were delayed in certain cases for four to five years. Such delays would not occur when the work was centralised in the Law Ministry and they made payments out of the lump-sum placed at their disposal for this purpose.

5. No questions were put by the Committee regarding the Grants controlled by the Ministry of Law.

6. The Committee then took up the consideration of the compliance report of the Ministry of Foreign Affairs and Commonwealth Relations on the recommendations of the Public Accounts Committee on the Accounts for the year 1953-54.

7. A-General—S. No. 5 (page 171 of the *Compliance Report*).—The previous Committee had recommended that the departmental and the audit office figures of expenditure should invariably be reconciled well before the accounts were finally closed and all information required by the Accountant General, Pakistan Revenues for incorporation in the Appropriation Accounts should be furnished to him in time. It was pointed out by the Comptroller and Auditor General that the figures of expenditure on Pakistan Missions abroad were not being reconciled regularly. The Accountant General, Pakistan Revenues sent statements of figures of expenditure every month to the Missions but there was no response from them. The alternative of supplying a statement of expenditure incurred by Missions to the Ministry of Foreign Affairs and

Commonwealth Relations so that they might reconcile was also tried but did not work. It was explained by the departmental representative that many of the Missions failed to send statements of expenditure incurred by them which resulted in a bottleneck. The Ministry of Foreign Affairs and Commonwealth Relations were, however, evolving a revised system by which reconciliation of figures would be expedited. The departmental representative added that another difficulty which was being experienced by them in this regard was that some of the sub-heads or items thereof in the grants controlled by the Ministry of Foreign Affairs and Commonwealth Relations concerned other Ministries|Divisions. The Comptroller and Auditor General stated that in order to facilitate reconciliation he would consider the suggestion regarding furnishing of the number of vouchers and their dates along with the monthly statements of expenditure for verification. The Committee recommended that renewed instructions should be issued by the Ministry of Foreign Affairs and Commonwealth Relations to all Missions abroad asking them to verify the statements of expenditure sent under the revised procedure and a report indicating the results achieved should be submitted to them during the next session. The Committee also desired to be apprised of the action taken by the Ministry of Foreign Affairs and Commonwealth Relations against those who failed to comply with their instructions.

8. S. No. 12 (page 173 of the *Compliance Report*).—It had been recommended by the previous Committee that in all cases of misappropriation of public funds, steps should be taken to finalise enquiries without loss of time and departmental responsibility assessed. Mr. Jasimuddin Ahmad desired to know whether any action had been taken in assessing the departmental responsibility in cases that might have come to the notice of the Ministry of Foreign Affairs and Commonwealth Relations. It was explained by the departmental representative that some of the cases were still under consideration. The Chairman pointed out that the recommendation of the previous Committee was of a general nature concerning all Ministries|Divisions and that specific items concerning the Ministry of Foreign Affairs and Commonwealth Relations would be considered when the examination of specific cases was taken up.

9. B-Specific—S. No. 2 [page 177 of the *Compliance Report*—para. 22 (d) on pages 22-23 of the *Audit Report, 1955*].—The Ministry of Foreign Affairs and Commonwealth Relations had been directed by the previous Committee to supply to Audit the outstanding certificates of check of furniture in Pakistan Missions abroad and to submit a compliance report during its next session. In their compliance report the Ministry of Foreign Affairs and Commonwealth Relations had stated that in most cases the requisite certificate had already been forwarded by them to the Accountant General, Pakistan Revenues. In the case of remaining Missions, the Accountant General, Pakistan Revenues had been informed that as the then Heads of Missions were no longer in service, it seemed impracticable for the Missions to obtain and submit the certificates in question for the previous years. The Accountant General, Pakistan Revenues decision was still awaited. The Comptroller and Auditor General agreed that it was not practicable to obtain and submit the certificates in question for the previous years in cases where the heads of Missions were not in service and in the circumstances Audit would have no objection to accept a certificate say as on 1st April, 1960 to cover all the previous years. But the fact remained that the certificates should

have been sent each year. The Committee recommended that instructions should be issued by the Ministry of Foreign Affairs and Commonwealth Relations to Pakistan Missions abroad asking them to ensure that the certificates of check of furniture were submitted to Audit on due dates.

10. S. No. 4 (page 178 of the Compliance Report—paras. 28—32 of Audit Report, 1955).—The Ministry of Foreign Affairs and Commonwealth Relations had been directed by the previous Committee to take special steps to enforce strict financial discipline in Pakistan Missions abroad and to report the action taken in the matter to the Public Accounts Committee in their next session. The Chairman desired to know what steps had been taken by the Ministry of Foreign Affairs and Commonwealth Relations to comply with the recommendation of the Public Accounts Committee. It was explained by the departmental representative that instructions had been issued by the Ministry of Foreign Affairs and Commonwealth Relations to all Pakistan Missions asking them to comply with the provisions of financial rules and to obtain necessary sanctions before incurring expenditure. In some cases, he added, sanctions for expenditure had not been accorded and the amounts involved had been recovered from the officers concerned. The instructions were being generally followed by all Missions.

11. S. No. 8 (page 179 of the Compliance Report).—The previous Committee had recommended that the question of posting of trained accountants to the various Pakistan Missions abroad should be expedited. In their compliance report the Ministry of Foreign Affairs and Commonwealth Relations had stated that the question of posting of trained accountants to Pakistan Missions was under active consideration. It was pointed out by the Comptroller and Auditor General that five S. A. S. accountants had been lent by him for posting in Pakistan Missions abroad and at one time it was intended to man all Missions with trained accountants, but the Ministry of Foreign Affairs and Commonwealth Relations did not agree to that proposal. The Committee recommended that in future it should be ensured by Ministry of Foreign Affairs and Commonwealth Relations, that the persons to be posted in foreign Missions should be got trained in the Accountant General, Pakistan Revenues office before posting or the Comptroller and Auditor General requested to depute suitable accountants. The Committee also desired that a report indicating the action taken in this regard should be submitted in their next session.

12. S. Nos. 10-11 (page 179 of the Compliance Report).—The previous Committee had recommended that the settlement of the cases relating to irregularities in the Mission in Australia [para. 19(iii) to 19(vi), 19(ix), 19(xi) and 19(xii) of the Audit Report 1953] and the matter regarding regularisation of the unauthorised expenditure on hire charges of Chandelier [para. 19(vii) of Audit Report, 1953] and irregular medical expenses in the Deputy High Commissioner's Office at Calcutta mentioned in paragraph 19(xiii) of the Audit Report, 1953, should be expedited and compliance reported. The Ministry of Foreign Affairs and Commonwealth Relations had explained in their compliance report that the cases in question had been referred to the Ministry of the Interior for action under EBDO after the promulgation of Martial Law. It was pointed out by the Chairman that the action taken under EBDO did not rule out the necessity of departmental action. It was explained by the departmental

representative that departmental action had also been taken to recover the amounts involved. In one case, substantial amount had been recovered and other cases were pending with police and the Ministry of Foreign Affairs and Commonwealth Relations might have to start legal proceedings against the persons concerned. The Committee directed that the Ministry of Foreign Affairs and Commonwealth Relations should make all efforts to effect recoveries of the entire amount involved in each case and submit a report of the progress made in their next session.

13. S. No. 12 [page 179 of the Compliance Report.—paras. 20 (i) (i) (1), to 20 (i) (i) (6) of Audit Report, 1954].—In their compliance report the Ministry of Foreign Affairs and Commonwealth Relations had stated that the instructions regarding enforcement of financial discipline in the Pakistan Missions abroad had been noted and a detailed report with regard to the irregularities in the use of foreign currencies, committed by Embassies and Missions abroad, would be furnished by them when they appeared before the Committee. Mr. Yaqub Shah desired to know the result of the examination carried out by the Ministry of Foreign Affairs and Commonwealth Relations. It was explained by the departmental representative that the irregularities in question had been committed by two individuals in one of the Missions abroad. In one case, the Mission, taking advantage of the favourable exchange rate in the open market, received Rials 1,700 in exchange of Rupees 100 although the official exchange rate varied between Rials 955 and 984.50 to Rupees 100. The resultant gain which should normally have been surrendered was utilised by the Mission towards increased expenditure. More expenditure in local currency was thus incurred although sanctions for the same were based on the official rate of exchange. In the other case, Government had sanctioned the purchase of a car for Rs. 15,000 subject to the condition that its payment should be made in the local currency already available with the Embassy which, at the official rate of exchange, worked out to Rials 1,44,300. The car was, however, purchased for Rials 3,00,000 and its cost was met by sale of 1,500 Pounds Sterling (equivalent of Rs. 14,000). Although the rupee amount of the sanction was not exceeded, more expenditure was incurred in local currency. Again the cost of the car should not have been met by sale of Pounds Sterling when there was a sufficient balance of Rials in the Government Rial Account with the Embassy. This involved no loss to the Government but the money had been utilised towards increased expenditure in the Mission. The Committee observed that although there had been no loss to Government, a breach of the rules had been committed by the Mission concerned. This should be avoided in future.

14. At this stage the Committee took up an examination of un-finalised cases of financial irregularities losses etc., mentioned in the Audit, Reports and the Notes below the Appropriation Accounts for the years 1951-52 to 1953-54.

15. Para. 20(i) (i) (3) (page 15 of the Appropriation Accounts for the year, 1952-53).—This paragraph related to an irregular transfer of public money to the personal account of a Government servant. It was observed that in an Embassy a sum of Rs. 14,033 had been transferred to the personal account of an officer on the understanding that Rials 1,35,000 being the rupee equivalent of the sum would be credited to the Government Rial Account at the Bank by the officer. An entry on the receipt

side of the Cash Book of the Embassy showing a sum of Rials 1,35,000 was recorded on 14th July, 1952 although the money was not actually received by the Embassy. The entry was scored out over the initials of the officer concerned. A sum of Rs. 14,033 was refunded by the officer on 20th August, 1952 and the original payment entry of Rs. 14,033 was also scored out over his initials in order to show that the transaction did not take place at all. The departmental representative was unable to explain the circumstances under which the irregularity had been committed and promised that a report in the matter would be submitted by him to the Public Accounts Committee in due course.

16. *Para. 20 (i) (1) (4) on page 15 of the Appropriation Accounts for the year 1952-53.*—It had been reported that some members of the staff at the time of their transfer from an Embassy were paid (during the period August, 1948 to June, 1953) Pounds or Rupees in exchange of their Rial savings at the official rate of exchange without the sanction of the Government. As the bank rate of exchange was much higher than the official rate, the Government lost in the transaction, at least to the extent of Rs. 3,534. The excess payments were recoverable from the Government servants concerned. It was pointed out by the Comptroller and Auditor General that the loss had neither been regularised, nor recovery of excess payments made from the Government servants concerned. The departmental representative was unable to state whether any action had been taken by the Ministry of Foreign Affairs and Commonwealth Relations to regularise the position. The Committee directed that a definite report indicating the action taken in the matter should be submitted to them before the end of their present session.

17. *Paragraph 20 (1) (1) (5) on page 16 of the Appropriation Accounts for the year 1952-53.*—A sum of £ 1,000 was transferred on the 14th December, 1947 from the Government account to the personal account of an officer for the purchase of a car by him for his use. This transfer of money was agreed to by Government on the understanding given by the officer that an amount of Rials equivalent of £ 1,000 would be deposited by him in the Government Account, and that Government would suffer no financial loss whatsoever in the transaction. On the 21st December, 1947 the officer refunded Rials 1,28,000 corresponding in value to £ 1,000 at the official rate of exchange of one pound sterling equal to the Rials 128. On the 14th December, 1947 the date on which £ 1,000 were transferred to the personal account of the officer, the bank allowed a free market premium amounting to Rials 90,900 on each £ 1,000 sold to them. The officer, therefore, received Rials 2,18,900 (1,28,000 plus 90,900) from the bank at the free market rate while he refunded only Rials 1,28,000 at the official rate to the Government, in exchange, thereby keeping to himself the benefit accruing from the free market premium. The Government thus suffered a loss of Rials 90,900 which if converted at the official rate of exchange at that time (*viz.*, Rials 984.50 equal to Rs. 100) amounting to Rs. 9,233. The Committee desired to know the position of the case. In this case too the departmental representative promised to furnish a detailed note indicating the action taken by the Ministry of Foreign Affairs and Commonwealth Relations to regularise the position.

18. *Paragraph 28 (a) (i), (ii), (iii) on page 26 of the Appropriation Accounts for the year 1953-54.*—This paragraph related to over payments of travelling allowance in Missions amounting to Rs. 14,086. The Comptroller and Auditor General stated that the matter was under correspondence with the Ministry of Foreign Affairs and Commonwealth Relations

and neither recoveries had so far been made, nor necessary sanction for the write off of the loss had been issued so far. It was explained by the departmental representative that the amounts involved were being recovered from the individual concerned and the Missions involved had been asked to intimate the latest position in this regard. The Public Accounts Committee desired to be apprised of the up-to-date position in their next session.

19. *Para. 30(c) on page 27 of the Appropriation Accounts for the year 1953-54.*—It had been pointed out in the Audit Report that a ticket was purchased for the mother of a Head of a Mission for journey from Paris to Bombay at a cost of Rs. 1,689 in July, 1953. The expenditure being inadmissible was required to be regularised or recovered. It was explained by the departmental representative that the amount involved had already been recovered from the person concerned.

20. *Para. 31(a) on pages 27-28 of the Appropriation Accounts for the year 1953-54.*—This paragraph related to mis-appropriation of Government money due to laxity in supervision and non-maintenance of proper Cash Book by the cashier of a certain Pakistan Embassy. The amount involved was Rs. 63,190. The departmental representative stated that the case had been pending with the Special Police for the last three or four years. They wanted registers and documents which the person concerned had destroyed and had himself absconded. The Committee observed that the Ministry of Foreign Affairs and Commonwealth Relations should have come to a conclusion after a lapse of about six years as to whether the amount involved could be recovered. In case it was established that no recovery was possible, action should have been taken to write off the loss. They directed that the position should be regularised and a report submitted to the Committee.

21. *Paragraph 31(b) on page 28 of the Appropriation Accounts for the year 1953-54.*—This paragraph related to a loss of Government money due to the fact that an amount of Rs. 1,832 was neither accounted for nor paid in the bank by a cashier who received it. The Committee desired to know what action had been taken against the person concerned. The departmental representative stated that the amount involved was being recovered from the G. P. Fund account of the person concerned, who had been reverted to his parent office. The Committee observed that mis-appropriation of Government money was a very serious offence and the person concerned should have been prosecuted and should not have been retained in Government service. They desired to know why he was not prosecuted.

22. *Paragraph 31(c) page 28 of the Appropriation Accounts for the year 1953-54.*—It was stated in this paragraph that a sum of Rs. 2,55,562 was credited against the collection of passport fees amounting to Rs. 2,91,538 and the balance of Rs. 35,978 was mis-appropriated. The result of the investigation was awaited by Audit from the Ministry of Foreign Affairs and Commonwealth Relations. The departmental representative was unable to give the required information about this case and promised to furnish a report to the Committee in due course.

23. *Paragraph 32(a) on pages 28-29 of the Appropriation Accounts for the year 1953-54.*—This related to mis-appropriation of Rs. 1,500 by an officer in a Mission abroad. The departmental representative stated that departmental action was being taken against the person concerned and the result will be reported to the Public Accounts Committee in due course.

24. *Paragraph 32(b) on page 28 of the Appropriation Accounts for the year 1953-54.*—This paragraph related to irregular withdrawal of money and its distribution to officers and staff of a Pakistan Mission abroad as loan which was later recovered from them at leisure. The withdrawal was shown in the Cash Book as cash in hand. The Committee observed that this was a case of temporary defalcation and directed that the Ministry of Foreign Affairs and Commonwealth Relations should issue instructions to Pakistan Missions abroad to ensure that such cases did not recur in future.

25. As the departmental representative of the Ministry of Foreign Affairs and Commonwealth Relations could not explain the position with regard to all items of unfinalised cases of financial irregularities etc., the Committee observed that they felt that the recommendations made by the previous Committee had not been paid due attention to by the Ministry of Foreign Affairs and Commonwealth Relations. The Committee further recommended that it was the duty of Ministry to ensure that the departmental representative came to the meetings of the Committee fully prepared to answer any question that might be raised by them. They also directed that a detailed report indicating the action taken by the Ministry of Foreign Affairs and Commonwealth Relations on all the outstanding items (including those mentioned below) should be furnished to them before the current session was concluded.

List of items

1. Para. 19(ii) of the Audit Report, 1953.
2. Para. 19(viii) of the Audit Report, 1953.
3. Para. 19(x) of the Audit Report, 1953.
4. Para. 19(xiv) of the Audit Report, 1953.
5. Para. 28(b), (c), (e) and (g) of the Audit Report, 1955.
6. Para. 29(a) and (b) of the Audit Report, 1955.
7. Para. 30(ε) and (b) of the Audit Report, 1955.
8. Para. 31(d) and (e) of the Audit Report, 1955.
9. Para. 32(c) and (d) of the Audit Report, 1955.
10. Items 9-11 of Annexure "A" to the Audit Report, 1956.

26. The Committee then took up the examination of Appropriation Accounts for the years 1954-55 to 1956-57 and the Audit Reports thereon.

27. *Paragraph 40(1) on page 40 of the Audit Report, 1956.*—This paragraph related to payment of an advance of Rs. 6,349 in connection with the renting of residential accommodation by the head of a Pakistan Mission abroad and payments of Rs. 981 and Rs. 397 made to a lawyer as consulting fee and the house agent as brokerage, respectively. Government had sustained a total loss of Rs. 7,727 in this transaction due mainly to the fact that no agreement had been entered into at the time of arranging to rent the accommodation in question, and no verification made of the antecedents of the land lady before advancing money to her. The departmental representative stated that it was proposed to write off

the loss. The Committee directed that the needful should be done by the Ministry of Foreign Affairs and Commonwealth Relations under report to them.

28. *Paragraph 40(ii) on page 41 of the Audit Report, 1956.*—In the same Mission a sum of Rs. 3,230 had been paid as deposit in connection with the lease of a flat required for the head of the Mission. After the vacation of the flat, the amount of the deposit had not been released by the land lady pending settlement of her claim in respect of damages etc. The departmental representative explained that the amount involved had been written off.

29. *Paragraph 41 on page 41 of the Audit Report, 1956.*—This related to an expenditure of Rs. 26,910 having been incurred on entertainments during the year 1952-53 against a sanctioned amount of Rs. 20,000. The departmental representative explained that the excess expenditure had been regularised by the issue of an *ex-post-facto* sanction.

30. *Paragraph 43 on page 41 of the Audit Report, 1956.*—A local employee of a Pakistan Embassy entrusted temporarily with the duties of the accountant and cashier in the absence of the accountant, defalcated a sum equivalent to Rs. 1,037 and absconded with the money. The departmental representative stated that the case went to a Court of Law which declared that the man concerned was a pauper and could not pay anything. The Committee desired that the loss involved should be regularised.

31. *Grant No. 38-Foreign Affairs—Note No. 5 below the Appropriation Accounts (page 201 of the Appropriation Accounts, 1954-55):*—Certain telephones were installed at the residences of the officers attached to the Pakistan High Commission in the United Kingdom at Government expense under the orders of the High Commissioner. As the High Commissioner had not been delegated any power for this purpose, Audit objected to it with the result that the High Commissioner approached the Government in November, 1949 to authorise him to sanction the provision of residential telephones. Government decided in January, 1950 that the power sought could not be delegated to the High Commissioner. Notwithstanding this, the High Commissioner authorised in July, 1951 the provision of some more residential telephones. In January, 1952 the Ministry of Foreign Affairs and Commonwealth Relations informed the High Commissioner that the question of installation of residential telephones was under consideration and pending the issue of Government orders no more telephones should be installed. The telephone connections were however not surrendered and the unauthorised expenditure continued to be incurred. The departmental representative stated that the matter was under correspondence with the High Commission and it was felt that the officers in question should possess telephones without which it was not possible for them to discharge their duties properly. The Committee directed that the question should be finally settled and the telephones which could not be installed under the existing rules should be withdrawn forthwith. They desired that not more than six months should be taken in its settlement and a report submitted to the Committee.

32. *Note 5(iv) on page 202 of the Appropriation Accounts, 1954-55.*—It was stated in this note that a Pakistan Mission abroad had shown a persistent tendency of anticipating the Government orders in regard to

pay scales, special pay and leave rules. The departmental representative stated that all cases of anticipating the sanction of Government reported in this note had been regularised with the concurrence of the Ministry of Finance in August, 1959. The committee desired Audit to verify that all irregularities had been set right.

33. *Annexure—A, S. No. 8 (page 551 of the Appropriation Accounts, 1954-55).*—This related to loss due to financial irregularities committed by the Head of a Pakistan Mission abroad including that of drawal of T. A. advance for his wife, wages irregularly drawn for and other payments made to personal servants, drawal of packing and crating charges of personal effects on transfer to Pakistan and excess charges on account of insurance of personal effects etc. The case was stated to have been registered with the Special Police for investigation and further action had to wait until investigation was completed. It was pointed out by Mr. Ebrahim Khan that in cases where the investigation lasted for a long period the fact should be brought to the notice of the appropriate authorities by the Ministry concerned so that some steps could be taken to expedite completion of investigation. The departmental representative stated that this would be taken care of in future. The Public Accounts Committee desired to have a report on this case in the next session.

34. At this stage Mr. Z. A. Bhutto, Minister for Fuel, Power and Natural Resources entered the Committee room whereupon the Chairman requested Mr. Yaqub Shah to occupy the chair.

35. *Appropriation Accounts for the year 1955-56 and the Audit Report, 1957—paragraph 36 on page 31 of the Audit Report.*—This paragraph related to infructuous expenditure on air-conditioning units that had been procured by the Ministry of Foreign Affairs and Commonwealth Relations. By departing from the usual method of procurement, a loss of Rs. 85,125 had occurred to Government due to purchase of the equipment at higher than the prevailing prices, payment of commission to the intermediary firm, transportation of equipment by air instead of by sea and the distribution of the units to the Ministers and senior Government officers not entitled to air-conditioning units under the rules in force at that time. The departmental representative regretted his inability to explain the position regarding this paragraph and promised that a note giving particulars of the case as also the action taken by the Ministry of Foreign Affairs and Commonwealth Relations regarding regularisation of the position would be submitted to the Committee.

36. *Appropriation Accounts for the year 1956-57 and the Audit Report, 1958—paragraph 35 on page 25 of the Audit Report.—Sub-paragraph (i)*—An electrically operated sewing machine was purchased by a Pakistan Mission abroad at a cost of Rs. 1,613 in November, 1956 without the prior sanction of the Government. The departmental representative explained that the amount had been recovered.

37. *Paragraph 37 on page 25 of the Audit Report.*—An Assistant-in-Charge in the stores branch of a Mission was advanced a sum of Rs. 750 to make some purchases. He bought clothes worth Rs. 40 and tampered with the cash receipt to show that clothes worth Rs. 750 were actually purchased by him. This resulted in mis-appropriation of Rs. 710. The departmental representative stated that the Assistant-in-Charge concerned had been charge-sheeted and sent back to his parent department asking them to recover the amount involved from his G. P. Fund Account and to dismiss him from Government service. Further progress would be reported to the Public Accounts Committee during the next session.

38. *Paragraph 38 on page 26 of the Audit Report.*—A washing machine was purchased by a Mission for the Ambassador's residence at a cost of Rs. 769 although it was not one of the items which were required to be supplied to the Head of the Mission at Government cost. The departmental representative stated that the case had been regularised by issue of a sanction on the 8th October, 1958. The Committee observed that this information should have been furnished to the Accountant General, Pakistan Revenues in time for incorporation in the Audit Report.

39. *Paragraph 39 on page 26 of the Audit Report.*—This paragraph related to hiring of a car for the Ambassador's use in a Pakistan Embassy where only conveyance allowance at Rs. 300 per month had been sanctioned to the Ambassador. This had resulted in an unauthorised expenditure of Rs. 3,740. The departmental representative stated that regularising action had been taken by the issue of a formal sanction on the 18th July, 1960.

40. *Paragraph 40 on page 26 of the Audit Report.*—The Head of a Pakistan Mission abroad took the Mission's cheque book with him while going on tour and had drawn some cheques himself for obtaining cash for self, without preparing any bill for the drawal of money as required under the rules. The simultaneous operation of the bank account by the Head of the Mission and the Head of the Chancery who was the drawing and disbursing officer of the Mission and the withdrawal of cash from the bank without the preparation of proper bills were irregular. The departmental representative stated that the Head of the Mission had gone on tour and had drawn the money on the Mission's cheque book through ignorance of the rules. He added that he had been instructed not to adopt this practice in future. The Committee desired that it should be verified by the Ministry of Foreign Affairs and Commonwealth Relations whether the necessary bills had been prepared ultimately by the Head of the Mission for the drawal of the money and a report submitted to them.

41. *Paragraph 41 on page 27 of the Audit Report.*—The Head of the same Mission who was already drawing his pension from the Defence estimates was allowed on his appointment on the 25th December, 1956 to a diplomatic post, pay at Rs. 2,250 per month less his pension. He, however, drew his pay of Rs. 2,250 and only deducted the amount of pension after commutation instead of the whole of the pension. This resulted in an excess payment of Rs. 9,815 as pay and Rs. 7,592 as exchange compensation allowance which was irregularly drawn on the full pay inclusive of pension although under the rules it should have been calculated on the pay *minus* pension. The departmental representative stated that it had since been decided by the Ministry of Finance that the Head of the Mission was at liberty to draw the full pay and was thus entitled to exchange compensation allowance on the full amount. He added that out of Rs. 9,815 over-drawn by the Head of the Mission, a sum of Rs. 7,176 had already been refunded by him.

42. *Paragraph 43 on page 27 of the Audit Report.*—This paragraph related to the use of staff car by the Head of the same Mission within the country of his posting for half journeys when on tour which was obviously wasteful as the staff car had to travel both ways. The departmental representative stated that the use of staff car had been fully justified by the Head of the Mission.

43. *Paragraph 44 on page 28 of the Audit Report.*—The same Head of the Mission accompanied by the members of his family performed a journey from the place of his Headquarters to a holiday resort of the country to which he was posted. He claimed and was paid Rs. 932 as travelling allowance without mentioning the purpose of the journey in his T. A. bill. The departmental representative stated that the Head of the Mission concerned had gone to the place for opening a fair to which he and his wife had been invited. In addition he had several official engagements. Mr. Jasimuddin Ahmed pointed out that the T. A. bill should have been considered incomplete by the drawing and disbursing officer in the absence of the purpose of the journey. The departmental representative stated that instructions had been issued to all Heads of Missions asking them to mention the purpose of the tour in the T. A. bills in future.

44. At this stage Mr. Mohammad Shoaib came back to the meeting and occupied the chair.

45. *Paragraph 45 on page 28 of the Audit Report.*—In the same Mission a private servant of the Head of the Mission was appointed as a gardener in spite of the fact that the post of a second gardener to which the said domestic servant was appointed did not exist. The departmental representative stated that the position had been regularised by issuing the requisite sanction with the concurrence of the Ministry of Finance. In the same paragraph it was stated that the same person was later on appointed as a driver in a vacancy caused by the termination of the appointment of the previous driver and he continued to draw the gardener's pay in addition to his pay as a driver. The departmental representative explained that the appointment made was irregular and necessary instructions had been issued by the Ministry of Foreign Affairs and Commonwealth Relations to Heads of the Pakistan Missions abroad to the effect that they should not allow their private servants to be appointed in Government posts.

46. *Paragraph 46 on page 28 of the Audit Report.*—The rules regarding proper maintenance of Cash Book and other accounts record and physical verification of cash and store accounts were not observed in a Pakistan Missions abroad as a result of which certain irregularities had occurred. The departmental representative stated that the question regarding writing off of the amount involved was under their consideration as the person concerned was a low salaried official. He added that a departmental enquiry against the official concerned had been completed and it was pending for final orders of the Secretary. The Public Accounts Committee desired to have a report of the final action in this matter.

47. *Paragraph 47 on page 29 of the Audit Report.*—In the same Mission certain items of personal expenditure of the Ambassador were charged to Government although Government was not responsible for meeting the expenditure. The departmental representative stated that the Head of the Mission had since retired and recovery of the amount involved was being effected from his dues outstanding against Government. The Committee desired to have a report of the final position in the next session.

48. *Sub-para. (i) of para. 47 on page 29 of the Audit Report.*—In the same Mission a sum of Rs. 1,853 was paid to a First Secretary in December, 1955, on account of the refund of income-tax in spite of the fact that no

authority from the Income-tax Department authorising the refund had been received. The basis on which the calculation was made was also not on record in the Mission's files. The Chairman pointed out that if adjustment could not be made during the course of the year, the person concerned had to claim a refund from the Income-tax Department. The payment made to the First Secretary in question was irregular and the Committee directed that the Ministry of Foreign Affairs and Commonwealth Relations should consider the question of taking disciplinary action against the officer responsible for the payment. The departmental representative promised to examine the matter and to submit a report to the Committee.

49. The Committee adjourned to meet again on Wednesday, the 14th December, 1960, at 2-30 P.M.

Proceedings of the third meeting of the Public Accounts Committee held on Wednesday, the 14th December, 1960 at 2-30 P.M.

The Public Accounts Committee met in Pakistan Secretariat, II, Rawalpindi, at 2-30 P.M. on Wednesday, the 14th December, 1960, under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives.

MINISTRY OF RAILWAYS AND COMMUNICATIONS.

9. Mr. H. S. M. Ishaque, C.S.P., Secretary.

Secretary of the Public Accounts Committee.

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

2. The proceedings began with the examination of the compliance reports of the Communications and Transport Division on the recommendations made by the Public Accounts Committee in their Report on the Accounts for the year 1953-54.

3. *B—Specific—S. No. 1 (page 421 of the Compliance Report).*—The previous Committee had recommended in para. 30 on page 19 of their Report on the Accounts for 1953-54 that the Ministries concerned should get the accounts of the commercial institutions completed with the least possible delay so that it could be judged whether they were working satisfactorily or not. The accounts of Lighthouses and Lightships Department had been compiled but could not be incorporated in the Commercial Accounts for the year 1953-54 due to their late receipt in the office of the Accountant General, Pakistan Revenues. The departmental representative stated that the accounts had since been incorporated in the Commercial Appendix to the Appropriation Accounts for the year 1954-55.

4. *S. No. 2 (page 421 of the Compliance Report).*—In paragraph 7 of the Public Accounts Committee's proceedings of the 19th November, 1957 (pages 104-105 of the P.A.C., Report on the Accounts for the year 1953-54) the Committee had re-emphasised the recommendation made by the previous Committee that the Communications and Transport Division should examine why large unspent balances remained in the Central Road

Fund, with a view to re-ascertaining the real causes relating to the accumulation of the funds and to taking measures for the speedy disbursement of moneys to the various units. The Committee had recommended that the Communications and Transport Division should continue bringing pressure on the Provincial Governments to undertake their road projects by adhering to the prescribed procedure and to progress the road development projects in a more satisfactory manner. The Comptroller and Auditor General pointed out that the Public Accounts Committee were concerned over this matter on several occasions in the past as there had been very large allocations out of the Central Road Fund but the actual expenditure incurred by the Provinces was very small. He added that allocation of funds was made by the Communications and Transport Division but actual payments were not made until detailed estimates were received from the Provinces. As the Provincial Governments delayed submission of detailed estimates and the Communications and Transport Division also took some time in scrutinising and passing those estimates, actual payments to the Provincial Governments were delayed resulting in slow progress in the execution and completion of the various projects.

The Comptroller and Auditor General added that the Provincial Governments considered that the road projects were constitutionally their concern and the Central Government should confine itself to making allocations from the Central Road Development Fund and the further progressing of the road projects should be entirely the concern of the Provincial Governments. The departmental representative reported that out of the balances available in the Central Road Fund, a sum of Rs. 11.53 crores had already been allocated leaving an unallocated balance of Rs. 91 lakhs only. The actual expenditure, he stated, was of the order of about Rs. 6 crores. Allocation of funds was made for certain specified roads only mainly the National Highways or roads of strategic importance. The work could not be executed and completed over the entire link expeditiously due to several reasons. The Chairman desired to know whether the Provincial Governments had taken note of the request made by the Communications and Transport Division for expediting the execution and completion of the various projects. The departmental representative stated that the requests made by them to the Provincial Governments in this regard were not generally attended to by the Provincial Governments. To illustrate his point, he quoted the case of the road from Karachi to Peshawar about which they had been requesting the Provincial Government for a long time but no satisfactory progress had been made. The Chairman pointed out that the whole question of the utilisation of the Central Road Fund had been engaging attention of the Ministry of Finance and the Communications and Transport Division for some time past with a view to putting the limited available resources to the best use.

5. The Committee then took up the examination of the Appropriation Accounts, 1954-55 to 1956-57 relating to the Ministry of Railways and Communications (Communications and Transport Division).

6. *Grant No. 33, Capital Outlay on Ports (pages 275—277 of the Appropriation Accounts for the year 1956-57.*—The original provision of Rs. 34,28,000 was reduced to Rs. 21,46,560 by the surrender of a sum of Rs. 12,81,440. The actual expenditure under the grant was Rs. 15,56,873 resulting in a saving of Rs. 5,89,687. The Comptroller and Auditor General pointed out that in the past two years as well, the capital expenditure on ports was much less than the final grant. The departmental representative

stated that the expenditure related mainly to the development of the Port of Chalna. The actual expenditure, he added, had fallen considerably short of the final allocations during each of the years 1954-55 to 1956-57 due mainly to the fact that the final selection of the site for the Port had become a problem as the technical men had expressed doubts about the suitability of Mangla as a permanent site. The Ministry of Finance had advised that until a site had been finally selected, no heavy capital expenditure, could be incurred. A decision had, however, been taken to the effect that the Port of Chalna should be developed for certain intermediate traffic and details were being worked out.

7. The Committee then took-up an examination of the Commercial Accounts for the years 1954-55 to 1956-57 relating to the Communications and Transport Division.

8. *Commercial Accounts 1956-57—Chapter III—Lighthouses and Lightships Department (para. 168 on page 106).*—It had been reported in the audit comments in this paragraph that light dues were collected at the rate of one anna per ton for all ships other than sailing ships arriving at and departing from any port in Pakistan and half anna per ton for sailing ships. These rates were in force from the year 1938. As the cost of almost all the items comprising expenditure of the lighthouses had considerably increased since then, the department had been asked to get the rates revised by Government keeping in view the index of cost of living and the rates prevailing in the ports of neighbouring countries. The Chairman agreed that a revision in the rates was called for due to the fact that the prices of equipment, stores and also the pay of personnel had gone up tremendously since 1938 during which year the rates had been fixed. He added that one of the objects of a Commercial organisation was to raise enough funds to provide for its expansion and that the possibility of raising enough funds in the Lighthouses and Lightships Department should be examined so that more lighthouses could be provided. The departmental representative promised to examine this question and to submit a report to the Committee in due course.

9. *Paragraph 171 on page 107 of the Commercial Accounts, 1956-57.*—It was reported in the Audit comments that interest on Government Capital was not being debited in the Income and Expenditure Account since the year 1947-48. The contention of the Communications and Transport Division was that the present assets were constructed out of revenue and therefore it was not essential to charge interest thereon under rule 30 of "Lighthouses Accounting Rules". As the interest charges were required to be calculated on the entire capital provided by Government, the fact that the assets of the Lighthouses and Lightships Department were built out of revenue (and not capital) was not relevant. The Committee observed that the Commercial Accounts should take interest into consideration irrespective of the source of the funds and directed that the relevant rule should be amended and interest charged on capital provided out of revenue by Government. The departmental representative stated that a reference had been made in this connection to the Ministry of Finance and the case would be progressed further after it had been returned by that Ministry. The Committee directed that a report indicating the action taken by the Communications and Transport Division should be submitted to them during the next session.

10. Referring to the statements of Comparative Income and Expenditure Account for the years 1956-57 and 1955-56 on pages 110-111 of the Commercial Accounts for the year 1956-57, the Chairman observed

that overhead charges on account of pay of officers, etc., included in the Headquarter District were required to be distributed equitably between the Karachi and Chittagong Districts. He added that the form of Commercial Accounts of the Lighthouses and Lightships Department and the system under which these were maintained seemed to be unsatisfactory. He, therefore, desired that the question of the revision of the form of these accounts should be examined by the Communications and Transport Division in consultation with the Director of Commercial Audit and a report submitted to the Committee in their next session.

11. The Committee then took up consideration of a memorandum (Annexure IV) that had been submitted by the Ministry of Finance regarding exhibition of the Secret Service Expenditure in the Audit Report at one place. The proposal made in para. 4 of the memorandum was not, however, favoured by the Committee and it was decided that the existing procedure should continue to be followed in this regard.

12. The Committee also considered another memorandum (Annexure V) that had been submitted by the Ministry of Finance regarding the raising of limits of expenditure on important new works regarding which detailed statements of expenditure were required to be incorporated in the Appropriation Accounts. The proposals made in paragraphs 1 and 2 of the memorandum were approved by the Committee.

13. The Committee then adjourned to meet again at 9-00 A.M. on Thursday, the 15th December, 1960.

Proceedings of the fourth meeting of the Public Accounts Committee held on Thursday, the 15th December, 1960, at 9-00 A.M.

The Public Accounts Committee met in Pakistan Secretariat, II, Rawalpindi at 9.00 A.M. on Thursday, the 15th December, 1960, under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives.

MINISTRY OF INDUSTRIES.

10. Mr. M. H. Zuberi, C.S.P., Secretary.
11. Mr. N. H. Khandker, Controller of Printing and Stationery.
12. Mr. S. N. Haq, Director, Department of D. G. S. & D.

Secretary of the Public Accounts Committee.

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

2. The day's proceedings began with the examination of the Compliance report of the Ministry of Industries on the recommendations and suggestions made and the directions given by the Public Accounts Committee in their report on the Accounts for the year 1953-54.

3. *B—Specific—(page 228 of the Compliance Report)—S. No. 1, para. 26 of Audit Report, 1955.*—The previous Committee had recommended that a decision on the question of entrusting the audit of Small Industries Corporation to the Comptroller and Auditor General should be expedited and that explicit provisions should be made in the statutes of all the Corporations in which majority shares were owned by Government to the effect that their audit would be entrusted to the Comptroller and Auditor General. It was explained by the departmental representative that the question of entrusting the audit of the Small Industries Corporation to the Comptroller and Auditor General was still under consideration. The Chairman pointed out that an Ordinance (reproduced in Annexure VI) had been issued under which the Central Government was empowered to give directions to the various Corporations in connection with the maintenance of their accounts and other financial

procedures. He added that in accordance with the advice given by the Ministry of Law, the Small Industries Corporation could, under the new Ordinance, be asked to entrust the audit of their accounts to the Comptroller and Auditor General. The Committee directed that the matter should be taken up by the Ministry of Industries with the Ministry of Finance asking them to issue necessary instructions to the Small Industries Corporations, in this connection and compliance reported to the Committee.

4. S. No. 2 (*page 497 of the Appropriation Accounts for 1953-54*).—The previous Committee had asked for a detailed report on the question of recovery of cost of 5 Jute Baling Presses that had been imported from the U.S.A. in 1949 and sold to private parties on credit, indicating *inter alia* the total recoveries made and the losses incurred, etc. It was explained by the departmental representative that the cost of the presses amounted to Rs. 18,00,365 but these were sold at Rs. 17,50,000 resulting in a loss of Rs. 50,365 which was being written off in consultation with the Ministry of Finance. As regards recoveries from the private parties involved, the Comptroller and Auditor General pointed out that a sum of Rs. 3,03,758 still remained to be recovered. The Committee observed that the Ministry of Industries should not have taken such a long time over this case and directed that urgent steps should be taken to file civil suits against the defaulting parties.

5. S. No. 3.—At the time of the examination of the accounts for 1949-50, it was brought to the notice of the Public Accounts Committee that certain stores were imported for the Government of East Pakistan without first ascertaining the specifications required by the Provincial Government. As the stores did not suit the requirements of the Provincial Government they did not accept them. In their report on the Accounts for the year 1953-54, the Public Accounts Committee had directed that urgent steps should be taken by the Ministry of Industries to investigate the circumstances under which the stores of specifications not required by the indenter were imported, to ascertain the loss and to fix responsibility for the mistake. The departmental representative stated that the facts of the case were not available with them. The Comptroller and Auditor General pointed out that the previous recommendation of the Committee was based on the statement made by one of its Members and Audit had no knowledge of the transaction. The Committee directed that in view of the position explained by the Comptroller and Auditor General the matter need not be pursued further.

6. S. No. 4, *para. 22 of Public Accounts Committee Report on the Accounts for 1951-52*.—The previous Committee had asked for a report on the revised procedure followed in the system of purchases through the D. G. S. & D., showing bottlenecks, if any, in the procedure and how these were proposed to be removed. The departmental representative stated that in order to remove procedural defects, the whole position had been reviewed by a Committee of Experts appointed in 1954. Another Committee had also been later on appointed to further simplify the purchase procedure. The recommendations of the former Committee had been accepted by the Government and had since been implemented. The Chairman pointed out that bulk of the purchases were now being made by the Provinces themselves under the revised procedure of decentralisation of purchases. It had been noticed that although the revised scheme was better on balance decentralisation was disadvantageous in certain respects with the results that some

of the items might have to be centralised again. The Committee hoped that the matter would be examined further by the Ministry of Industries and the action called for taken.

7. S. No. 5.—It had been directed by the previous Committee in para. 30 of their report on the Accounts for 1953-54 that the Ministries concerned should get the accounts of their commercial institutions completed with the least possible delay so that it could be judged whether they were working satisfactorily or not. The Chairman pointed out that the accounts of the Pakistan Industrial Development Corporation with which the Ministry of Industries were concerned were now in a much better shape due partly to the employment of some more qualified accountants by them.

8. S. No. 6, *Para. 33 of Audit Report, 1955.*—During the course of examination of the Appropriation Accounts for the year 1953-54, the Public Accounts Committee had asked the Ministry of Industries to furnish full facts of the case relating to irregularities noticed in the accounts of the Commercial Division of an Embassy. The irregularities related to incorrect procedure for inviting tenders for purchases and lack of efforts to obtain competitive rates which, had resulted in heavy losses to Government. The departmental representative stated that the correct procedure for inviting tenders for purchases as prescribed under the rules was being followed as far as practicable. The Chairman pointed out that in case the Missions abroad were unable to follow the correct procedure a dispensation should have been obtained from the Ministry of Industries. As regards the irregularities involved in the purchase of wheat it was to be borne in mind that such purchases were different from ordinary purchases of stores. Inevitably one had to contact two or three parties who kept their offers open for a very limited period and they could vary from day-to-day. Anyway these difficulties should have by now been known to all concerned and special procedure laid down for such purchases. The departmental representative said that the purchase of foodgrains was now the responsibility of the Ministry of Food and Agriculture. The Committee, therefore, directed that the Ministry of Food and Agriculture should apprise them of the procedure laid down for purchase of foodgrains from abroad.

9. S. No. 7, *para. 55 of Audit Report, 1955.*—The previous Committee had directed that the Ministry of Industries should give full information regarding the time taken in the disposal of stores from the date they were reported surplus by the Department concerned and whether the delay did not lead to any loss to Government. In their compliance report, the Ministry of Industries had stated that generally speaking there was no delay in taking disposal action so far as the D. G. S. & D. was concerned. The stores reported were either unserviceable or fell under the category of scrap and as such the question of any loss on account of delay in disposal did not arise. The Comptroller and Auditor General pointed out that a large number of cars was lying undisposed of with the D. G. S. & D. The departmental representative explained that these cars had to be disposed of in a special manner which involved some delay. The Committee observed that the question of revision of the existing procedure in this regard should be considered by the Ministry of Industries urgently and a report submitted to them in due course.

10. S. No. 19.—In paragraph 39 of the proceedings of the meeting of the Public Accounts Committee held on the 21st November, 1957, the Committee had directed that a report indicating the final position of the

accounts relating to the scheme for the purchase of cloth for tribal belt areas should be furnished to them by the Ministry of Industries. It was explained by the departmental representative that there had been no change in the position then reported due to the fact that in spite of their best efforts the Ministry of Kashmir Affairs had not deposited the amount due from Gilgit Agency. The Committee directed that the Ministry of Kashmir Affairs should be asked to give their explanation when they appeared before them. [See para. 22 of the proceedings, dated 20th December, 1960, for the explanation furnished by the Ministry of Kashmir Affairs.]

11. The Committee then took up an examination of the Appropriation Accounts, 1954-55 to 1956-57 and the Audit Report thereon in respect of the grants controlled by the Ministry of Industries.

12. *Paragraph 31, on page 31 of the Audit Report, 1956.*—A loss of Rs. 3,399 had occurred to Government on account of delay in the Procurement Branch of a Mission in two cases of contracts placed by that branch for the supply of stores. In the first case no explanation was forthcoming of the circumstances that caused the delay as the clerk concerned was reported to be dead while in respect of the other claim the Procurement Branch had reported that arrangement had been made to avoid recurrence of such cases. The Committee observed that in view of the steps taken by the Mission to avoid recurrence of such cases no further action in the matter was called for.

13. *Paragraph 32 on page 32 of the Audit Report, 1956.*—This paragraph related to losses of Rs. 4,218 and Rs. 3,600 incurred by Government due to clerical error and delay in procurement action respectively. The departmental representative stated that a revised procedure had been adopted under which recurrence of clerical errors would be avoided. The Chairman pointed out that the fact remained that the check which was to be exercised by the supervisory staff under the rules was not carried out. Action should have been taken against the supervisor concerned for this failure. The Committee directed that the matter should be followed up by the Ministry and a report submitted to them.

14. *Paragraph 35 on page 34 of the Audit Report, 1956.*—The Price Equalisation Fund (Iron and Steel) was created in June, 1951 to restrict the element of importers-cum-stockists profit, and to ensure adequate supply of material to the genuine consumers at reasonable rates. The prices were reduced several times and the difference between the old and new prices had to be paid to the stockists on the stocks in hand, every time the prices were reduced. But no systematic records, as prescribed under the rules for the purpose were maintained by the department concerned, for the verification of their stocks, with the result that the benefit of difference in prices was allowed without necessary verification of stocks. A sum of Rs. 1 crore was paid to the stockists in this manner. Audit was, however, unable to vouch for the correctness of the payments as the Department concerned had not been able to produce the requisite records pertaining to the Price Equalisation Fund. The stockists were required to submit to the Department monthly stock returns of the material handled by them. This basic requirement was not fulfilled in a number of cases with the result that the benefit of revision was allowed to the stockists without verifying their actual stock position. Important cases noticed in audit were pointed out in sub-para. (a) to (m) of this paragraph. The departmental representative stated that the irregularities had occurred mainly due to lack of trained staff and the condition of accounts was not satisfactory. The Committee

directed that experienced officers should be borrowed by the Ministry of Industries from the Audit Department so as to improve the condition of accounts and a report indicating the action taken to regularise the transactions reported upon submitted to them in the next session.

15. *Paragraph 36 on page 37 of Audit Report, 1956.*—Cases had been reported year after year where contracting parties originally tendering certain rate for supply had later on failed to execute the contract. Necessary steps were to be taken to verify the financial stability of the contractors before finalising contracts. In a number of cases involving risk purchases no recoveries had been effected from the firms concerned so far. The Committee observed that immediate action was required to be taken to improve the existing procedure by adopting a system of obtaining deposits from the contractors, verification of their antecedents and placing contract with registered contractors etc. They recommended that steps should be taken by the Ministry of Industries to effect outstanding recoveries from the parties concerned without much delay. They also desired to have a report of the action taken by the Ministry in this case.

16. *Paragraph 37 (ii) on page 38 of the Audit Report, 1956.*—A loss of Rs. 25,625 had occurred as a result of placing orders on a firm for the supply of paint for North Western Railway, at higher cost after ignoring the lowest quotation of a registered and well established firm. The departmental representative stated that departmental action was being taken against the person concerned. The Committee directed that the result of the action taken should be intimated to them in the next session.

17. *Paragraph 38 (i) on page 39 of the Audit Report, 1956.*—A sum of Rs. 7,558 imposed as penalty on the suppliers for the payment of liquidated damages had been waived by the Purchase Organisation resulting in a loss of the same amount to Government. The departmental representative stated that the matter had been investigated by them and it had been established that the waiving of the penalty was irregular. The Committee directed that departmental action should be taken against the person concerned and a report submitted to them.

18. *Paragraph 38 (ii) on page 39 of the Audit Report, 1956.*—A contract was placed in 1952 on a firm for the supply of two dredgers to East Pakistan. The demand for one dredger was later on cancelled and Government paid a sum of £ 53,000 as compensation to the suppliers in lieu of the cancellation of the said demand. The Committee desired to know the circumstances under which the Government of East Pakistan had cancelled their demand of one dredger resulting in an infructuous expenditure of £ 53,000. The departmental representative stated that an enquiry in this connection had been made by them from the Provincial Government but they had not sent any reply. He added that the subject had since been transferred to the Ministry of Fuel, Power and Natural Resources. The committee decided that the matter should be taken up again when the Ministry of Fuel, Power and Natural Resources appeared before them. [See para. 9 of the proceedings, dated 2nd February 1961 for the explanation furnished by the Ministry of Fuel, Power and Natural Resources.].

19. *Grant No. 67-Misc.—Note 6 (i) below the Appropriation Accounts (page 369).*—This note related to the receipt and disposal of German Reparation Plant and Machinery. No definite information regarding the total number of Plant and Machinery falling to the share of Pakistan

was forthcoming in the Department of Supply and Development. From the available particulars it appeared that there was a discrepancy in the number of machines shown as received and disposed of by the department concerned. In several cases machines were sold at a price even lower than their overhauling charges which showed that prices were fixed arbitrarily without any basis. The interest of Government had not thus been watched. The Committee directed that the matter should be fully investigated and a report submitted to them in the next session.

20. *Appropriation Accounts, 1955-56 and Audit Report, 1957—para. 31 on page 28 of the Audit Report, 1957.*—Purchase cases comprising 11 contracts placed by the D.G.S.&D. up to the year 1955-56 had not been subjected to concurrent Audit as the purchase officer had failed to make the relevant files available despite repeated requests. An important safeguard against the commission of irregularities etc., was, therefore, lost. The departmental representative stated that the relevant files were being traced and would be made available to Audit in case the same were located.

21. *S. No. 13 on page 45 of Audit Report, 1957.*—This related to details of expenditure on delegations sent abroad by the Ministry of Industries. The Chairman pointed out that the Ministry of Economic Affairs had prepared a pamphlet bringing out therein the details of the expenditure incurred on each delegation. He also added that Government now take decisions well in advance about the composition of delegations to various conferences held abroad. The Committee decided that the details of expenditure on delegations etc., sent abroad need not be included in the Audit Report.

22. *Appropriation Accounts, 1956-57 and Audit Report, 1958—para 24 on page 17 of Audit Report, 1958.*—A contract involving uncertain and indefinite liability for the supply of spare parts for type engines to be imported from U. K. was placed in 1954 before the finalization of the prices with the firm. No basis for the verification of prices to be charged finally by the firm was specified in the contract. The firm taking advantage of the position claimed 15% commission over and above the prices shown in the manufacture price list. A sum of Rs. 9,853 was paid as extra commission to the firm on this account. Government had also to spend an extra foreign exchange to the tune of £ 714, as the contract finally concluded provided for full payment in foreign currency against the firm's demand of 90% of the C. and F. value in sterling. The stores were also not delivered according to the scheduled date of delivery incorporated in the Acceptance of Tender. The Ministry of Finance while agreeing to the extension of the delivery date ordered that the recovery of liquidated damages should be made in full in accordance with the conditions of the contract. But the liquidated damages amounting to Rs. 3,600 were waived off without obtaining the concurrence of the Ministry of Finance. The Committee desired to know why payment of commission had been made in foreign currency and what steps had been taken to recover the amount of the liquidated damages involved. The departmental representative could not explain the position and was directed to submit a note about it before the conclusion of the current session of the Committee. (No report was received from the Department before the conclusion of the session).

23. *Paragraph 2^e on page 18 of the Audit Report, 1958.*—This paragraph related to purchase of stores at an extra expenditure of Rs. 5,298

which could not be recovered from the defaulting firm as it was established that the firm could not be penalised for non-supply of stores because the department failed to arrange in time an exemption certificate necessary for the import of raw-material. The Committee observed that the loss had occurred in this case mainly due to the fact that nobody took notice of the request in respect of exemption certificate inspite of five reminders that had been issued by the firm. The Committee directed that the Secretary, Ministry of Industries should look into the matter personally and submit a report to them in due course.

24. *Paragraph 27 on page 19 of the Audit Report, 1958.*—Against a demand from a deposit party for the supply of four Bedford Chassis, the suppliers were prepared to supply the Chassis at the pre-valuation price of Rs. 16,090 each. With a view not to missing this opportunity, it was decided with the concurrence of the Ministry of Finance to place the order without requiring a prior deposit from the party concerned. Notwithstanding this decision the contract was initially placed at revalued price of Rs. 21,500 each. This was done without the concurrence of the Ministry of Finance. The contract was subsequently amended to raise the price to Rs. 21,745 each. The departmental representative explained that suppliers had reserved the chassis for sale to Government but as the execution of the contract took some time they sold them away to some one else, with the result that Government had to purchase at the post-valuation price. The Committee observed that the placing of the final order for the purchase of Chassis should not have been delayed. They directed that the matter should be fully investigated and a report submitted to them.

25. *Para. 31 on page 20 of the Audit Report, 1958.*—This related to issue of an irregular sanction by the Ministry of Industries (and endorsed by the Ministry of Finance) for payment of Rs. 10 lacs to an autonomous body towards the close of the year 1956-57. The sanction *inter alia* provided that the amount when paid may be kept under a "Suspense Head" in the accounts for the year 1956-57 and adjusted under the proper budget head in the accounts for the year 1957-58 when the budget grant would be available for that body. The Chairman pointed out that even the Ministry of Finance was involved in the irregularity. The committee directed that such an irregularity should be avoided in future.

26. The Committee then took up an examination of the Commercial Accounts for the years 1954-55 to 1956-57 relating to the Ministry of Industries.

27. *Para. 21 of Audit Report on page 27 of Commercial Accounts, 1955-56.*—This paragraph related to (a) over payment of Rs. 18,302 due to defective procedure of making final payment of the bills of private printers, (b) loss of Rs. 4,060 on account of un-economical use of paper in the printing of certain jobs, (c) loss of Rs. 4,000 on account of sale of waste paper at a lower rate, (d) irregularities in the sale of off cuts, (e) loss of 49,794 pounds of type metal detected as a result of the scrutiny of its receipts and issues for the period from 1st April, 1951 to 30th May, 1957 in the melting section of a press, and (f) irregular payment of demurrage charges amounting to Rs. 54,337 on account of delay in the clearance of stores from Chittagong Port. The Chairman observed that the general impression which one could gather from these irregularities was that in the working of the Government of Pakistan Press,

financial interests of Government were not properly watched. The observations of the Committee on the various items were as follows :—

- (a) to (d) The Committee directed that disciplinary action should be taken against the persons concerned and the loss involved should also be recovered if the responsibility could be properly fixed. They also desired that the regularising action wherever called for should be completed expeditiously and a report furnished to them.
- (e) The departmental representative explained that the latest physical verification had revealed a total actual shortage of 1,24,683 lbs. of type metal. The matter was being investigated so as to ascertain whether it was due to the negligence of any person. He added that the amount of loss reported by Audit did not take into account the 10% depreciation which was to be written off every year. An inspection of the whole metal received and the metal in circulation revealed a loss which was equal to 3% of the total metal in circulation. The Comptroller and Auditor General pointed out that taking into account the subsequent figures of issues and melting, the total loss worked out to about 2% and not as high as 10%. The Committee observed that 10% depreciation laid down in the Press Manual was too high. They, therefore, directed that the position should be reviewed and a new percentage on a realistic basis be fixed. As regards the loss of 1,24,683 lbs. of metal the Committee recommended that the loss should be properly investigated and regularising action taken. They also called for a report in this regard from the department.
- (f) The departmental representative stated that the goods were cleared by the agents appointed by the D.G.S.&D. without the knowledge of Controller of Printing and Stationery. The matter had been taken up by the Ministry of Industries with the D.G.S.&D. The case had also been reported to the Special Police Establishment. The Public Accounts Committee desired to know the latest position of the case in their next session.

28. *Commercial Accounts, 1956-57, para. 23 (page 15).*—This paragraph related to a loss of Rs. 3,521 due to the wrong printing of certain abstracts of the Karachi Port Trust. The departmental representative explained that an enquiry was held and the persons concerned had since been screened off. The question regarding regularising action was being examined and further progress would be reported to the Committee in due course.

29. *Paragraph 28 on pages 18-19 of the Commercial Accounts, 1956-57.*—This paragraph indicated the value of the work executed by the Government of Pakistan Presses and the expenditure incurred on them during the year 1956-57 as compared with the transactions of the previous year. The total expenditure of all the presses had increased by Rs. 3,68,196 as compared with that of the year 1955-56. The Chairman of the Committee observed that the form and method of preparation of the Commercial Accounts of the Presses needed a revision in the context of which the Ministry of Finance were prepared to depute an experienced Cost Accounts Officer to the Ministry of Industries. The Committee directed that the matter should be followed up by the Ministry of Industries with the Ministry of Finance.

30. *Paragraph 40 on page 25 of the Commercial Accounts, 1956-57.*—The issue rates of the stationery stores were fixed at the beginning of the year and were not revised on receipt of fresh supplies at different rates. The departmental representative stated that the practice was being modified and orders were being issued to re-fix the issue price of stores at suitable intervals. The Committee desired that the adoption of the revised procedure should be reported to them.

31. *Paragraph 40 on page 25 of the Commercial Accounts, 1956-57.*—Stock worth Rs. 22,817 was declared as damaged and shown as a loss due to long storage etc. This loss could have been avoided if the purchase of stores had been co-ordinated with the actual requirements and adequate shelter and white-ants proof raised platforms provided. Sanction of the competent authority for the write off of the loss had not been obtained. The departmental representative stated that as a remedial measure a new building was being constructed and that in fact a portion of it had already been built.

32. *Paragraph 44 on page 25 of the Commercial Accounts, 1956-57.*—This paragraph related to recoveries amounting to Rs. 61,05,048 and Rs. 2,014 which were outstanding on 31st March 1957 on account of stationery stores supplied to various paying departments. The departmental representative stated that the amounts had been partly recovered and action was being taken to speed up the remaining recoveries. The Committee directed that the latest position should be reported to them in the next session.

33. *Paragraph 45 on page 25 of the Commercial Accounts, 1956-57.*—The closing stock had increased by Rs. 40,80,353 as compared with that of the previous year. The excessive closing stock, besides locking up the capital, involved extra expenditure on rent, insurance and handling charges, etc. Maximum and minimum limits upto which stocks should be kept had not been fixed as was done in other departments handling stores. The departmental representative stated that in case of foreign goods they were required to stock at least one year's supply and for indigenous goods at least 6 months' stock was required to be in hand at all times. The Committee recommended that the maximum and minimum limits should be laid down, under proper authority, and compliance reported to them.

34. The Comptroller and Auditor General raised the point that the Sales and Display Centres had been transferred to the Small Industries Corporation but no specific terms of transfer of the assets and liabilities had been determined in advance. He added that it was understood that there was a dispute between the Small Industries Corporation and the Ministry of Industries on the question of assessment of the value of assets and the extent of liabilities. The Committee desired that the Ministry of Industries should settle this matter expeditiously.

35. The Committee then adjourned to meet again at 9.00 A.M. on Friday, the 16th December, 1960.

Proceedings of the fifth meeting of the Public Accounts Committee held on Friday, the 16th December, 1960 at 9. A.M.

The Public Accounts Committee met in Pakistan Secretariat-II, Rawalpindi at 9.00 A.M. on Friday, the 16th December, 1960 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives.

MINISTRY OF EDUCATION.

9. Mr. Dilawar Hassan, Deputy Secretary.
10. Mr. Kh. Abdul Hamid, Deputy Financial Adviser.

MINISTRY OF COMMERCE.

11. Mr. S. B. Awan, Deputy Secretary.
12. Mr. K. S. Islam, Chairman, Jute Board.

Secretary of the Public Accounts Committee.

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

2. The proceedings commenced with an examination of the compliance report of the Ministry of Education on the directions given and recommendations made by the Public Accounts Committee in their Report on the Accounts for 1953-54.

3. B—*Specific*—S. No. 1 on page 86 of the Compliance Report (para. 26 on page 70 of P.A.C. Report on the Accounts for 1953-54).—The previous Committee had recommended that the Ministry of Education should submit a report on the non-utilisation of budget provisions made for nation building activities indicating *inter alia* the reasons for the non-implementation of scholarships schemes, where and how the delays took place and what steps had been taken or were proposed to be taken to avoid such delays in future. The departmental representative stated that some delay had occurred in the implementation of the Supplementary Overseas Training Scheme that had been sanctioned in August, 1953. This was due to the fact that selections had to be made through the

Federal Public Service Commission and it took some time to finalise the preliminaries regarding the mode of selection. Ultimately it was decided to dispense with the written examination. He added that a revised procedure was being devised to eliminate such procedural delays although the number of scholarships had been reduced by aid giving countries. The Committee observed that in the case of Supplementary Overseas Training Scheme the Ministry of Education had taken unusually long time to select the candidates and directed that suitable steps should be taken to avoid such delays in future.

4. S. No. 3 on page 86 of the Compliance Report.—Referring to paragraph 28 (d) of the Audit Report, 1955, the Comptroller and Auditor General stated that certain irregularities were detected in the accounts of payment of scholarships etc. by the Education Division to students. A payment of Rs. 7,000 per annum was sanctioned to a student for a maximum period of 4 years or upto the date of completion of the studies whichever was earlier. This amount was intended to cover his passage from Pakistan to the place of learning and back and all other expenditure connected with his training. The Education Division exhausted the amount of Rs. 28,000 meant for 4 years in 3 years by paying him at the enhanced rate, of their own accord. A revised sanction of Rs. 28,000 to be spent in 3 years was then obtained subject to the condition that the studies would be definitely completed within 3 years. The period was subsequently extended by 1 year and 9 months with further grants of \$1,000 (half treated as loan to the student) and \$ 900. In spite of these additional grants the maintenance allowance was over paid to the extent of \$ 579. Although the monthly requirement as intimated by the President of the School was about \$ 75 per month the student was paid liberally at more or less \$ 160 per month. While examining this paragraph, the Public Accounts Committee had directed that the matter should be investigated by the Ministry of Education and a report submitted to them. The Comptroller and Auditor General added that ultimately the person concerned could not be utilised in Government service due to the fact that his whereabouts were reported to be unknown. The departmental representative stated that the student was not asked to fill in a bond and there was no legal obligation on him to serve with the Government of Pakistan. The Committee observed that it was incorrect on the part of the Ministry of Education to make payments of grants to the scholar without executing a bond requiring him to serve the Government of Pakistan after the expiry of his training. The departmental representative explained that this was an omission on the part of the Ministry of Education. Mr. Ebrahim Khan, pointed out that it was very unsatisfactory that the whereabouts of the man were not known. The Ministry should have taken steps to ensure that all information regarding persons sent abroad was available to them. The Chairman pointed out that a Committee was to be appointed shortly to make a survey of all technical personnel in the country and to ensure that persons who had been trained abroad were in fact used within the country.

5. S. No. 5 on page 87 of the Compliance Report [Para. 34(a) (ix) on page 31 of Audit Report, 1955].—The previous Committee had recommended that the Accountant General, Pakistan Revenues should point out the specific cases, if any, relating to irregularities in the use of staff car in the Ministry of Education for necessary action by that Ministry. Mr. Ebrahim Khan desired

to know whether this question had been finally decided. The departmental representative stated that the audit objection had been raised two years ago, regarding entries in the movement register wherein no particulars of journeys had been given. He added that necessary action in the matter was being taken by them. The Comptroller and Auditor General pointed out that as a result of the scrutiny made by the Ministry of Education recoveries had been effected from the Minister concerned.

6. S. No. 7 on page 87 of the *Compliance Report* (Note 5 on page 92 of *Appropriation Accounts for 1951-52*).—The previous Committee had recommended that the particulars of the case of embezzlement committed by a cashier in the Karachi Polytechnic Institute should be supplied to the Accountant General, Pakistan Revenues, for incorporation in the accounts. In their compliance report the Ministry of Education had stated that the required particulars had been supplied to the Accountant General, Pakistan Revenues and the case was pending in the court of Special Judge. The Comptroller and Auditor General desired to know whether any action had been taken against the officer who was responsible for allowing the cashier to keep both the keys of the safe. The departmental representative stated that the officer concerned was reverted and the cashier was dismissed from service.

7. No questions were put to the Ministry of Education regarding the grants controlled by them in the Accounts for the years 1954-55 to 1956-57.

8. The Committee then took up the examination of the compliance report of the Ministry of Commerce on the recommendations made by the previous Committee in its Report on the accounts for the year 1953-54.

9. The Chairman stated that the Secretary Ministry of Commerce was busy with an important matter and would be unable to attend the meeting.

10. *B-Specific*—S. No. 1 on page 64 of the *Compliance Report* (Para. 18 of P. A. C. Report on the Accounts for 1953-54).—The previous Committee had recommended that explicit provisions should be made in the statutes of all the Corporations in which majority shares were owned by the Government to the effect that their audit would be entrusted to the Comptroller and Auditor General. The Chairman stated that as pointed out by him earlier in the meeting held on the 15th December, 1960 (para. 3 of the proceedings) an Ordinance had been issued under which the Central Government was empowered to give directions to the statutory Corporations regarding financial matters, maintenance of accounts etc., and that such Corporations could now be asked to submit their accounts for audit by the Comptroller and Auditor General.

11. S. No. 2 on page 64 of the *Compliance Report* (paras. 35 and 36 of *Audit Report, 1955*).—The previous Committee had directed that the Ministry of Commerce should submit a detailed note with regard to the financial irregularities noticed in the accounts of Jute Board stating the latest position of all cases and the steps taken to recover or regularise the losses. In their compliance report the Ministry of Commerce had given full details of all items indicating the action taken in each case. The Comptroller and Auditor General stated that the note submitted by

the Ministry of Commerce mentioned 28 items and in all cases it had been reported that efforts were being made to effect recoveries. The following observations were made regarding individual irregularities:—

- (i) *Item No. 1 in Appendix II on page 73 of the Compliance Report.*—As per trade agreement between India and Pakistan which was in the nature of barter agreement, the Indian Jute Mill Association was to be supplied by the Jute Board with (i) Cuttings, (ii) Habi Jabi and Ropes and (iii) Rejections. These were purchased by the Board from agents appointed by them and supplied to the Indian Jute Mills Association. Half the quantity of Cuttings and Rejections were supplied to India in pucca bales and Board paid to the agents Rs. 3 and Rs. 5 extra per bale of Cuttings and Rejections respectively as baling expenses, resulting in an extra expenditure of Rs. 16 lakhs. In the absence of any provision in Trade Agreement that supplies should be made in pucca bales, the additional expenditure could have been avoided particularly in view of the fact that in nearly 50% cases supplies were made to India in kutchha bales without inconvenience to either side. The departmental representative stated that it had not been possible for them to verify the figure of Rs. 16 lakhs mentioned in Audit Report, as extra expenditure. He added that in order to save space and loss all shippers of Jute to foreign countries must necessarily press into pucca bales the Cuttings and the Rejections thrown out in the process of baling the long Jute. It would not have been possible for the agents to procure and supply the entire quantity in kutchha bales even if they had instructed to do so. This also resulted in less expenditure on freight as pucca bales weighing 5 maunds took only 11 cubic feet of space while kutchha bales weighing 4 maunds took 16 to 18 cubic feet. The basis of calculating the extra expenditure of Rs. 16 lakhs was explained by the Comptroller and Auditor General. On a suggestion made by the Comptroller and Auditor General, the Committee directed that the Ministry of Commerce should submit a detailed note indicating the overall position of this case after ascertaining the basis of calculation of amount of Rs. 16 lakhs from the Comptroller and Auditor General in the next session.
- (ii) *Item (6) in Appendix II on page 76 of the Compliance Report.*—In pursuance of an agreement with a foreign country in April, 1950, a Government Commercial concern appointed a Handling Agent in that country to make purchase of Jute manufactures of that country and to arrange their shipment to Pakistan. Local Audit of initial accounts of the Handling Agent in 1952 revealed that 402 bales of Jute goods purchased for Rs. 1,87,834 had been kept by the Handling Agents for their own use. Similarly 394 bales of jute manufactures worth Rs. 1,60,468 supplied by the Mill Association were not shipped by the Handling Agents. The value of these jute goods had not so far been refunded inspite of repeated reminders. In their compliance report the Ministry of Commerce had stated that the matter was under correspondence between the Chairman Jute Board and the Handling Agents. Sardar Barkat Hyat

Khan desired to know the steps taken to realise the outstanding amounts from the Handling Agents. The departmental representative stated that the total amount involved was about Rs. 4 lakhs which, it had not been possible to realise due to the fact that the firm concerned was located in India and it had to be decided as how to proceed against them. They had however, agreed to make payment which was less than Rs. 4 lakhs and wanted to know whether they would get relief regarding income tax on this payment in India or in Pakistan. He added that Jute Board were seeking clarifications on some points in this connection from the Ministry of Finance after which action regarding realisation of the outstanding amounts would be taken. The Committee desired that a report indicating the progress made in this case should be submitted in their next session.

12. *S. No. 3 on page 65 of the Compliance Report.*—In paragraph 30 on page 19 of their Report on the accounts for the year 1953-54 the Public Accounts Committee had recommended that the Ministries concerned should get their accounts of the Commercial Institutions completed with the least possible delay so that it would be judged whether they were working satisfactorily or not. In their compliance report the Ministry of Commerce had stated that the accounts of the Jute Board for the year 1953-54 had already been completed and those for the year 1954-55 were being submitted to Audit shortly. The Comptroller and Auditor General pointed out that the accounts for the year 1953-54 were incomplete and incorrect and had, therefore, been returned to the Jute Board. He added that the accounts of the subsequent years had not so far been received from the Jute Board. The departmental representative stated that it had not been possible for them to bring the accounts up-to-date due to the fact that they were without adequate staff for about 2 years and it was now hoped that they would clear the accounts in arrears within a period of one year. The Committee trusted that it will be possible to submit all outstanding accounts to Audit within this time. Mr. Ebrahim Khan desired to know whether the system of accounts maintained by the Jute Board was satisfactory. The Comptroller and Auditor General stated that he had been advising the Jute Board with regard to the correct procedure to be followed in the maintenance of accounts. He added that experienced men of the Pakistan Audit Department had also been lent to the Jute Board for this purpose.

13. *S. No. 4 on page 65 of the Compliance Report. Para. 24 on page 31 of P.A.C. Report on the Accounts for 1953-54.*—While examining the Accounts for the year 1953-54, one of the Members of the previous Committee had pointed out that there was an overall loss of Rs. 13 crores on account of Jute Trading Scheme. The Committee had directed that the Ministry of Commerce should explain the case regarding this loss. In their Compliance Report the Ministry of Commerce had explained that the Commercial Accounts of the Jute Board from its beginning upto the year 1954-55 indicated a net loss of the order of Rs. 4.11 crores only and it was not clear as to how the Member of the Committee could conclude that there was an overall loss of Rs. 13 crores. The Comptroller and Auditor General pointed out that the figures of Rs. 13 crores had not been reported by Audit. The Committee observed that the matter need not be pursued further.

14. Referring to the irregularities pointed out in para. 33 of the Audit Report, 1958, in respect of the initial Accounts of Offices and Organisations in Pakistan and Pakistan Missions abroad, the Chairman pointed out that it was rather heart-rending to note that the cash books were not properly maintained and other requirements of keeping of stock and contingent register etc. were not being fulfilled by the various Organisations. He added that a scheme was being worked by the Comptroller and Auditor General to impart training in accounts in various offices, although it had been noticed that after getting the training, the person concerned usually left Government service. Sardar Barkat Hyat Khan desired to know whether it was not possible to execute a bond for service of 5 to 10 years in the case of such persons. The Comptroller and Auditor General stated that such a bond was obtained from persons who were sent for intensive training abroad. Mr. Yaqub Shah was of the view that persons with a B. Com. degree could be entrusted with such jobs after they had been given such training. Mr. Ebrahim Khan stated that in India arrangements were being made for training of persons in Cost Accountancy and Chartered Accountancy and it should be possible to set up a similar Institution in Pakistan. The Chairman pointed out that a similar institution was in existence in Karachi. He added that the Ministry of Finance and the Comptroller and Auditor General could take up with the Universities in Pakistan the question of providing intensive training (including practical courses) in accountancy with a view not merely to meeting the requirements of one particular sector but the whole economy of the country. The Committee directed the Ministry of Finance and the Comptroller and Auditor General to pursue this suggestion with the Universities through the Ministry of Education.

15. The Committee then took up an examination of the Commercial Accounts 1954-55 to 1956-57 relating to the Ministry of Commerce.

16. *Paragraph 22 (a) of the Audit Report on page 15 of the Commercial Accounts, 1956-57.*—With a view to regulating the trade in Jute, the Central Government decided in 1951 to introduce Jute Support Scheme to be administered by the Jute Board. To implement the scheme, the Jute Board appointed 350 agents in 1952-53 for the purchase and handling of jute on government account. Jute purchased by these Agents was left over in their custody. When sales of the jute were made, it was observed that some agents did not possess the whole quantity of Government jute or the supplies made by them were of inferior quality. Government thereby suffered a loss of Rs. 39,85,894. The Committee desired to know the action that had been taken by the Jute Board to make good the loss. The departmental representative stated that they had filed civil suits against the agents concerned. The Committee desired to be apprised of further progress in the matter in the next session.

17. *Paragraph 22 (b) on page 15 of the Commercial Accounts, 1956-57.*—Due to the failure of the Jute Board in effecting timely recoveries of the sale price of jute from the purchasers and also by allowing credit sales to parties who had no tangible assets in Pakistan, Government suffered a loss of Rs. 68.89 lakhs in the process of sale of Jute. Out of this amount Rs. 38 lakhs pertained to three Marwari jute dealers who had migrated to India. Mr. Yaqub Shah desired to know what amount had been recovered from the parties concerned. The departmental representative stated that a sum of Rs. 28 lakhs had been recovered and

action was being taken to effect recoveries of the remaining amount. Mr. Ebrahim Khan enquired whether the Jute Board was in a position to fix any time limit by which these recoveries should be finalised. The departmental representative stated that they had filed a number of suits against some of the agents and in case they succeeded in making recoveries from them, they would proceed similarly against the other agents. It was however, he added, not possible to fix a time-limit by which the recoveries could be effected. The Public Accounts Committee desired that the latest position in this respect should be reported to them in the next session.

18. *Paragraph 333 on page 198 of the Commercial Accounts, 1956-57.*—It was stated in this paragraph that no arrangements for internal audit existed in the Pakistan Insurance Corporation, which was a serious omission particularly in such a large concern. With a view to ensuring an immediate check on the spot and rectification of any errors and omissions that were likely to occur, suitable arrangements for internal audit needed to be made. The departmental representative stated that the number of accounts maintained by the Pakistan Insurance Corporation was very small. The suggestion made by the Audit was, however, noted and would be examined by the Ministry of Commerce and a report in this regard would be furnished to the Committee in due course.

19. *Paragraph 334 on page 199 of the Commercial Accounts, 1956-57.*—It was stated in this paragraph that investments of Rs. 30,000 and Rs. 480 were made by the Pakistan Insurance Corporation in the shares of two public companies without the approval of the Central Government notwithstanding the fact that Section 25 of the Pakistan Insurance Corporation Act prohibited the Corporation to subscribe directly to the shares of any company other than an Insurance Company. The departmental representative stated that the investment had been made in accordance with the Ministry of Finance decision that 60% investment should be made in Government and other approved securities and 40% in the shares and stocks of public companies. The Comptroller and Auditor General pointed out that, in accordance with the provisions of the P. I. C. Act, investment could be made in the shares of only Insurance Companies and in the case of investment in other companies it was necessary to obtain the sanction of the Government. The Committee desired that steps should be taken by the Ministry of Commerce to get the position regularised.

20. *Paragraph 336 on page 199 of the Commercial Accounts, 1956-57.*—No physical verification of the dead stock articles, library books and articles of stationery was carried out by the Pakistan Insurance Corporation since its inception. The departmental representative stated that such verification was now being carried out.

21. The Committee also desired that the cases mentioned at S. Nos. 2—9 of the Annexure 'A' to the Audit Report, 1955 should be finalised expeditiously and the progress in respect of each case reported to them in their next session.

22. The Committee then adjourned till 9.00 A.M. on Saturday, the 17th December, 1960.

Proceedings of the sixth meeting of the Public Accounts Committee held on Saturday, the 17th December, 1960 at 9-00 A.M.

The Public Accounts Committee met in Pakistan Secretariat—II, Rawalpindi at 9.00 A.M. on Saturday, the 17th December, 1960, under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives.

MINISTRY OF FOOD AND AGRICULTURE.

10. Mr. S. M. Sulaiman, Financial Adviser.
11. Mr. M. Yamin Qureshi, Deputy Secretary.
12. Mr. Ahmed Tamizuddin Khan, Director of Accounts.
13. Dr. S. A. Yasin, Animal Husbandry Commissioner.

Secretary of the Public Accounts Committee.

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

2. The proceedings began with the examination of the compliance report of the Ministry of Food and Agriculture on the recommendations and suggestions made and directions given by the Public Accounts Committee in their report on the Accounts for the year 1953-54.

3. (a) *Food Division.—A. General—S. No. 10 on page 164 of the Compliance Report.*—It had been recommended by the previous Committee that in future their recommendations should be brought to the notice of the Minister concerned for his consideration and action. In their compliance report the Ministry of Food and Agriculture had stated that the recommendation had been noted for compliance. Mr. Ebrahim Khan desired to know whether the recommendations of the Public Accounts Committee had actually been brought to the notice of the Minister. The departmental representative stated that the directions given by the Committee were being brought to the notice of the Minister.

4. *S. No. 17 on page 165 of the Compliance Report.*—The previous Committee had recommended that full information required by the Accountant General, Pakistan Revenues, in connection with the Appropriation Accounts and the Audit Reports thereon should be furnished to him in time. Mr. Ebrahim Khan raised the question whether timely information was now being furnished by the various Ministries to the Accountant General, Pakistan Revenues. The Chairman pointed out that the work relating to the preparation of Accounts had been in arrears in the various Departments as well as in the Accountant General, Pakistan Revenues office and that the position was gradually improving.

5. *B—Specific—S. No. 2 on page 168 of the Compliance Report. Para. 45(c) of Audit Report, 1955.*—A contract was placed on a certain firm by the Ministry of Food for the supply of Gram (whole) to Pakistan Army. The firm failed to execute the contract which was subsequently cancelled. Substitute arrangements involved an extra cost of Rs. 1,55,385 to Government as the whereabouts of the firm could not be traced. The firm's deposit of Rs. 5,000 was forfeited and the remaining amount of Rs. 1,50,385 was written off with the concurrence of the Ministry of Finance. During the course of examination of the Appropriation Accounts for the year 1953-54 the Public Accounts Committee had been informed by the Ministry of Food that the lowest tender was accepted in this case in accordance with the system in force and it was not necessary to verify the antecedents of the contractor, as he had deposited the earnest money. The Committee had directed that in future antecedents of the contractors should be verified before placing contracts with them. In the compliance report it was explained that the Department had started calling for a report from the Collector of the district in which the firm was located and also a report from the contractor's bank before entering into a contract with him.

In this connection, Mr. Yaqub Shah pointed out that in case the Ministry of Food had placed the contract on the next lowest tenderer after the cancellation of the contract with the original party, the loss involved would not have been substantial and the same could have been made up from the security of the original party forfeited by Government. The Comptroller and Auditor General explained that it was not permissible to place the contract on the next lowest tenderer under the rules. The Chairman pointed out that since the Ministry of Food had forfeited the deposit of the contractor and written off the remaining amount no further action was called for.

6. *S. No. 5 on page 169 of the Compliance Report (Note 4 on page 528 of Appropriation Accounts for 1953-54).*—During the year 1953-54, a shortage of 222.319 tons of sugar valuing Rs. 1,50,865 was reported out of which, cost of 0.196 tons was recovered and the cost of 84.539 tons amounting to Rs. 31,944 had been written off. The claim for the balance quantity of 137.584 tons was being pursued. The Public Accounts Committee, while examining the accounts for that year, had directed that a final decision regarding the outstanding losses should be taken expeditiously. The departmental representative stated that the shortage was only about .1% which was much less than the percentage (.84%) recognised under the international convention. Mr. Yaqub Shah made the point that there should have been no audit objection in case the shortage of sugar was normal and within the prescribed limit. The Comptroller and Auditor General explained that the purpose of mentioning the shortage in the

Audit Report even though it was within the permissible limit was that where recoveries were possible, the cases should be pursued and recoveries effected in accordance with the normal procedure. The Chairman stated that the Ministry of Food and Agriculture were already pursuing the outstanding claims and no further action was called for.

7. (b) *Agriculture Division—B—Specific—S. No. 1 on page 471 of the Compliance Report (Proforma Account of Co-ordinated Locust Control Scheme on page 237 of the Appropriation Accounts, 1953-54).*—During the course of the examination of the Appropriation Accounts for the year 1953-54, the Public Accounts Committee had recommended that the Ministry of Agriculture should take up with the Government of West Pakistan the question of recovering the amount of Rs. 36,26,551 on account of contribution due from the former Units in West Pakistan towards Co-ordinated Locust Control Scheme, and if need be, the possibility of adjusting the amount against the amounts due to the Provincial Government from the Central Government should be considered. The departmental representative explained that the Government of West Pakistan had not yet made any payment due to certain discrepancies in respect of the amount due from them and that they had been reminded in the matter.

In this connection Mr. Yaqub Shah referred to Note 4 below the Appropriation Accounts of Grant No. 5-Agriculture and Veterinary for the year 1956-57 wherein it was stated that the expenditure connected with Co-ordinated Locust Control Scheme in the scheduled desert areas was to be met from a Pool Fund. In accordance with the scheme approved in 1942 and revived in Pakistan in 1949, the various units in West Pakistan were required to make contributions towards the Pool Fund in proportion to their cultivated areas and their distance from the scheduled desert areas. Mr. Yaqub Shah raised the point that since the ratio of the contributions was known, necessary recoveries should have been effected by the Agriculture Division from the Provincial Government every year on that basis. The departmental representative stated that the contributions towards the Pool Fund were required to be made by the various Units in West Pakistan in proportion to their cultivated areas which differed from year to year and it was not, therefore, possible to calculate the amount in advance every year notwithstanding the fact that the ratio of the contributions was fixed.

The compliance report indicated that the total up-to-date amount due from the Provincial Government as per debit raised by the Accountant General, Pakistan Revenues, was Rs. 30,26,551. The West Pakistan Government, however, received two different statements of accounts in respect of that debit—one from the Accountant General, Pakistan Revenues and the other from the Ministry of Finance. The discrepancies arising between the two statements were being settled with the Provincial Government. The Committee directed that the Agriculture Division should work out the total amount due from the Provincial Government and submit a report to them in the next session, indicating recoveries actually effected so far. They also desired that in future a suitable procedure should be devised for effecting the recoveries pertaining to a year in that very year.

8. The Committee then took up an examination of the grants controlled by the Ministry of Food and Agriculture for the years 1954-55 to 1956-57

9. Paragraph 20 on page 27 of the Audit Report, 1956.—A contract was placed in June, 1956 for the supply of 200 tons of milk ghee to meet the requirements of the Pakistan Army but on the due completion of the contract the total quantity was increased to 436 tons through an amendment to the original contract in order to meet an additional demand of the Army. Out of the total quantity, 277 tons 590 lbs. of milk ghee conforming to the Army specification were accepted by the inspection authority and the sub-standard quantity of 158 tons 1650 lbs. was rejected. Out of the rejected quantity, 8 tons 80 lbs. were sold to a contractor at the rate of Rs. 170 per maund whereas the balance quantity was sold to the original supplier at the rate of Rs. 151 per maund with the result that Government had to sustain a loss of Rs. 1,94,183.

The Committee desired to know why sub-standard ghee was accepted in the first instance. The departmental representative stated that the Pakistan Army had relaxed the specifications for a period of 6 months starting from the 12th June, 1956, in view of the fact that the ghee of the Army specifications was not available in the country. Subsequently the Army raised their demand. In the meanwhile, the period of relaxation of the specifications had also expired. As the demand was urgent, an extension of the order was placed on the supplier for supplying the additional quantity of ghee in accordance with the relaxed specifications of the Army. The order was placed on the assumption that the Pakistan Army would take a factual view of the situation and would accept the ghee although the relaxation period had expired. He added that immediately on receipt of the additional demand from the Pakistan Army a reference had been made to the Ministry of Defence asking them to relax the specifications for the reason that the prices were expected to rise. The loss had occurred due to the fact that the necessary relaxation in the specification was not ordered, the ghee was not accepted by the Pakistan Army and had to be disposed of.

In this connection the Committee desired to know why a part of the ghee had been sold at a lower rate of Rs. 151 per maund when the other part of it could fetch a rate of Rs. 170 per maund. The departmental representative explained that they had called for tenders for the entire quantity. No tender was, however, received for the entire quantity and the ghee had to be disposed of to two tenderers. The party which tendered the highest rate, viz., Rs. 170 per maund, had quoted for 18,000 lbs. (viz., 8 tons 80 lbs.) only. As such the remaining quantity of 150 tons 1,570 lbs. had to be sold to the next highest tenderer at Rs. 151 per maund.

The Committee desired to know whether any communication from the Ministry of Defence was available with the Ministry of Food indicating that the ghee was not acceptable to them even though it was according to the specifications for the period of 6 months starting from 12th June 1956. The Chairman felt that the Defence Department would have surely accepted the ghee, at least to save the Government from such a heavy loss that arose due to its subsequent disposal at very low rates. The representative of the Ministry of Food stated that an intimation had been received from the Ministry of Defence that they would not accept the ghee even though it conformed to the specifications for the period beginning from 12th June 1956. The relevant file could not, however, be produced by the departmental representative, as desired by the Committee. The Committee accordingly directed that the relevant papers

should be shown to them in due course. They also desired that the loss of Rs. 1,94,183 be regularised by the Ministry of Food.

10. *Paragraph 21 on pages 27-28 of the Audit Report, 1956.*—A contract for Rs. 2,2,000 was placed on a firm in the year 1954 for the supply of cottonseed oil cakes. The firm failed to execute the order. Purchases were consequently arranged through other sources at an extra cost of Rs. 57,930 at the risk and expense of the firm. The earnest money of Rs. 5,000 was forfeited and the balance amount of Rs. 52,930 was still recoverable from the firm. The departmental representative stated that according to the police report none of the partners of the firm had any property and so it was difficult to effect recovery of the balance. The Committee directed that notwithstanding this legal proceedings should be instituted for recovery of the Government dues and the result reported to them.

11. *Paragraph 22 on page 28 of the Audit Report, 1956.*—A contract was placed on 10th January, 1952 for the supply of milk ghee to the Pakistan Army. During the currency of the contract, a police case was registered against the agents concerned and on 30th April 1952 a quantity of 2,800 maunds of milk ghee available with the agents for offering to the Government was seized by the police who released it on 27th May, 1952. The agents had informed the department before the actual release that the said quantity of milk ghee was likely to be released very soon and as such arrangements should be made for its inspection. The department could not make necessary arrangements for the inspection of ghee after release by the police and within the currency of the contract with the result that a compensation amounting to Rs. 78,855 had to be awarded to the agents by an arbitrator, appointed by the parties, on account of loss sustained by the firm in reselling the milk ghee at lower rates. A sum of Rs. 78,855 was, therefore, lost to Government through lack of timely arrangements for inspection by the department concerned.

The departmental representative stated that the inspection of ghee had not been carried out by them at the instance of police authorities. The Food Division had protested against this and had consulted the Ministry of Law who had advised that they were bound to inspect the ghee within the delivery period. The police authorities were again approached in the matter but the inspection of the ghee was not allowed by them. The Comptroller and Auditor General enquired whether the Food Division had explained to the police at any stage that non-inspection of the ghee would result in a loss to the Government. The departmental representative stated that the position had been explained to the police authorities as also to the Government of Punjab but they did not allow the inspection to be carried out. The Committee directed that the whole correspondence on the subject should be produced before them. They also desired that the loss of Rs. 78,855 should be regularised by the Ministry of Food under report to them.

12. *Paragraph 23 on page 28 of the Audit Report, 1956.*—During the month of May, 1956, a contract was placed on a firm for the purchase of 9,000 tons of Burma rice at £ 25-5-0 per ton F.O.B. The rate was later on increased to £ 25-10-0. It was subsequently decided to recover the amount of £ 2,250 representing the additional expenditure on account of rise in the rate, in Pakistan currency, whereas the payment was made in

sterling. The recovery in sterling was being pursued in Audit. Besides the above, the firm was allowed a commission of $1\frac{1}{2}$ per cent. on the total quantity of rice purchased from Burma till the end of July, 1956, including the purchases made from sources other than the firm. The firm, in consideration of this commission, agreed to render assistance in the handling, inspection and shipment of rice. But no assistance whatsoever was rendered by the firm as Government entered into separate contracts with parties other than this firm for the inspection and shipment of the rice. A total quantity of 50,000 tons was purchased from Burma by the Pakistan Government and the commission thus payable to the firm worked out to Rs. 2,52,500 out of which a sum of Rs. 92,225 was released for payment subsequently. The payment of this amount was authorised by Government but Audit referred back the case for reconsideration on the above grounds.

The Committee desired to know the circumstances in which this happened. The departmental representative stated that the relevant file on the subject had been referred by them to the Ministry of the Interior and he was, therefore, not in a position to explain the case. The Committee directed that full particulars of the case should be furnished to Audit as soon as the file was received back from the Ministry of the Interior.

13. *Paragraph 24 on page 28 of the Audit Report, 1956.*—During the month of September, 1956 a contract was placed with a foreign government for the supply of 20,000 tons of rice at £ 43 per ton F.O.B. The primary condition for this purchase was shipment during the first week of October, 1956. Before finalising the contract, shipping position was not ascertained with the result that no rice could reach East Pakistan during the months of October and November, 1956. The object for which this expensive rice was purchased could not thus be achieved.

At the same time when negotiations with the foreign government were in progress, some very economical and attractive offers were received from local firms but they were either rejected on insufficient grounds or not considered at all. The most economical offer was for 30,000 tons of rice at £ 38 C. & F. Chittagong with almost the same specification and quality as the foreign rice, but no efforts were made to avail of this offer and the contract was concluded with the foreign government. The C. & F. Chittagong cost of foreign rice worked out to £ 53 per ton inclusive of £ 10 per ton as freight. If the local offer had been availed of, extra expenditure to the extent of £ 3,00,000 could have been avoided.

The departmental representative stated that the local offers had not been availed due to the following reasons :—

- (i) The local firm took a considerable time in offering sample of the rice and did not indicate the shipment period and also did not give bank guarantee.
- (ii) The original deal was being made with a foreign government.
- (iii) A stray offer made by local suppliers could not be accepted as in accordance with the system in force tenders had to be called for.
- (iv) The supplies of rice were required immediately due to heavy floods in East Pakistan and the then Prime Minister had given directions to that effect.

The Committee was not satisfied with the explanation furnished by the departmental representative and observed that the Food Division had failed in calling for tenders in accordance with the system in force even though attractive offers had been made by the local firms. Sufficient data was not available with the departmental representative to convince the Committee regarding the justification of the action that had been taken by the Food Division. The Committee directed that the relevant file should be made available to the Comptroller and Auditor General so that on its examination if he found that something, that should have been done by the Food Ministry, was not done, he might bring up the case to the Public Accounts Committee again.

14. *Paragraph 25 on page 29 of the Audit Report, 1956.*—During the month of July, 1957 a contract was placed on a firm for the supply of about 6,000 maunds of Sind Joshi Kangni rice. The total quantity of rice supplied by the firm was of sub-standard quality and according to the terms of the contract, the entire quantity should have been rejected as it contained a very high percentage of damaged and broken rice etc. The Government, however, accepted the entire quantity subject to the allowance at half the value beyond the rejection limit.

The departmental representative explained that the rice in question had been purchased at the fag end of the season. The rice, was no doubt of sub-standard quality and the only courses that could be adopted were to reject the rice, or to ask the party to screen it and remove the broken rice, or to accept it after reducing the price. The specification laid down that the broken rice could be taken at half the price and that was done by the Food Division due to the fact that the Government of East Pakistan needed the rice very badly. The Comptroller and Auditor General pointed out that the contention of the Food Division that rice of the proper specification was not available was not correct due to the fact that another contract for 10,000 tons of rice of the same specification was placed on another firm immediately after placing of the earlier contract and that the rice supplied under the latter contract was of superior specification than stipulated in the contract. The Chairman pointed out that the fact that another 10,000 tons of rice with the same specification were available did not mean that an unlimited supply could be obtained. The Committee felt that no further action was called for in this case.

15. *Grant No. 49—Agriculture (Note 5 on page 242 of the Appropriation Accounts, 1954-55).*—This related to a case of misappropriation of Government money in one of the offices under the Ministry of Agriculture amounting to Rs. 16,034 by the Cashier-cum-Accountant due to non-observance of the financial rules by the staff concerned inasmuch as the cash book was not properly maintained. The misappropriation was further facilitated by the non-existence of any system of internal check. The sanction for the write-off of the loss had also not been obtained.

The departmental representative stated that action regarding write off of the loss could not be initiated earlier as the relevant file had been referred to a Court of Law and the decision of the Court had very recently been given. The Committee directed that the position should be regularised without further delay by the Ministry of Food and Agriculture. They also desired that suitable steps should be taken by the department concerned to avoid recurrence of such cases in future and to maintain the cash books properly.

16. *Appropriation Accounts, 1955-56 and the Audit Report, 1957* (Paragraph 27 on page 26 of the Audit Report, 1957).—On 5th December 1956, a Pakistan Mission abroad invited tenders for the supply of 18,000 tons of sugar. On receipt of quotations Government accepted on 22nd December, 1956 the lowest offer of £ 57-17-3 (Rs. 771-8-0) per ton forwarded by the Mission. Simultaneously the original demand of 18,000 tons was reduced to 9,000 tons reportedly on the grounds that (a) tendered prices were higher than those prevailing two months earlier and (b) Government might negotiate better terms with India which had considerable surplus sugar for disposal. The departure of a delegation to buy sugar from India was, however, delayed and the stock position of sugar again become difficult with the result that within two weeks of the rejection of 9,000 tons of sugar the same Mission was instructed to arrange for a further supply of 18,000 tons of the commodity. The reduction of the earlier demand of 18,000 tons to 9,000 tons when sugar was available at a lower price resulted in an extra expenditure of Rs. 9,14,000 as the same quantity was subsequently purchased at a much higher rate of £ 65-9-7 per ton.

Government also rejected the lowest tender of a firm for the supply of 18,000 tons of Indian sugar at the rate of £ 58-6-1 per long ton F.O.R. The rejection of that offer resulted in an extra expenditure of Rs. 11,70,721.

The departmental representative explained that the lowest quotation of £ 58-6-1 could not be accepted because it was conditional on the grant of permits by the Government of India and also because a decision had already been taken to conduct negotiation on inter-Government basis for the purchase of sugar from India. He added that as the world prices of sugar were rising at that time because of the Suez trouble, a decision had to be taken by the Ministry of Food in the matter after analysing the whole case so that as a result of the acceptance of this offer the proposal to buy a much greater quantity from India was not prejudiced. The Chairman desired to know why the purchase had ultimately been made at a much higher price. The departmental representative stated that initially they were in need of 9,000 tons only and after the sugar position had become difficult, the demand was increased. The lowest tender of £ 58-6-1 per ton was F.O.R. Atarri and if it were to be compared with Karachi rate, it would work to £ 65-10-0. The element of freight and incidental charges had also to be taken into account due to the fact that major quantity of the sugar was to be consumed in Karachi. The Committee observed that necessary explanation with regard to this paragraph should have been furnished by the Food Division to Audit in time for incorporation in the Audit Report. They directed that a detailed note indicating the whole position along with the relevant files should be submitted by the Food Division to the Comptroller and Auditor General for reconsideration.

17. *Paragraph 28 on pages 27-28 of Audit Report, 1957*.—During the year 1957 two contracts for 3,000 tons and 7,000 tons of basmati rice were placed on a firm at Rs. 26-12-0 per maund. The contracts were placed on the understanding that the supply of rice would conform to the specifications given in the tender notice. The specifications of both the contracts were, however, subsequently relaxed without corresponding reduction in price. As the firm had another contract at Rs. 25-6-0 per maund with the Defence Services for the supply of Basmati rice having the same specifications as were now applicable to the above contracts during the same period, the rate should have been reduced from Rs. 26-12-0 to Rs. 25-6-0

per maund on the revision of the specifications. Government thus suffered a loss of approximately Rs. 3,85,000 calculated at the difference of the two rates. Again, the rice tendered by the firm was found to be of inferior quality on analysis done at the Central Food Laboratory, Karachi. At the instance of the firm the analysis of the samples was again done at the West Pakistan Laboratory, Lahore at the expense of the Central Government instead of the firm with the result that Government not only accepted the sub-standard supplies at full rates on the basis of quality certificate furnished by the West Pakistan Laboratory, Lahore, but also paid Rs. 1,520 as fee to the West Pakistan Government for the tests.

The Committee desired to know whether the price of rice had also been reduced after relaxation of the specifications of both the contracts. The departmental representative stated that specifications had been relaxed without any reduction in the rates and the reason for not doing so was that the then Prime Minister to whom the party had made an approach passed order to that effect. The Chairman pointed out that this was one of the cases that had been taken up by EBDO and no further action was, therefore, called for.

18. *Paragraph 29 on page 28 of the Audit Report, 1957.*—In October, 1956, Government had entered into a contract with the Government of Burma for supply of 60,000 tons of rice. Of this quantity, 16,700 tons of a certain quality were to be supplied by the Burmese Government at £ 33 per ton F.O.B., Rangoon. During the same month, however, another contract for the same quality of 1,000 tons of rice was placed on a firm at £ 36 per ton F.O.B., Rangoon. This resulted in an extra expenditure of £ 3,000 (Rs. 40,000 approximately) which could have been saved if the purchase of the additional quantity of 1,000 tons of rice had also been made from the Government of Burma against the existing contract.

The departmental representative explained that in this case the Food Minister had received the offer himself and passed orders after consulting the Finance Minister. The Food Minister, he added, was fully aware of the fact that it was possible to make purchase of rice at a cheaper rate from the Government of Burma. The Chairman observed that the usual procedure of calling for tenders was not followed in this case. The departmental representative stated that this was not done under the orders of the then Prime Minister. The Committee observed that as this case had also been taken up by EBDO, no further action was called for.

19. *Paragraph 30 on page 28 of Audit Report, 1957.*—Contrary to the procedure obtaining for payments in respect of supplies purchased locally, nine Letters of Credit for an aggregate amount of Rs. 20,36,562 were opened in November, 1956, with the National Bank of Pakistan, Karachi, for payment towards the cost of 5,228 tons of Sind Joshi rice purchased locally, resulting in an extra expenditure of Rs. 1,273 paid as commission charges to the Bank, which could have been avoided if the usual procedure of making payment to the suppliers through the Audit Officer, Industries, Supplies and Food had been followed. The departmental representative stated that this related to the purchase of 15,000 tons of Joshi rice to repay a loan of similar quantity obtained from the Government of India. The tenderers were, however, of the view that payments were unduly delayed if made through the usual channel and unless the Food Division agreed to open a Letter of Credit they were not interested in the deal. As an international obligation had to be discharged there was no alternative but to accept the condition.

20. *Appropriation Accounts 1956-57 and the Audit Report, 1958* (paragraph 22 on pages 16-17 of the *Audit Report, 1958*).—This paragraph related to a contract placed on a firm for the purchase of 10,000 tons of Sind Kangni or Joshi rice at a rate higher than the ruling market rate resulting in a loss of Rs. 2,20,000 approximately. The normal process of inviting tenders etc., had also not been followed.

The departmental representative stated that action in this case had been taken under the orders of the then Prime Minister. The Committee observed that this case had also been taken up by EBDO and no further examination was, therefore, necessary.

21. *Paragraph 23 on page 17 of the Audit Report, 1958*.—This paragraph related to an unauthorised extension in the delivery period of 7,695 tons of Sind Kangni or Joshi rice and the purchase having been continued to be made at Rs. 53-8-0 per bag though the market rate of rice had fallen to Rs. 45 per bag during the extended period. The liquidated damages were also not recovered from the firm though it failed to supply rice within the delivery period. These irregularities resulted in a loss of Rs. 7,19,400. Further, rice of inferior quality was got accepted by arranging inspection by a private Inspecting Agency and the firm was even paid a premium of Rs. 22,249 on the basis of quality certificates issued by that Agency.

The Committee observed that this was another EBDO case and needed no further examination by them.

22. *Grant No. 89 Capital Outlay on Food Purchases on pages 291-292 of the Appropriation Accounts, 1956-57.—Note 6*.—This note indicated the outstanding shortages in the import of wheat and sugar. It was stated that matter was being pursued. Mr. Yaqub Shah desired to know why these outstandings could not be written off. The departmental representative stated that they were trying to effect the recoveries from the insurance companies and shippers and it took very long time to settle the matter with them. The Committee desired that the position regarding these cases should be reviewed by the Food Division and the result reported to them.

23. The Committee then took up an examination of the Commercial Accounts for the years 1954-55 to 1956-57, relating to the Ministry of Food and Agriculture.

24. *Mechanical Cultivation Scheme in Baluchistan* (paragraph 184 on page 135 of the *Commercial Accounts, 1955-56*).—Expenditure on all repairs and replacements (normal as well as heavy) of the machinery and parts during 1955-56 as also in the previous years was charged directly to the Working Account instead of to the Reserve for Heavy Repairs in respect of other than normal repairs the accumulation under which up to 13th October, 1955, stood at Rs. 1,41,583. Mr. Yaqub Shah desired to know whether Reserve for Heavy Repairs was necessary in addition to the normal Depreciation Reserve Fund. The Chairman explained the principles underlying the provisions for (i) Depreciation Reserve Fund and (ii) Reserve for Heavy Repairs, and the fundamental difference between the two. He stated that as time went on heavy repairs to the equipment were needed and it was, therefore, necessary to equate the expenditure on this item so that repairs were fairly distributed throughout the life of the equipment. It was with this object in view that Reserve for Heavy

Repairs was created. The Committee accordingly in agreement with the comments made in the Audit Report observed that only the normal contribution to the Reserve for Heavy Repairs should have been charged to the Working Account of the Mechanical Cultivation Scheme each year and the actual expenditure on repairs during the year should have been met from this Fund.

25. *Paragraph 187 on page 135 of the Commercial Accounts, 1955-56.*— It had been stated that the recovery of hire charges at rates much below the working cost of the machines was the main cause of the losses incurred in the Mechanical Cultivation Scheme since Independence. The hire charges were fixed at the rates keeping in view the maximum capacity of the Zamindars to bear them. These were enhanced subsequently but, on the representation made by the Zamindars, were reduced to the old rates by the Government of West Pakistan. The departmental representative explained that the hire charges had to be reduced to the level of the rates charged by the Provincial Agricultural Department. The Chairman pointed out that the matter was engaging the attention of the Economic Committee of the Cabinet and would be submitted to the Cabinet in due course. He added that the subsidy in hire charges was being given by the Government to encourage mechanised cultivation.

26. *Paragraph 189 on page 135 of the Commercial Accounts, 1955-56.*— The sanction for the adoption of various percentages in respect of Depreciation charges had not been accorded by the Government of West Pakistan. The departmental representative explained that the Baluchistan Administration to which the scheme related had since been transferred to the Government of West Pakistan and necessary sanction had to be accorded by them.

27. *Paragraph 191 on page 135 of the Commercial Accounts, 1955-56.*— The yearwise analysis of the Sundry Debtors in respect of Mechanical Cultivation Scheme in Baluchistan was not furnished by the Department as no proper record was maintained of the tractors work. The tractors were working under the Political Agent, Tehsildars, etc., who did not intimate the actual position of recoveries to the Agricultural Engineer. Mr. Yaqub Shah desired to know whether there was any possibility of effecting the recoveries in question. The departmental representative stated that the necessary action in this regard was required to be taken by the Government of West Pakistan who were now concerned with the matter. The Chairman observed that the progress of recoveries was slow on account of the poor financial condition of the farmers.

28. *Commercial Accounts, 1956-57, Pakistan Animal Husbandry Research Institute, Pesawar (paragraph 119 on page 71 of the Commercial Accounts, 1956-57).*— The working of the Institute disclosed a net loss of Rs. 12,557 due mainly to the fact that there was a decline in production without proportionate decrease in production cost due to rise in prices of raw material. The selling rates of drugs approved by the Government were also less than the cost price. The Committee desired to know whether the question regarding refixation of prices had been considered. The departmental representative stated that the rates had not been revised. These rates, he added, were fixed on the basis that both vaccine and sera would be supplied. On the preparation of sera there was a slight margin of loss while on the preparation of vaccine there was a slight margin of profit resulting in a very nominal profit when two were balanced. The fact that the Institute had been supplying more sera than

the vaccine resulted in a certain amount of loss. The rates would, however, be revised within a period of 2 or 3 years after studying the whole position. The Committee directed that the Ministry of Food and Agriculture should either revise the prices to meet the cost or get a decision to the effect that a subsidy would be given on the sales.

29. *Pakistan Animal Husbandry Research Institute, Comilla* (paragraphs 135 and 139 on page 83 of the *Commercial Accounts, 1956-57*).—The valuation of livestock at the close of the year was done on cost or market price basis by the Department itself. Government had been addressed on the desirability of the institution of an independent agency for valuation of livestock in future. The Committee observed that the question of institution of an independent agency for valuation of livestock should not arise in such cases. What was actually required was only to have an independent valuation of the stock and the Department should be able to do that. It was required to be examined by the Ministry of Food and Agriculture whether the cost price could not be reduced and if not, they should obtain the orders of the Government to sell the products of the Institute at subsidised rates. The Chairman pointed out that these matters had been fully explained in the Food and Agriculture Report which was receiving active consideration of Government and the problems would be looked at from the new angle put forward in that Report.

30. *Central Red Sindhi Cattle Breeding Farm, Malir* (paragraph 154 on page 94 of the *Commercial Accounts, 1956-57*).—The loss due to death of livestock during 1954-55 was reported to be Rs. 11,340 as compared to Rs. 4,842 during 1953-54 and Rs. 5,292 during 1955-56. The Committee desired to know on what account the loss was very high during 1954-55. The departmental representative stated that the loss was due to death of livestock as a result of an epidemic in the country which had affected the Farm as well.

31. *Central Government Poultry Farm, Landhi* (paragraphs 99-100 on page 61 of the *Commercial Accounts, 1956-57*).—The working of the Farm disclosed a net loss of Rs. 65,040 during 1956-57 compared with that of Rs. 67,551 in the preceding year. One of the causes contributing to losses was the high rate of mortality of birds, the average death rate being 1,227 birds per month. The departmental representative stated that even in the U.S.A. the mortality amongst the laying birds ranged between 16 and 22 per cent. and amongst the chickens between 10 to 15 per cent. In reply to the audit objection it had been proposed by the Department on the above basis that at least 30 per cent. mortality should be allowed. The Public Accounts Committee directed that the percentage of mortality among birds that may be considered as normal should be examined *de novo* by the Department, the necessary orders of the Government obtained and reported to them in due course.

32. *Paragraph 105 on page 62 of the Commercial Accounts, 1956-57*.—A sum of Rs. 8,729 was reported to be outstanding on 31st March 1957 against Sundry Debtors on account of sale of poultry produce. Some of the debts were outstanding since 1951-52 and were not likely to be recovered. The desirability of creating a reserve for Bad and Doubtful Debts was, therefore, being considered by the Department. A yearwise analysis could not be furnished by the Department as the relevant records were not maintained properly.

The departmental representative stated that the amounts were outstanding mostly against Government officials in respect of table eggs. In most cases, however, the recoveries had since been effected. The Committee directed that all the outstanding recoveries should be made expeditiously and compliance reported in the next session.

33. According to the original programme for the examination of the various Accounts, the next item on the Agenda for the day's meeting was an examination of the Accounts etc., relating to the Ministry of Defence. The Chairman pointed out that an examination of the compliance reports and Accounts pertaining to the Ministry of Defence could not be carried out during the current session of the Public Accounts Committee as the Secretary, Ministry of Defence had to go on leave. He felt that the Committee might have another session some time at the end of January or early in February, 1961.

34. The Committee then adjourned to meet again at 10-30 A.M. on Monday, the 19th December, 1960.

Proceedings of the Seventh meeting of the Public Accounts Committee held on Monday, the 19th December, 1960 at 10-30 A.M.

The Public Accounts Committee met in Pakistan Secretariat No. II, Rawalpindi at 10-30 A.M. on Monday, the 19th December, 1960 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives.

MINISTRY OF HEALTH, LABOUR AND SOCIAL WELFARE

9. Mr. M. Hamid Ali, S.Pk., C.S.P., Secretary.
10. Brig. M. Sharif, Joint Secretary, Health Division.
11. Mr. Ali Ashraf, Deputy Secretary, Labour Division.
12. Mr. K. S. Mahmood, Deputy Secretary, Labour Division.

Secretary of the Public Accounts Committee.

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

2. The first item on the agenda for the day was the examination of the compliance report of the Ministry of Health, Labour and Social Welfare on the recommendations and suggestions made and directions given by the Public Accounts Committee in their Report on the Accounts for the year 1953-54.

3. *A-General—S. No. 10 on page 194 of the Compliance Report.*—While examining the Appropriation Accounts for the year 1953-54 the Public Accounts Committee had desired that their recommendations should in future be brought to the notice of the Minister concerned personally for his consideration and action. The Committee desired to know whether the recommendations of the previous Committee had been shown to the Minister. It was stated by the departmental representative that the recommendations had been brought to the notice of the Minister.

4. *B-Specific—S. No. 3 on page 198 of the Compliance Report (Item No. 25 on page 568 of Annexure 'A' to the Audit Report, 1955).*—On the verification of cash in the chest of an office under the Ministry of Labour, it was found during 1953-54 that a sum of Rs. 10,496 was short. The case

was handed over to the Police. A sum of Rs. 610 was recovered and sanction for the write off of the remaining amount was awaited. The previous Committee had directed that the matter should be finalised and a report submitted to them. The departmental representative stated that the case was tried in a Court of Law and the cashier and clerk involved were prosecuted and punished by the Court. The un-recovered amount, he added, had been written off.

5. S. No. 4 on page 198 of the Compliance Report (Item No. 37 on page 525 of Annexure 'A' to the Audit Report, 1954).—Certain articles of the value of Rs. 3,295 were found short at the time of transfer of charge of an office from the Ministry of Labour to the Ministry of Kashmir Affairs during 1952-53. The previous Committee had recommended that this case should be finalised and a report submitted to them. In their compliance report, the Ministry of Health, Labour and Social Welfare had stated that the shortage of articles had occurred in the Technical Training Centre, Peshawar and had been settled to the extent of Rs. 272-7-6. The Comptroller and Auditor General pointed out that the compliance report of the Ministry was not correct due to the fact that the case actually related to the Ministry of Kashmir Affairs and had since been finalised.

6. S. No. 5 on page 198 of the Compliance Report (Note 3 on pages 284-285 of Appropriation Accounts, 1953-54).—Certain re-appropriations sanctioned by the Ministry of Health, Labour and Social Welfare during the course of the year 1953-54 under Grant No. 57-Miscellaneous Departments were modified by them after the close of that year by issuing a fresh order in substitution of the previous one. The substitution order was ignored by Audit for purposes of the Appropriation Accounts as it amounted to sanctioning of reappropriations after the close of the year which was not permissible under the rules. The previous Committee had recommended that this question should be examined by the Ministry of Health, Labour and Social Welfare and a report sent to them indicating the arrangements that had been made to avoid such irregularities in future. In their compliance report, the Ministry of Health, Labour and Social Welfare had stated that there had been no recurrence of the irregularity after the year 1953-54. The Comptroller and Auditor General pointed out that this was not correct as the same irregularity had been committed by the Ministry of Health, Labour and Social Welfare in respect of the reappropriation order pertaining to the year 1959-60. The departmental representative stated that a revised appropriation order was issued by them after the close of the year 1959-60 in substitution of the previous one sanctioned on 30th June, 1960, as the correct figures of final Grant pertaining to the year 1959-60 could not be collected by the department concerned in time due to move to Rawalpindi. The Committee was not satisfied with the explanation of the Ministry and directed that there should be no recurrence of such cases in future.

7. S. No. 7 on page 199 of the Compliance Report (Note 5 on page 222 of the Appropriation Accounts for 1953-54).—The previous Committee had recommended that a report indicating the position regarding the maintenance of priced initial accounts of the stocks, their periodical physical verification, and the exhibition of the compiled and audited accounts of the stocks in the Appropriation Accounts relating to Dow Medical College and Civil and Jinnah Central Hospitals, Karachi, should be submitted to them.

In their compliance report the Ministry of Health, Labour and Social Welfare had stated that the Dow Medical College and Civil and Jinnah Central Hospitals, Karachi had been exempted from the compilation of the accounts of stores and stocks and their submission to Audit up to the year 1954-55. Referring in this connection to item No. 36 of his compliance report (page 27 of the compliance report), the Comptroller and Auditor General pointed out that the priced accounts of the three Institutions for the years 1955-56 to 1957-58 had not been rendered to Audit for incorporation in the Appropriation Accounts. The departmental representative explained that this could not be done due to the fact that there were quite a number of items on which depreciation could not be worked out. The Chairman observed that there were some items in respect of which it was not possible to go on depreciating year after year and they could be listed. It seems to him that it was necessary to re-examine the whole question so that it might be decided as to what item should be priced and what sort of account should be maintained. The Committee directed that the form in which the accounts of the Dow Medical College and Jinnah and Civil Hospitals should be maintained should be re-considered by the Comptroller and Auditor General and the exact form furnished to the Ministry of Health, Labour and Social Welfare, who should submit a report to the Committee in their next session indicating the latest position of the accounts.

It was stated in the compliance report furnished by the Ministry of Health, Labour and Social Welfare that the Dow Medical College and Civil and Jinnah Hospitals, Karachi were exempted from carrying out a physical verification of stores and stocks upto the year 1954-55. In this connection the Comptroller and Auditor General again referred to item No. 36 on page 27 of his compliance report and pointed out that the physical verification of stores and stocks for the year 1955-56 to 1957-58 in respect of Civil Hospital and Dow Medical College had not been carried out. As regards Jinnah Central Hospital, physical verification was done in the year 1957-58. The departmental representative stated that physical verification in respect of the Civil Hospital and Dow Medical College had since been done. The Public Accounts Committee directed that the physical verification of stocks of stores in all the three institutions (*viz.* Dow Medical College and Civil and Jinnah Central Hospitals) should be done regularly every year in future. They added that the ground balances existing at the time of the physical verification stated to have been done in all the three institutions, should be adopted for purposes of compilation of the accounts of stores and stocks in the form to be prescribed by the Comptroller and Auditor General.

8. S. No. 8 on page 199 of the Compliance Report (Note 3 on page 404 of the Appropriation Accounts, 1953-54).—The previous Committee had directed in para. 28(a) of the proceedings on page 98 of their Report on the Accounts for 1953-54 that details of expenditure exceeding Rs. 50,000 under the sub-head "Other Charges" should invariably be given to the Accountant General, Pakistan Revenues for incorporation in the Appropriation Accounts in accordance with the existing orders on the subject. In their compliance report, the Ministry of Health, Labour and Social Welfare had stated that all subordinate offices under them had been directed to do so in future. The Committee hoped that the instructions issued to the subordinate offices would be complied with and details of the expenditure in question would be furnished to the Accountant General, Pakistan Revenues in time for incorporation in the Appropriation Accounts.

9. S. No. 9 on page 199 of the Compliance Report (Note 6 on page 404 of the Appropriation Accounts for 1953-54).—During the course of examination of the Appropriation Accounts for the year 1953-54, it had been brought to the notice of the Public Accounts Committee that the appointment of a lady doctor had been made by the Chief Commissioner, Karachi without proper sanction of Government. Only one lady doctor was required for the Dow Medical College and the Public Service Commission recommended two names without fixing any order of merit. Both the candidates were, however appointed, one against the sanctioned post and the other to an additional post for which no sanction had been obtained. The Committee had recommended that the second post of lady doctor should be abolished. The departmental representative stated that the post had since been abolished as directed by the Public Accounts Committee.

10. In connection with the appointment of the lady doctor mentioned above, it had been brought to the notice of the previous Committee that there were several other cases in which irregular appointments were made in consequence of which payment of salaries to these officials were delayed. The Committee had desired that a detailed report of such cases showing *inter alia* who were responsible for the irregular appointments should be submitted to them. In their compliance report, the Ministry of Health, Labour and Social Welfare had listed out 10 such cases in which appointments had been made by the Chief Commissioner, Karachi without proper Government sanction. The appointments were however subsequently approved by Government in eight cases. The departmental representative stated that the officials responsible for the irregularities had since been removed from Government service. The Committee took a very serious view of the delays that had occurred in regularising the appointments and consequent delayed payments of salaries to the officers concerned and directed that there should be no recurrence of such cases in future.

11. The Committee then took up an examination of the Appropriation Accounts for the year 1954-55 to 1956-57 relating to the Ministry of Health, Labour and Social Welfare.

12. Annexure-A—List of un-finalised cases of serious financial irregularities—S. No. 5 on pages 547-548 of Appropriation Accounts, 1954-55.—A Fumigating and Disinfecting Plant fixed on a suitable steel Barge was required by the Port Health Department, Chittagong, in 1950. Instead of placing orders simultaneously both for the Plant and the Barge a contract was placed by the Director General, Supply and Development, on the advice of the indenter, for the Plant only. The Plant was received in May, 1951. An order for the Barge was placed in February, 1954. In the meantime the Port Health Department did not take due care for the safe custody of the Plant with the result that by the time Barge was ordered it had become necessary to get the Plant overhauled. It was initiated in December, 1954 to ship the Plant to the United Kingdom but the shipment materialised in January, 1956 at a cost of Rs. 6,591. The Plant was overhauled and re-conditioned in the United Kingdom at a cost of £ 1,130-11-0 equivalent to Rs. 15,074 approximately whereafter it was sent to Holland on 14th February, 1957 for mounting on the Barge which, it had been reported, was almost complete in September, 1955. Due to delay in the receipt of the Plant, the manufacturers of the Barge demanded extra charge for *inter alia* storage of the Barge for such a long period. The Port Health Department, Chittagong had accepted that the Plant was not properly cared for.

The departmental representative stated that the Plant and the Barge could not be ordered together as the then Public Health Officer of the Port Health Department had contended that the specification of the Plant should be known before an order for the Barge could be placed. The Committee observed that even if the contention of the Public Health Officer was accepted as valid, it remained to be explained why order for the Barge was placed about three years after the arrival of the Plant. The departmental representative admitted that the advice of the Health Officer was faulty but no action could be taken against him as he had retired from Government service. As regards the Plant, the departmental representative stated that the Court of Enquiry found that the equipment was properly kept. The overhauling had become necessary as parts of the Plant became rusty due to humidity.

The departmental representative added that the delay on the part of the Department of Supply and Development to procure the Barge had been explained by that Department to be due to lack of staff. The Committee observed that this was a case of bad planning and management on the part of the indenting authorities and defective control on the part of the Department of Supply and Development as a result of which Government had to incur an extra expenditure of £ 2,000 approximately. They directed that detailed information regarding this case indicating *inter alia* when the Public Health Officer concerned retired and the reasons for which the Plant was left unused upto 2nd February, 1959 should be submitted during the next session.

13. Referring to the Annexure containing cases of important financial irregularities losses, etc. under investigation of the administrative and financial authorities, incorporated in the Audit Report every year, the Comptroller and Auditor General enquired from the Committee whether the existing procedure under which brief particulars of the various cases were incorporated in the Annexure might not be discontinued and only a summary of the cases mentioning therein the yearwise analysis of the outstanding cases and the amounts involved be given in its place. The Committee observed that it was not advisable to replace the Annexure by a summary as the details given therein served a very useful purpose.

14. *Appropriation Accounts 1956-57—Chapter IV Local Audit and Inspections—Paragraph 33 (IX) on pages 23-24 of the Audit Report, 1958.*—It was stated in this paragraph that there was a general tendency on the part of the various Ministries to delay the disposal of inspection reports of Local Audit Parties. The table given under this sub-paragraph indicated that the total number of outstanding reports in the case of Ministry of Health, Labour and Social Welfare was 56 upto the end of the year 1956-57. The Comptroller and Auditor General pointed out that 52 inspection reports had since been disposed of and the outstanding reports had been reduced to four only. The Committee desired that action should be taken by the Ministry of Health, Labour and Social Welfare to dispose of the remaining reports as well.

15. *Grant No. 43—Medical Services and Grant No. 44—Public Health (pages 172 and 174 of the Appropriation Accounts for the year 1956-57).*—Savings of Rs. 20,46,360 and Rs. 3,59,846 appearing under Grant No. 43 and Grant No. 44 respectively were explained to be mainly due to non-receipt of book debits from the Government Import and Inspection Medical Stores Depot on account of drugs, chemicals and equipments etc. Mr. Yaqub Shah raised the point that the Medical Stores Depot was under the administrative control of the Ministry of Health Labour and

Social Welfare themselves and there should have been no difficulty in arranging the debits to be raised under the particular Heads of Accounts. The departmental representative stated that the amount of the debits to be raised could not be ascertained as they experienced some difficulty in pricing of certain items of medicines. The Committee observed that the pricing policy should have been settled by the Ministry of Health, Labour and Social Welfare to enable the Medical Stores Depot to raise necessary debits in time and to avoid heavy savings on this account. They trusted that want of price policy in future will not give rise to such situation

16. *Grant No. 43—Medical Services (Third sub-para. of Note 3 on page 173 of the Appropriation Accounts, 1956-57).*—It had been stated that the Stores Accounts of the Dow Medical College for the year 1955-56 were found defective and could not, therefore, be certified by Audit. The authorities concerned were consequently requested to re-cast the accounts. The Accounts for the years 1955-56 and 1956-57 were accordingly recast. On scrutiny by Audit these accounts were again found defective. Mr. Yaqub Shah stated that the Local Test Audit staff of the Accountant General, Pakistan Revenue's Office could help the department in the preparation of the accounts in question in the light of their observations. The Comptroller and Auditor General explained that the Audit party always rendered every possible assistance and in spite of that the department had not been able to prepare the accounts in the proper form. He however promised to review the whole position in this context and submit a report to the Committee in due course.

17. *Annexure-A—List of un-finalised cases of serious financial irregularities (S. No. 1, page 407 of the Appropriation Accounts, 1956-57).*—A theft of stores of an estimated value of Rs. 6,143 occurred in September, 1956 through breakage of the seals of the stores room in the office of the Director of Health Services. The case was investigated by the police but the chowkidar was not challaned as the case was stated to be based on mis-statement of facts. The departmental representative stated that the Director of Health Services had requested that the loss should be written off but his request had not been accepted and he had been asked to intimate the actual quantity of missing items so that the loss involved could be assessed afresh. The Committee directed that a report indicating the action taken in the matter should be submitted to them in the next session.

18. *S. No. 2 (on pages 407-408 of the Appropriation Accounts, 1956-57).*—Out of the income from the paying patients amounting to Rs. 25,769-7-6, a sum of Rs. 18,475-14-6 only was deposited into the Treasury by the cashier of the Jinnah Central Hospital. The departmental representative stated that an enquiry was held by a committee who came to the conclusion that the cashier was responsible for the non-credit of Rs. 1,820 only stated to have been paid by him as advances to various officials but in respect of which he failed to produce the receipts. Receipts for the remaining amount were, however, produced and accepted by the investigating committee as genuine. Orders for the recovery of the amount of Rs. 1,820 from the cashier had been issued and recovery was to be started from his pay bill for the month of December, 1960. The Committee directed that this action was not enough. In addition to this disciplinary action should be taken against the cashier and a compliance report submitted to them in the next session.

19. S. No. 3 (on page 409 of the Appropriation Accounts, 1956-57).—A theft of an X-Ray machine came to the notice of the Audit Party on 8th January, 1959 in the Jinnah Central Hospital. What facilitated the theft was that the stores declared as condemned and un-serviceable from time to time were not segregated from other stores. The case was referred to the police who could not hold any person responsible. As the officer concerned had proceeded abroad, investigation could not be finalised. The departmental representative stated that the machine in question was a condemned one and the loss had been written off. Mr. Ebrahim Khan observed that the case should not have been closed simply because the officer concerned had proceeded abroad. The departmental representative promised that the position would be reviewed and a report submitted to the Committee in the next session.

20. Annexure 'B'—(S. Nos. 1 and 2 on pages 421-422 of the Appropriation Accounts, 1956-57).—It was stated in the Annexure that physical verification of stocks of stores in the charge of the various departments under the control of the Ministry of Health, Labour and Social Welfare had not been conducted and reasons for the failure had also not been furnished. The Committee desired that the Ministry of Health, Labour and Social Welfare should look into this matter and submit a report indicating the steps taken for the periodical verification of the stocks in future. They added that the latest position of physical verification in each institution mentioned in S. Nos. 1 and 2 of the Annexure should also be given to them.

21. At this stage Mr. Ebrahim Khan raised a general point that in some cases the information furnished by certain Ministries and the explanation given by them to the Public Accounts Committee were vague and lacking in essential details so that the Committee could not draw any conclusion. The Committee observed that such explanations would not be acceptable to them in future. They directed that the various Ministries|Divisions should, in future, be specific in their explanations and furnish full information that may be required of them by the Public Accounts Committee.

22. The Committee then took up the examination of the Commercial Accounts for the years 1954-55 to 1956-57.

23. Commercial Accounts 1956-57 (paragraph 24 on page 15 of the Commercial Accounts, 1956-57).—Large quantities of penicillin crystalline and streptomycine were issued by the Department to certain private chemists with the approval of the Head of the Department. The market rate of one preparation of penicillin was Re. 0-11-0 per vial, and of another Re. 0-8-0 per vial, while that of streptomycine was Rs. 1-1-0 per vial. These drugs were, however, issued to the dealers at the price vocabulary rates, intended exclusively for Government institutions, of Re. 0-5-0 per vial, Re. 0-4-0 per vial and Re. 0-12-0 per vial, respectively. The dealers, thus earned a middleman's profit of Rs. 40,895 on the sale of these drugs to the public. The departmental representative stated that the medicines in question were required by the Director, Health Services West Pakistan when there was a shortage of anti-biotics in the market. The Director of Health Services levied a surcharge of 1½ annas and 4 annas on penicillin vials containing 2 lakhs and 5 lakhs units respectively and the difference in the prices realised was kept by him in a special Hospital Fund. The Committee directed that the position

regarding this case should be checked up by the Comptroller and Auditor General with the Provincial Government and the result reported to them in the next session.

24. *Paragraph 182 on page 117 of the Commercial Accounts, 1956-57.*— This paragraph indicated the quantities of anti-sera and vaccines manufactured (bottled) during the year and issued to Civil and Military indentors. Mr. Yaqub Shah raised the question as to what exactly was meant by the word “manufactured (bottled)”. The comparative statement of stock account for the years 1956-57 and 1955-56 on pages 126-127 of the Commercial Accounts 1956-57 indicated categories of “unbottled” and “bottled” stocks. The departmental representative explained that the term “bottled” meant that the medicines were put in small bottles or vials for ready use outside. If the bulk of the medicines was kept in a large bottle or vial then it had got to be rebottled at the time of issue. The Committee observed that the word ‘bottled’ appearing in paragraph 182 was unnecessary and should not be used in such statements in future.

25. *Paragraph 184 on page 118 of the Commercial Accounts, 1956-57.*— The working of the Bureau of Laboratories disclosed a net profit of Rs. 1,12,147 during the year 1956-57. Mr. Yaqub Shah raised the question whether the net profit of Rs. 1,12,147 had been arrived at after including “Interest on Capital” and other indirect charges shown on page 120 of the Commercial Accounts as liabilities. The Comptroller and Auditor General explained that these charges had already been taken into account in the trading and profit and loss account for the year 1956-57 appearing on pages 122-123 of the Commercial Accounts 1956-57.

26. *Paragraph 187 on page 118 of the Commercial Accounts, 1956-57.*— This paragraph compared the output of various types of vaccines etc., and their average cost of production per cc., with the selling prices. The Comptroller and Auditor General pointed out that in some cases the selling prices were much less than the cost of production. The Committee desired that the selling rates should be reviewed as in some cases substantial loss had been incurred by the Bureau of Laboratories. The departmental representative promised that the position would be reviewed and a report submitted to the Committee.

27. *Paragraph 188 on page 119 of the Commercial Accounts, 1956-57.*— The Committee observed that the wastages in bottling of vaccines and anti-sera during the year under review varied as follows:—

T. A. B. Vaccine	..	13%
Anti-Cholera Vaccine	..	14%
Anti-Rabic Vaccine	..	9%
Anti-Venom Serum	..	9%

Limits of permissive wastage in each case had not been fixed. The Committee directed that a standard percentage of wastage should be fixed by the Bureau of Laboratories in the light of the experience gained by them in the past. The departmental representative promised that the position would be examined and a report submitted to the Committee in due course.

28. *Paragraph 189 on page 119 of the Commercial Accounts, 1956-57.*—The table given in this paragraph showing the amount outstanding and the recoveries effected during the years 1948-49 to 1956-57 indicated that out of Rs. 34,072 outstanding on 31st March, 1956, only Rs. 5 had been recovered during the entire year 1956-57. The amount outstanding on 31st March, 1957 had increased to Rs. 52,001 due to the addition of Rs. 17,934 during the year 1956-57. The Comptroller and Auditor General stated that the position had since improved as a result of recoveries made during subsequent years and that the latest amount of outstandings was Rs. 44,019. The departmental representative stated that they were trying to collect all arrears and would submit a report to the Committee in this regard in due course.

29. *Paragraph 196 on pages 126-127 of the Commercial Accounts, 1956-57.*—Note 3 below this paragraph indicated that the closing stock of anti-sera and vaccines had been valued at cost or market price whichever was less. Mr. Yaqub Shah desired to know whether in the presence of this certificate, appreciation of Rs. 214 on live stock was permissible. The Chairman pointed out that the accounting procedures could differ on the subject. Ordinarily, the cost or market value whichever was less, was to be taken into account for the purpose of valuation of stocks. The Comptroller and Auditor General promised to examine this matter further and to submit a report to the Committee.

30. *Paragraph 205 on page 130 of the Commercial Accounts, 1956-57.*—The working of the Medical Stores Depot, Lahore Cantt. disclosed a net profit of Rs. 4,06,677 as compared with that of Rs. 2,15,912 in the year 1955-56. Mr. Yaqub Shah observed that in conditions of fluctuating prices, it was inevitable that profits varied or even losses incurred. The Chairman pointed out that in a depot like this the net profit or loss depended on how the prices were fixed.

31. *Paragraph 216 on pages 136-137 of the Commercial Accounts, 1956-57.*—This paragraph indicated a comparative store account of the Medical Stores Depot, Lahore Cantt. for the years 1956-57 and 1955-56. Mr. Yaqub Shah desired to know whether a balance sheet in respect of the Medical Stores Depot had also been prepared. The Comptroller and Auditor General pointed out that the balance sheets were not prepared previously. The matter was taken up by them with the Department and the balance sheets had now been prepared in respect of Lahore Depot and incorporated in the Commercial Accounts. The Committee desired to know the position regarding the preparation of balance sheets of Karachi Depot in their next session.

32. Mr. Yaqub Shah inquired about the objects of the Medical Stores Depots. The departmental representative explained that the Depots made bulk purchases of medicines and distributed them to the various formations and local bodies.

33. The Committee then adjourned to meet again on Tuesday, the 20th December, 1960 9-00 A.M.

Proceedings of the eighth meeting of the Public Accounts Committee held on Tuesday, the 20th December, 1960 at 9-00 A.M.

The Public Accounts Committee met in Pakistan Secretariat-II, Rawalpindi at 9.00 A.M. on Tuesday, the 20th December, 1960 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives.

MINISTRY OF NATIONAL RECONSTRUCTION AND INFORMATION

9. Mr. Mohammad Sabir, Deputy Secretary.
10. Mr. Akbar Kabir, Deputy Secretary.
11. Mr. Riaz Ahmed, Chief Engineer, Radio Pakistan.
12. Mr. Moti-ur-Rehman, Deputy Financial Adviser.
13. Mr. G. G. Farid, Director, Department of Films and Publications.

MINISTRY OF KASHMIR AFFAIRS.

14. Dr. M. H. Rehman, Joint Secretary.

Secretary of the Public Accounts Committee.

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

2. The proceedings commenced with the examination of the compliance report of the Ministry of National Reconstruction and Information on the recommendations made by the Public Accounts Committee in their Report on the Accounts for the year 1953-54.

3. *B-Specific—S. No. 1 (page 290 of the Compliance Report).*—The previous Committee had recommended in para. 30 on page 19 of their Report on the Accounts for 1953-54 that the Ministries concerned should get their accounts of the commercial institutions completed with the least possible delay so that it could be judged whether they were working satisfactorily. The Committee desired to know the latest position

regarding the compilation of the accounts in respect of the commercial institutions under the Ministry of National Reconstruction and Information. The departmental representative stated that the Accounts of Radio Pakistan for the year 1953-54 had been compiled and published. The compilation of the Accounts for the year 1954-55 was in hand and the preparation of the accounts relating to the subsequent years would start when the previous accounts had been completed. He added that Radio Pakistan had been experiencing great difficulties in getting trained accounts staff. A committee had been appointed to examine this question and as a result of its recommendations a separate Accounts Section was expected to be set up in the near future. The Committee directed that the Ministry of National Reconstruction and Information should consider the possibility of preparing a consolidated up-to-date account in respect of the previous years and then start preparation of the annual accounts regularly. The departmental representative promised to examine the suggestion made by the Committee and to submit a report in the next session.

4. S. No. 2 (para. 5 on page 111 of P. A. C's Report on the Accounts for 1953-54).—During the course of examination of the Appropriation Accounts for the year 1953-54 it had been brought to the notice of the Public Accounts Committee that a departmental committee had been constituted to conduct the physical verification of stocks and to re-concile the discrepancies. The Committee had directed that the result of investigation by the departmental committee should be reported to them in the next session. The departmental representative stated that the investigation had indicated that numerical as well as price ledgers were incomplete and it was therefore, not possible to determine the exact quantity of stores received, issued and in hand. It was, therefore, difficult to assess the exact quantity of the shortages and surplus items of stores. He, however, added that the work would be undertaken on a high priority basis as soon as the requisite accounts staff was recruited. The Committee observed that lack of trained staff was no excuse for non-verification of the stocks. The Committee directed that physical verification of the available stocks should be conducted without further delay and after determining the ground balance, periodical verification should be conducted regularly in future in accordance with the existing orders. They also directed that a report indicating the action taken should be submitted to them in the next session.

5. S. No. 3 (para. 6 on page 111 of the P. A. C's Report on the Accounts for 1953-54).—During the course of the examination of the Appropriation Accounts for the year 1953-54, it had been brought to the notice of the Public Accounts Committee that the Ministry of Commerce were trying to review the minimum prices of radio sets which were at that time on the high side. The Ministry of National Reconstruction and Information had also been pursuing the matter and the Committee had directed that the result of the discussions with the Ministry of Commerce for reducing the prices of radio sets should be reported to them. The departmental representative stated that in order to reduce the prices of radio receivers, four Assemblers in Karachi were allowed last year extra foreign exchange of Rs. 20 lakhs to assemble 10,000 receivers each. This had brought down the prices from Rs. 280 to Rs. 235 per set. Further efforts were being made to bring down the prices of radio sets and for this purpose special allocation of foreign exchange had been asked for. The result would be reported to the Committee in the next session. The

Chairman pointed out that priorities had to be assigned in the matter of allocation of foreign exchange. The need for receivers, he added, was no doubt very important but there were many other things that might be more important. The entire situation was reviewed by the Cabinet every six months at the time of the announcement of the import policy. The Cabinet could not, however, go into individual allocations of foreign exchange for various purposes. The objective that had been set with regard to the receivers, was to try to bring down the prices to a reasonable level. Also, under the new import policy more components would be available for assembly and, therefore, there would be a further scope of reduction in the prices of receivers. Mr. Ebrahim Khan pointed out that the demand for radio sets was increasing in the country and it was necessary that full facilities should be provided as far as practicable for the supply of sets. The departmental representative stated that the Village AID Organisation got about 4000 sets which the Basic Democracies in East and West Pakistan shared half and half.

6. Mr. Jasimuddin Ahmed enquired whether the East and West Pakistan Association set up to promote Inter-Provincial contacts was still in existence. The departmental representative stated that the Association was no longer in existence. There was, however, another Association in Karachi though it had not been recognised. The funds belonging to the old Association were now in the charge of the Bureau of National Reconstruction in a separate fund named as "National Reconstruction Fund". The funds were being utilised for the purpose for which these were meant, with the personal approval of the President who was the Chairman of the Bureau of National Reconstruction. A sum of Rs. 1 lakh had been given out of this fund to the Boys Scouts coming from East Pakistan for the Jamboree at Lahore.

7. The Committee then took up an examination of the Appropriation Accounts for the years 1954-55 to 1956-57 relating to the Ministry of National Reconstruction and Information.

8. *Appropriation Accounts for the year 1954-55—Annexure-B (S. No. 7 on page 557 of the Appropriation Accounts, 1954-55).*—Physical verification of stocks in respect of Radio Pakistan was not carried out and the reasons for the failure to do so were not made available to Audit. The departmental representative stated that the work had since been completed and checked by the local Audit party. The Committee observed that in cases where physical verification could not be carried out, reasons for the same should invariably be furnished to the Accountant General, Pakistan Revenues for incorporation in the Appropriation Accounts.

9. *Appropriation Accounts for the year 1956-57 [paragraph 33 (ix) on page 23 of the Appropriation Accounts, 1956-57].*—It had been reported in this paragraph that there was a general tendency on the part of the various Ministries/Divisions towards delay in the disposal of inspection reports. The total number of inspection reports outstanding against the Ministry of National Reconstruction and Information upto the end of 1956-57 was reported to be 8. The departmental representative stated that instructions had been issued by them to all heads of departments asking them to deal with all inspection reports urgently. The Committee directed that the outstanding cases should be cleared and compliance reported to them in the next session.

10. The Committee then took up the examination of the Commercial Accounts 1954-55 to 1956-57 relating to the Ministry of National Reconstruction and Information.

11. *Commercial Accounts for the year 1954-55 (paragraph 209 on page 175 of Commercial Accounts, 1954-55).*—The working of the Radio Stations disclosed a loss of Rs. 49,36,653 during 1953-54 as compared to Rs. 50,92,543 in the previous year. The departmental representative stated that at the time of establishment of the Broadcasting Department it was expected that it would be running in such a way that eventually Government would be able to make it a paying concern. In the beginning customs duty earned on import of radio sets was also taken into account in the preparation of proforma accounts apart from the licencing fee, but later on it had been decided that the customs duty should not be made a part of the departmental income. However, the original expectation that the department would pay its way had not materialised. The objective, he added, would not be achieved for many more years unless there was a very large number of radio sets in the country and an appreciable amount of licencing fee was realised. The Chairman pointed out that the proforma accounts of the department were primarily meant to indicate how much the department was spending. The department existed for rendering certain services and as such the question of loss did not arise because it was not a commercial concern in the real sense. The losses in these cases were more of the nature of expenditure on the services rendered.

12. *Paragraph 211 on page 175 of the Commercial Accounts, 1954-55.*—The loss from the publication of the two journals of Radio Pakistan during the year 1953-54 was Rs. 1,06,544 as compared to Rs. 1,95,804 in the previous year. It had been stated that the reason for less loss was that the publication of the two journals had been entrusted to a private publisher on no cost basis in July, 1953. The Committee desired to know the exact circumstances leading to the decrease in the loss. The departmental representative stated that in the past they were incurring an average loss of the order of Rs. 1.25 lakhs on the publication of the two journals. The handing over of these publications to a private firm had resulted in the reduction of losses due to the fact that the job was done by the printer on a marginal basis. The private firm accepted this none-too-profitable work on the consideration that it might bring them some prestige.

13. *Commercial Accounts for the year 1955-56 (para. 22 on page 29 of the Commercial Accounts, 1955-56).*—A sum of Rs. 2,687 was found short in a cash chest of a Radio Station on physical verification of the cash balance in March, 1956. The loss was not due to any defect in the prescribed rules or procedure but was facilitated due to the non-observance by the drawing officer of the code rules prescribing prompt refund of undischarged amounts into Government treasury. Rules prescribed for the maintenance of cash books were not also properly observed. The departmental representative stated that the cashier involved in the case had been dismissed and debarred from future service under Government. Later, he filed a suit against Government which was dismissed by the Court. The Director General, Radio Pakistan, was taking steps to recover the amount involved. Instructions had also been issued to the various heads of departments to exercise greater vigilance in future and to keep a strict supervision on the cashiers and the accountants. He

added that no further case of misappropriation had since been noticed in Radio Pakistan. The Committee directed that the result of the efforts made to recover the amount misappropriated by the cashier should be reported to them in the next session.

14. The Committee then took up an examination of the compliance report of the Ministry of Kashmir Affairs on the recommendations and suggestions made by the Public Accounts Committee in their Report on the Accounts for the year 1953-54.

15. *B-Specific—S. No. 1 on page 274 of the Compliance Report.*—In items 22 to 24 of Annexure A to the Appropriation Accounts for the year 1953-54, certain cases of losses which had not been finalised were mentioned. The previous Committee had directed that enquiries in these cases should be finalised and the result reported to them in the next session. The following discussion took place with regard to the various items involved.

(a) *Loss of 3,514 empty gunny bags.*—The loss occurred in 1949 when the person in charge of a storage office despatched 3,514 gunny bags from Gujrat to Jhelum storage office. The consignor and the consignee left service about ten years ago, and the relevant records of this case were not available. The departmental representative stated that the total loss of Rs. 3,800 involved in this case had been written off in November, 1960. The Comptroller and Auditor General pointed out that the Ministry of Kashmir Affairs should not have taken such a long time in finalising this case. The Committee hoped that there would be no delay of such type in future.

At the same time the Committee directed that all Ministries should issue instructions that disposable stores should be disposed of without any undue delay.

(b) *Loss due to reclassification of 19,422 empty gunny bags.*—Out of 36,006 serviceable gunny bags held by a storage officer, 12,029 bags were reclassified as unserviceable and 7,393 bags were reclassified as repairable. The wrong reclassification resulted in a loss of Rs. 29,050. The departmental representative explained that an enquiry conducted in this case had revealed that *prima facie* there was no case against the accused as the bags were really rendered unserviceable due to long storage. The bags were ultimately disposed of after inviting tenders and the amounts of the sale proceeds credited in Government account.

(c) *Loss of Government money (Rs. 850) due to a fraudulently drawn cheque.*—It was explained by the departmental representative that in this case responsibility for the loss had been fixed and orders passed for the recovery of the amount involved from the officer concerned. The Committee observed that the loss had occurred due to negligence on the part of some officer and directed that in such cases disciplinary action should be taken against the officers concerned in future.

16. In connection with the case of loss of empty gunny bags, the Committee observed that suitable steps had not been taken in sufficient time to dispose of the gunny bags. The Committee directed that all Ministries should issue necessary instructions to the effect that such stores should not be kept undisposed of so as to avoid any loss to Government.

17. *S. No. 2 on page 275 of the Compliance Report.*—An expenditure of Rs. 1,43,342 was incurred for famine relief works in Frontier Regions during 1953-54 without any provision of funds. The previous Committee had recommended in para. 7 on pages 140-141 of their Report on the Accounts for 1953-54, that the circumstances under which the expenditure had been incurred without provision of funds should be explained by the Ministry of Kashmir Affairs in the next session of the Committee. The departmental representative stated that the Ministry of States and Frontier Regions who were also concerned with this matter had been asked to furnish the requisite information. No material was available with the Ministry of Kashmir Affairs and it had not become clear under whose orders the amount was spent. The Chairman observed that it should have been possible for the Ministry of Kashmir Affairs to ascertain the exact position of the case by that time. The Comptroller and Auditor General pointed out that necessary information in this regard could be obtained by the Ministry of Kashmir Affairs from the Accountant General, Pakistan Revenues. The Committee directed that the details of the expenditure should be obtained by the Ministry of Kashmir Affairs from the Accountant General, Pakistan Revenues and the circumstances under which the expenditure in question was incurred without provision of funds should be reported to them during the next session.

18. The Committee then took up an examination of the Appropriation Accounts, 1954-55 to 1956-57, relating to the Ministry of Kashmir Affairs.

19. *Grant No. 19—Ministry of Kashmir Affairs (Note 4 on page 114 of the Appropriation Accounts, 1954-55).*—It was stated in this note that the certificates of secret service expenditure were not furnished by the controlling officer. The departmental representative stated that the certificates for the years 1953-54 to 1955-56 had been submitted to the Finance Minister for counter-signature but since necessary vouchers could not be produced by them, the Finance Minister had raised an objection that there were no means to check the certificates. The Ministry of Kashmir Affairs had approached various Ministers for Kashmir Affairs since that time but they did not remember particulars of the expenditure and could not, therefore, furnish the necessary certificates. The case was under consideration in the Ministry of Finance and further progress would be reported to the Committee in due course.

20. *Annexure B (S. No. 10 on page 559 of the Appropriation Accounts, 1954-55).*—Physical verification of foodstuffs and cloth, etc., had not been done in the case of Gilgit Agency after February 1951. The departmental representative stated that according to the latest information received by him from the Political Agent, physical verification had been conducted up to the year 1954-55 and had been checked by Audit. The Comptroller and Auditor General pointed out that physical verification should have been done in time. He added that in accordance with the directive given

by the Public Accounts Committee to the other Ministries, ground balances of the existing stocks should be determined by the Ministry of Kashmir Affairs, the ledgers brought up-to-date, and physical verification conducted regularly in future.

21. The Committee observed that there were great chances of losses to Government in case physical verification of stores was not conducted by the various Ministries|Departments in time and the ledgers were not completed by them. The Committee directed that all Ministries|Departments should take steps to ensure proper maintenance of cash books and stock ledgers and to conduct periodical verification of stocks so as to obviate possibilities of embezzlement.

22. In the financial review by the Textile Commissioner on the scheme for the purchase of cloth for tribal belt areas for 1953-54 (page 510 of Appropriation Accounts for 1953-54), it was stated that the final position of the accounts could be determined only after the disposal of the remaining 390 bales. The Committee had directed that a report indicating the net position after the disposal of the bales in question should be submitted to them. During the course of examination of the compliance report of the Ministry of Industries in respect of this item (S. No. 19 of the compliance report of the Ministry of Industries on page 232) it was reported by the departmental representative of that Ministry, that the position remained the same as in spite of their best efforts, the Ministry of Kashmir Affairs had not deposited the amount due from Gilgit Agency. The departmental representative stated that the relevant files on the subject were not available with them and had to be obtained from the Ministry of States and Frontier Regions. The Political Agent in Gilgit had, however, since informed them that quite a number of bales had been sold and the proceeds deposited in Government Treasury. The exact amount of the sale proceeds was, however, not known. The Committee directed that the position should be ascertained by the Ministry of Kashmir Affairs and a report submitted to them in the next session.

23. *Appropriation Accounts, 1956-57—Grant No. 62—Expenditure connected with Kashmir Refugees (Note 4 on page 203 of the Appropriation Accounts, 1956-57).*—This note related to delay in bringing certain rules and orders up-to-date resulting in difficulties in applying Audit safeguards. The departmental representative stated that consequent upon the transfer of the subject of resettlement of the Jammu and Kashmir Refugees to the Ministry of Rehabilitation and Works, the position regarding this note was to be explained by that Ministry. The Committee directed that the departmental representative of the Ministry of Rehabilitation and Works should be asked to come fully prepared to explain the position regarding this note. (For requisite explanation of the Ministry of Rehabilitation and Works, see para. 38 of the proceedings, dated 24th December, 1960.)

24. *Note 5 on page 203 of the Appropriation Accounts, 1956-57.*—It was stated in this Note that 3,704 gunny bags valuing Rs. 5,927 were given to a firm by a storage officer of the Directorate of Civil Supplies and Transport in June, 1951. Freight charges amounting to Rs. 5,438 were also incurred in transporting the packages by air. The total amount recoverable from the firm thus amounted to Rs. 11,365. The firm had not paid the amount although a period of eight years had elapsed. The departmental representative stated that the case was being pursued with

the firm. The Committee observed that it should have been possible for the Ministry of Kashmir Affairs to finalise this case earlier and directed that detailed report on the case should be submitted to them in the next session.

25. *Note 6 on page 203 of Appropriation Accounts, 1956-57.*—This note related to misappropriation of Government stock of wheat. The departmental representative stated that this item also concerned the Ministry of Rehabilitation and Works to whom the subject had since been transferred. The directions given by the Committee in the case of Note 4 on page 203 of the Appropriation Accounts, 1956-57 *vide* para. 23 above also applied in this case.

26. *Note 7 on page 203 of the Appropriation Accounts, 1956-57.*—It was stated in this Note that the Civil Supplies inspectors were required to furnish cash security of Rs. 500 and surety bond of Rs. 10,000 each and the Civil Supplies officers, a cash security of Rs. 1,000 with surety bond of Rs. 20,000 each. The cash accumulated with Civil Supplies inspectors and Civil Supplies officers in a large number of cases was far in excess of the risk covered by the securities obtained. Mr. Yaqub Shah asked whether Audit would suggest that the security should cover the entire amount handled by the officer concerned. The Comptroller and Auditor General pointed out that it was not necessary to do so. The security was required to be only increased on the basis of the amount handled by the officer concerned. He had, however, no objection in case the department was satisfied that the existing security in each case was adequate. The Committee recommended that the question regarding increasing of the securities to be furnished by the officers concerned should be examined by the Ministry of Kashmir Affairs and the result reported to them in the next session.

27. The Comptroller and Auditor General placed before the Public Accounts Committee a list of unfinalised cases of financial irregularities, losses, etc., mentioned in the Annexures to the Appropriation Accounts for the years 1953-54 to 1955-56 (Annexure VII). The Comptroller and Auditor General stated that the cases of financial irregularities which were brought to notice in the Appropriation Accounts represented only a small percentage of the total cases in the year. Comments on such cases must not, therefore, be understood as having any general reflection. The Chairman observed that the general conclusion from a perusal of the statement submitted by the Comptroller and Auditor General was that quite a large number of quantities of wheat, atta, ghee and other food-stuffs had become short. The departmental representative stated that some of these cases involved lakhs of rupees and were still pending in the courts. In some cases departmental enquiries had been held and the persons concerned removed from service. The Committee directed that the position regarding these cases (reproduced below) should be reviewed by the Ministry of Kashmir Affairs and a report indicating the following action submitted to them in the next session :—

- (i) What steps have been taken to recover the loss involved in each case ;
- (ii) What action has been taken to write off the losses in cases where it is established that it is not possible to effect recoveries ;

(iii) What action has been taken regarding the disciplinary aspect of the case ; and

(iv) Whether the case has been referred to a Court of Law and if so, what are the results.

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1953-54	567	22
1953-54	567	23
1953-54	567	24
1954-55	548	6
1954-55	549—551	7 (i) to (xiii)
1955-56	619	7
1955-56	619	8 & 9
1955-56	619	10
1956-57	409—420	5 to 41 & 46—48

28. The Committee then adjourned to meet again on Wednesday, the 21st December, 1960 at 9.00 A.M.

Proceedings of the ninth meeting of the Public Accounts Committee held on Wednesday, the 21st December 1960 at 9.00 A.M.

The Public Accounts Committee met in Pakistan Secretariat-II, Rawalpindi, at 9.00 A.M. on Wednesday the 21st December, 1960, under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives

MINISTRY OF FUEL, POWER AND NATURAL RESOURCES

10. Mr. M. A. Hameed, Chief Engineering Adviser.
11. Mr. K. Mushtaq Ilahi, Deputy Secretary.
12. Mr. A. F. S. Salahuddin, Deputy Financial Adviser.

Secretary of the Public Accounts Committee

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

2. The proceedings began with the examination of the compliance report of the Ministry of Fuel, Power and Natural Resources on the recommendations and suggestions made and directions given by the Public Accounts Committee in their Report on the Accounts for the year 1953-54.

3. *B-Specific page 230 of the Compliance Report, S. No. 9.*—During the course of the examination of the Appropriation Accounts for year 1953-54, certain irregularities in the accounts of a Commercial Division of an Embassy in regard to the purchase of coal etc., contained in paragraph 33(e) of the Audit Report on the Accounts for that year, were noticed by the Public Accounts Committee and it had been directed by them that a note explaining the position with regard to these irregularities should be submitted by the Ministry of Industries. In their compliance report on this recommendation, the Ministry of Industries had stated that the

Ministry of Fuel, Power & Natural Resources were concerned with the subject and had been asked to furnish the required information when they appeared before the Public Accounts Committee. The departmental representative stated that no intimation had been received by them from the Ministry of Industries in this connection and therefore they were not in a position to furnish the requisite information. The Secretary, Public Accounts Committee pointed out that copies of the Public Accounts Committee's Report on the Accounts for the year 1953-54 were forwarded to all Ministries/Divisions by the late Parliament Secretariat in September, 1958 for compliance. Copies of the statements containing the recommendations and suggestions in respect of each Ministry were forwarded to them again in October, 1960 asking them to indicate the action taken by them. He added that at the time of sending these statements to the various Ministries it had been made clear that if any Ministry/Division found that the statement furnished to them did not include a recommendation or suggestion concerning them they should themselves add it in the statement and show the action taken against it. The Ministry of Fuel, Power & Natural Resources were, therefore, required to take out from the Report of the Public Accounts Committee on the Accounts for the year 1953-54, all specific recommendations relating to the subjects that had been allotted to them. The Committee felt that the explanation given by the departmental representative was most unsatisfactory and directed that the Ministries of Industries and Fuel, Power & Natural Resources should give an explanation as to why action was not taken by them to furnish the requisite information to the Public Accounts Committee.

4. *S. No. 15 on page 231 of the Compliance Report.*—In paragraphs 106 to 108 on page 79 of Commercial Appendix to the Appropriation Accounts for the year 1953-54, in respect of Makerwal Collieries—Mari Indus, it was pointed out that :—

- (i) A capital expenditure of Rs. 14,200 was incurred on account of survey work without the prior sanction of Government ;
- (ii) A jeep was purchased for Rs. 4,907 and depreciation at 20% was charged without Government's sanction regarding the rate of depreciation ; and
- (iii) Physical varification of stores had not been carried out.

The previous Committee had directed that the irregularities should be rectified and a report submitted to them. The departmental representative stated that the administrative control of the mines vested with the P.I.D.C., which were controlled by the Ministry of Industries. In this case too the Ministry of Industries had not asked them to furnish the requisite information to the Public Accounts Committee. The Comptroller and Auditor General pointed out that action should have been initiated by the Ministry of Fuel, Power and Natural Resources on this recommendation as well, in accordance with the position explained by the Secretary of the Committee with regard to S. No. 9. The observations made by the Committee in regard to S. No. 9 above also applied in this case.

5. *S. No. 18 on page 232 of the Compliance Report.*—In paragraph 33 of the Audit Report on the Accounts for the year 1953-54, it was mentioned that a contract for purchasing 1 lakh tons of coal was negotiated by the Commercial Division of an Embassy with a firm without taking any

advantage of the decreasing trend of the market and the competitive rates of coal dealers. The previous Committee had directed that a report indicating the final position of this case should be submitted to them. The departmental representative was unable to furnish the requisite information in respect of this item as well.

The Chairman observed that no useful purpose would be served by examining further the compliance report relating to the Ministry of Fuel, Power & Natural Resources in view of the fact that the departmental representative was not prepared for answering questions of the Committee. It was decided that the Ministry of Fuel, Power and Natural Resources should be examined again in the second session of the Committee to be held from 30th January, 1961.

6. The Committee observed that the examination of the various Ministries had revealed that action on the recommendations made by the previous Committee had been initiated by them a little before the meeting of the present Committee. As a result of this most of the Ministries had not been able to furnish full information required from them during the course of the examination of their Accounts. The Committee directed that all Ministries|Divisions should initiate action on the various items concerning them as soon as the Public Accounts Committee's Report was published and circulated to the various Ministries. They further expressed the view that in case of specific directions given to the representatives of the various Ministries during the course of the meetings of the Committee, immediate action should be started by them without waiting for the circulation of the Report.

7. The Committee then took up the examination of the Appropriation Accounts for the year 1954-55 to 1956-57 relating to the Ministry of Fuel, Power and Natural Resources.

8. *Paragraphs 33 and 38(ii) on pages 32 and 39 of the Appropriation Accounts for the year 1954-55 Note 5(i) on page 489 of the Appropriation Accounts, 1954-55.*—The departmental representative stated that these paragraphs etc., were not indicated in the Key Statement on the Appropriation Accounts for the year 1954-55 against the name of Ministry of Fuel, Power and Natural Resources. It was, therefore, not possible for them to explain the position before the Public Accounts Committee. The Committee was not satisfied with the explanation furnished by the departmental representative and observed that the mere fact that the items did not appear in the Key Statement did not absolve the Ministry of Fuel, Power & Natural Resources of their responsibility to explain the position regarding these items. All of these items were included in the Audit Report and it was the responsibility of the Ministry of Fuel, Power & Natural Resources to examine this report and to appear before the Committee for answering any questions raised by them. The Committee directed that the Ministry of Fuel, Power & Natural Resources should come prepared in the next session.

9. *Grant No. 42—Geological Survey Note 4 on page 213 of the Appropriation Accounts, 1954-55.*—A Government sulphur mine started in 1941 was closed down in 1945. The assets as on 14th August, 1947 with a book value of Rs. 8,80,415 were disposed of for amounts aggregating Rs. 1,10,371 during the period from 1947-48 to 1954-55 (over 97 per cent. of the disposals having been made during the years 1948-49 and 1949-50). The

sulphur was sold to different parties during the years 1947 to 1949 at a total price of Rs. 82,942. The buildings were auctioned for as little as Rs. 500 in April, 1949 and other assets too went the same way. The difference of Rs. 7,70,044 between the book value of the assets on 14th August, 1947 and the total realisation represented loss to Government. Although the loss of the great bulk of its assets was clearly known in 1949-50, the department did not report and obtain the orders of Government regarding this loss and did not state the circumstances in which it was sustained. The proforma accounts for the period from 15th August, 1947 to 31st March, 1952 were compiled late in 1952 and although the heavy loss and the necessity of Government's sanction to its write off were pointed out by Audit in June, 1953, the contention of the department concerned after a further lapse of two years, was that the sums realised should be treated as a net profit on the ground that the Government of Pakistan did not pay anything for the stores which were left behind. The Audit view was that no assets could be ignored even if for some reason Government had not to pay for such assets. It was only in March, 1956 that a loss of Rs. 7,62,077 was written off by Government and the orders regarding the write off or otherwise of the balance of Rs. 7,967 were still under consideration. The department concerned had not yet stated whether there had been a prior advertisement of the sale, auction, etc., and whether any minimum price was fixed for the auction of the buildings, stocks, etc., and whether the disposal was approved by the competent authority.

The departmental representative explained that the sale and auction were advertised and carried out through the D.G.S.&D. No minimum price was fixed for any asset. He added that the D.G.S.&D., was the competent authority to sanction sale and auction. The Committee observed that unless the auction documents were checked one could not question the integrity of the transaction. The Committee, therefore, directed that the auction documents should be examined by the Accountant General, Pakistan Revenues and a report submitted to them in due course.

10. *Grant No. 84—Capital Outlay on Schemes of State Trading (Note 5 (i) on page 489 of the Appropriation Accounts, 1954-55).*—This note related to a loss of about Rs. 4 lacs resulting from delay in the finalisation of a contract for the supply of 15,000 tons of Indonesian coal. The departmental representative stated that he was unable to furnish any information regarding this note as it had too, not been included in the Key Statement to the Appropriation Accounts 1954-55. Attention in this regard was invited by the Chairman to an Office Memorandum issued by the Secretary of the Committee on 10th October, 1960, wherein it had been pointed out that owing to re-organisation of various Ministries etc., subjects which were previously dealt with by one Ministry had in some cases, been transferred to another Ministry or Ministries. All questions regarding such subjects had to be answered by the Ministry to whom those subjects had now been allotted. The Key Statement had been prepared on that basis. It was, however, possible that the re-distribution of work in some cases was made after printing of the Key Statement with the result that some of the items shown therein might not be in accordance with the latest distribution. The Ministries had, therefore, been requested to keep this in view and pick up all items with which they were concerned for necessary action. The Committee observed that in view of this position the explanation given by the departmental representative was not

satisfactory. The departmental representative regretted that the instructions issued in this regard had not been followed in his Ministry.

11. *Paragraphs 56, 57, 58, 60—65 of the Audit Report on pages 32 to 35 of the Appropriation Accounts for the year 1956-57.*—The departmental representative was unable to furnish any information regarding paragraphs 56 to 58 and 60 to 64. Paragraph 65 related to lack of planning in the execution of Mangla Dam Project which was started in 1955-56 without administrative approval and sanction to its design and project estimates. According to the proforma for the project prepared for submission to the Planning Commission, the project was estimated to cost Rs. 73 crores and its execution was to be completed in two phases over a period of eight years. The progress of expenditure incurred during the year 1956-57 in relation to the aforesaid proforma, however, indicated that the project was still in its preliminary stages. The details of expenditure also indicated that the expenditure on establishment was out of proportion to the works outlay and might ultimately result in increased overhead charges. The commencement of such a large project without proper design and detailed financial forecast was in complete disregard of the well accepted principle of sound financial administration. The departmental representative explained that a preliminary report of the project was approved by the Cabinet with the condition that an expert should be employed to work on the project. In regard to the employment of an expert, a question was subsequently raised whether a Bureau of Reclamation or a firm of consultants should be entrusted with the work. The selection of a firm was made in 1957 and it took a long time to conduct further investigations and to overhaul the alignments of the Dam. The question regarding the site and design of the Dam had also to be finalised. The standard documents had since been prepared by the consultants of W. A. P. D. A. and it was hoped that actual construction would start according to plan. The Chairman observed that the execution of this project was a big task and was bound to take a long time. It would have entailed unnecessary expenditure if the work had been started without proper planning and settlement of preliminaries.

12. *Grant No. 92—Capital Outlay on Irrigation, Fuel and Power (Note 2 on page 313 of the Appropriation Accounts for the year 1956-57).*—It was stated that the explanations for the final variation under Major Head 68 and 81-A were not given in the Appropriation Accounts as the same were not furnished by the Ministry of Fuel, Power & Natural Resources. The Comptroller and Auditor General pointed out that the requisite information had not been furnished even after the finalisation of the Appropriation Accounts. The departmental representative was unable to furnish any explanation for the variation and could not also indicate the circumstances under which necessary information had not been furnished to the Accountant General, Pakistan Revenues.

13. *Financial Review by the Coal Commissioner for the year 1956-57 (Audit Comments on page 344 of the Appropriation Accounts for the year 1956-57).*—The Chairman enquired if the departmental representative was prepared to answer questions in connection with these Audit Comments. The departmental representative stated that he could not furnish any explanation regarding these Audit Comments as well. The Committee directed that detailed remarks on these Audit Comments should be furnished by the Ministry of Fuel, Power and Natural Resources when they appear before the Committee in the next session.

14. The departmental representative expressed his inability to answer any question regarding the Commercial Accounts for the years 1954-55 to 1956-57 relating to the Ministry of Fuel, Power and Natural Resources. The Committee directed that a list of the various items concerning the Ministry of Fuel, Power & Natural Resources, in the various accounts publications should be drawn by that Ministry in consultation with the Accountant General, Pakistan Revenues and detailed notes indicating the position with regard to each item should be submitted to the Secretary of the Committee urgently for circulation to the members of the Committee. Attention of the departmental representative was in particular, invited to the following points in the Commercial Appendix, 1954-55 and the Commercial Accounts, 1956-57 :—

- (i) *Paragraph 66 on page 58 of the Commercial Appendix to the Appropriation Accounts for the year 1954-55.*—The coal output during the year under review was 42,427 tons against 52,294 tons in 1952-53. The prime cost per ton worked out to Rs. 23-12-4.1 against Rs. 19-1-6.2 in the preceding year. Higher prime cost per ton was due to decrease in the output of coal and increase in the rates of rent and royalty. The Chairman observed that if the output of the coal was lower, the cost per ton would naturally go up. What was required was to go into the reasons for the fall in production of coal.
- (ii) *Paragraph 57 on page 33 of the Commercial Accounts 1956-57—Coal Briquetting Plant, Quetta.*—Cost of production worked out to Rs. 86-4-0.93 per ton as against Rs. 62-8-7.96 per ton in the year 1955-56. The increase in cost was stated to be due to low production. Observations in sub para (i) above also applied in this case.

15. The Committee then adjourned to meet again on Thursday the 22nd December, 1960, at 9.00 A.M.

Proceedings of the tenth meeting of the Public Accounts Committee held on Thursday, the 22nd December, 1960 at 9.00 A.M.

The Public Accounts Committee met in Pakistan Secretariat-II, Rawalpindi, at 9.00 A.M. on Thursday, the 22nd December, 1960, under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives

MINISTRY OF THE INTERIOR

8. Mr. M. Anwar Ali, P.S.P., Secretary.
9. Mr. Abdul Qayyum, C.S.P., Deputy Secretary.
10. Mr. Ali Ausat, Deputy Secretary.

KARACHI ADMINISTRATION

11. Mr. A. K. Sufi, Secretary.

MINISTRY OF STATES AND FRONTIER REGIONS

12. Mr. Hidayatullah Khan, C.S.P., T.Pk., Joint Secretary.
13. Mr. S. M. Niazi, P.C.S., Deputy Secretary.
14. Mr. Nayabuddin, Assistant Financial Adviser.
15. Mr. Qazi Hafizullah, Assistant Secretary, office of the Inspector General Frontier Corps.

FEDERAL PUBLIC SERVICE COMMISSION

16. Mr. Sardar Ahmad, Deputy Secretary.

Secretary of the Public Accounts Committee

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

2. The first item on the agenda for the day's meeting was the compliance report of the Ministry of the Interior on the recommendations made by the previous Committee in their Report on the Accounts for the year 1953-54.

3. *S. No. 1 on page 248 of the Compliance Report.*—The private car of Mr. M. A. Gurmani, the then Minister for the Interior was destroyed during the disturbances in Karachi on the 8th January, 1953. The question of compensation was considered by the then Prime Minister and it was decided that since the car was destroyed while Mr. M. A. Gurmani was on official duty the loss should be made good. Consequently a sum of Rs. 18,932-13 was sanctioned by the Ministry of the Interior for payment as compensation. Sardar Barkat Hyat Khan desired to know if the damaged car was disposed of by the Ministry of the Interior. The departmental representative stated that according to the information furnished by the Private Secretary to Mr. M. A. Gurmani, the car was completely destroyed by fire. It remained in police custody for about one year and thereafter it was sent to Messrs. Ali Autos, Karachi with the instructions to dispose of it. They, however, reported that the car had been completely burnt and could not, therefore, be disposed of. Since no sale was effected no credit was afforded to Government. The Committee was not convinced with the explanation and observed that if the car had been sent to its dealers *viz.*, General Motors, it could have fetched some price as some of its parts must have been left over.

4. The Committee then took up an examination of the Appropriation Accounts, 1954-55 to 1956-57, relating to the Ministry of the Interior.

5. *Appropriation Accounts, 1954-55 (Grant No. 54-Police—Note 4 on page 155 of the Appropriation Accounts, 1954-55).*—It was stated in this Note that the annual certificate of check in respect of secret service expenditure had not been accepted in Audit as the appointment of the controlling officer as required under the rules had not been made. The departmental representative explained that the controlling officer had since been appointed and the certificate furnished to Audit. This position was also confirmed by the Accountant General, Pakistan Revenues.

6. *Grant No. 67-Miscellaneous (Note 5 on page 369 of the Appropriation Accounts, 1954-55).*—It was stated that the figures of actual expenditure had not been accepted by the controlling officer in the case of certain sub-heads of this Grant. The Accountant General, Pakistan Revenues stated that discrepancies between the departmental and Audit office figures had arisen due to erroneous adjustments of certain amounts having been made during the year 1954-55 and that the position had since been rectified.

7. *Annexure B [S. No. 8(vi) (Civil Defence Organisation) on page 558 of the Appropriation Accounts, 1954-55].*—Physical verification was carried out but not in accordance with the rules. It had been stated by the Organisation that stocks and stores had been checked physically by all the officers though the checking should have been conducted by a responsible officer independent of the superior executive officer incharge of stores. Mr. Yaqub Shah desired to know why the officer incharge of the stores or any body subordinate to him could not give the requisite certificate of physical verification of stocks. The

Chairman pointed out that the practice in this regard differed from department to department and in case of the departments where only one officer was available on the spot, it could not be insisted that physical verification of the stocks should be done by an other officer.

8. *Grant No. 57-Police (Note 4 on page 190 of the Appropriation Accounts, 1956-57.*—It was stated that the annual certificates of check in respect of secret service expenditure had not been received in respect of Special Police Establishment and anti-smuggling operations relating to the central circle. The departmental representative stated that the officer concerned had been screened out of Government service. He had been approached a number of times but he refused to give the requisite certificates. No information was available with the Minister who had to record the requisite certificate. The Committee observed that the required information should be available in the records maintained by the Ministry of the Interior and directed that the certificates in question should be furnished by the Ministry of the Interior without further delay.

9. *Annexure B.—S. No. 7 on page 424 of the Appropriation Accounts, 1956-57—Civil Defence Organisation.*—It was stated that physical verification of stores was not conducted and the reasons for the failure had not been furnished. The Committee desired to know the present position of the case. The departmental representative stated that physical verification had since been carried out although it was conducted very late. The Chairman observed that physical verification should have been conducted in time and in case of failure to do so the reasons should have been furnished to Audit.

10. The Committee observed that during the course of examination of the accounts of the various Ministries|Departments it had come to their notice that there were many cases of delays in carrying out the physical verification of stores. The answers given by the Ministries|Departments in all such cases were not satisfactory and did not clearly indicate as to why the physical verification had not been carried out in time. The Committee directed that the importance of periodical physical verification of stores should be impressed upon the various officers concerned by all Ministries|Departments.

11. The Committee then took up an examination of the compliance report of the Karachi Administration on the recommendations made by the previous Committee in their Report on the Accounts for the year 1953-54.

12. *S. No. 2 on page 262 of the Compliance Report.*—Under item 21 of Annexure A of the Appropriation Accounts 1953-54, it was mentioned that in the course of local audit in June, 1956, it was noticed that articles of furniture numbering 344 were short. The loss on this account was estimated to be over Rs. 1,500. The previous Committee had directed that full facts of this case should be submitted to them in the next session. The departmental representative stated that the Enquiry Officer who had conducted the investigation had reported that the shortage was due to the fact that the articles of furniture had broken as these were kept in tents. The Enquiry Officer had recommended that as the articles in question had been rendered unserviceable they should be written off. This recommendation was not accepted and the officer responsible for the loss of

furniture was asked to explain his position. His explanation being unsatisfactory, the case was handed over to the Special Police. The Special Police recommended departmental action only, as a result of which he was held responsible for a loss of Rs. 11,110 for 454 items of furniture against the earlier estimate of 344 items costing over Rs. 1,500. Since the loss could not be made good it had been written off. The officer responsible for the loss had been penalised by compulsory retirement. The Committee observed that no efforts had been made to make recoveries of the loss involved from the officer concerned. Compulsory retirement from service was not enough punishment and he should have been dismissed from Government service. It was also pointed out that considerable delay had taken place in finalising the case. The Committee also desired to know how the broken furniture was ultimately disposed of. The departmental representative promised to furnish a report to the Committee in this connection in due course.

13. *S. No. 3 on page 262 of the Compliance Report.*—The previous Committee had directed that the Karachi Administration should furnish a report regarding physical verification of stocks held by the Karachi Jail, and the certificate thereof which was to be furnished to Audit by the end of the year 1954. In their compliance report, the Ministry of the Interior had stated that the entire store accounts of the Karachi Jail for the years 1949-50 to 1953-54 were re-written and completed but they could not be attested by the present superintendent as the same did not pertain to his period and it was not possible for him to give the certificate required by Audit. The case had been referred to the Ministry of the Interior for condoning the requirements of the rules. Mr. Yaqub Shah stated that since the accounts were re-written, the present superintendent could check them up by referring to the vouchers etc., and the requisite certificate could be given by him. The Committee directed that the matter should be settled by the Karachi Administration with the Ministry of the Interior without further delay and compliance reported to them in the next session.

14. *S. No. 4 on page 263 of the Compliance Report (Annexure B on page 265 ibid).*—Under item 20 of Annexure A of the Appropriation Accounts 1953-54 it was mentioned that a clerk in an office under the Karachi Administration absconded with a sum of Rs. 4,500. The previous Committee had directed that a detailed report of this case should be submitted to them. In their compliance report the Karachi Administration had stated that an amount of Rs. 4,882-11-0 (including an amount of Rs. 2,227-12-0 in a Post Office case) was mis-appropriated by a Fine Clerk in the Court of 1st Additional City Magistrate. The responsibility for the loss of the two amounts had been determined and the Controller of Post Offices had been asked to write off the amount of Rs. 2,227-12-0 while the recovery of the balance of Rs. 2,654-15-0 from the surety of the accused as well as from his agricultural land was being pursued. The clerk concerned had been convicted and dismissed from service. The Committee desired to know whether any recovery had been effected from the clerk concerned. The departmental representative stated that the case was referred to the Public Prosecutor who opined that it was not possible to make recovery from the agricultural land of the accused. The Committee directed that the possibility of recovery of the amount involved from the surety of the accused should be explored by the Karachi Administration and a report submitted to them in the next session.

15. *S. No. 5 on page 263 of the Compliance Report (S. No. 12 of Annexure 'A' to the Audit Report, 1955).*—A sum of Rs. 17,670 was embezzled by a cashier of the Civil Supplies Department during 1953-54. The previous Committee had desired to know whether sanction to write off of the loss had been issued. The departmental representative stated that on an appeal lodged by the cashier concerned, the case was re-tried by the Special Judge, Anti-corruption who awarded him six month's R. I. with a fine of Rs. 20,000 and in default to undergo one year's R. I. The accused had preferred an appeal to the High Court and the further action could not be taken till the result of the appeal was known. The question of writing off of the amount involved at this stage did not, therefore, arise. The Committee directed that a report indicating the final action taken in this case should be submitted to them in the next session.

16. The Committee then took up an examination of the Appropriation Accounts, 1954-55 to 1956-57 relating to the Karachi Administration.

17. *Grant No. 72—Karachi (Note 4 on page 405 of the Appropriation Accounts, 1954-55).*—It was stated in this note that the figures of actual expenditure had not been accepted by the controlling officers in the case of sub-head C-2 (Account I) and sub-head E-5 (Account II). In the case of some other sub-heads in Account II, formal acceptance of the figures of actual expenditure had not been received. The Chairman pointed out that necessary reconciliation of figures should have been carried out by the controlling officers and acceptance of the agreed figures communicated to the Accountant General, Pakistan Revenues. The Committee directed that such omissions should be avoided in future.

18. *Annexure A.—List of un-finalised cases of serious financial irregularities (S. No. 4 on page 409 of the Appropriation Accounts, 1956-57).*—An approximate amount of Rs. 2,391 was detected by the Audit party to have been mis-appropriated by a disbursing officer of a school under the Karachi Administration. The amount represented pay and contingent expenditure and credits to the Boys Funds of the school relating to the periods from 20th December, 1954 to 6th August, 1956. The case was reported to police who in turn stated that the case was not fit for judicial trial and might be dealt with departmentally. The officer concerned was charge-sheeted and the final result was still awaited. The Committee desired to know the latest position of the case. The departmental representative stated that while the departmental enquiry was in progress the officer concerned was screened out from Government service and recoveries of the amount involved were made from him partly. The Committee desired to know why the amount involved could not be recovered in full. It was explained by the departmental representative that the cashier of the school was also involved in this case. The cashier died and that created some difficulty. Action was, however being taken to finalise the case and the result would be reported to the Committee in the next session.

19. The Committee observed that during the course of examination of the accounts of the various Ministries, several cases of mis-appropriation had come to their notice. It seemed that the Ministries concerned did not take a serious view of such cases and the losses involved were generally written off with their approval. The Committee took a very serious view of this approval on the part of the Ministries concerned and desired that suitable steps should be taken by all concerned to effect

recoveries of the amounts involved from the persons concerned as far as possible and that losses should be written off only where it was fully established that no amounts could be recovered.

20. *Annexure B.—(S. No. 7 on page 424 of Appropriation Accounts, 1956-57).*—It was stated that physical verification of stores in respect of Civil Defence Organisation was not conducted and reasons for the failure had also not been furnished. The departmental representative stated that the physical verification had since been carried out. The Committee desired to know the circumstances under which the needful action was not taken in time. It was explained by the departmental representative that it was due to the fact that the staff was ignorant of the requirements of rules. The Committee directed that such omissions should be avoided in future.

21. The Committee then took up the examination of the compliance report of the Ministry of States and Frontier Regions on the recommendations made by the Public Accounts Committee in their Report on the Accounts for the year 1953-54.

22. *A General (S. No. 29 on page 460 of the Compliance Report).*—In paragraph 2 of the Financial Review on page 374 of the Appropriation Accounts for the year 1950-51, by the Director of Civil Supplies, Baluchistan, relating to purchases by the local administration, it was stated that the total amount recoverable from the various parties at the end of the year was Rs. 1,24,90,665. During the course of examination of the compliance report of the Ministry of States and Frontier Regions on the recommendations of the Public Accounts Committee relating to the Accounts for 1950-51, the Committee were informed that the amount of Rs. 1,24,90,665 had been reduced to Rs. 81,48,391 on the 15th October, 1955. The Committee were also informed that a large part of the outstandings related to the amounts recoverable from the non-muslim evacuees and from the Central Government. It was also stated that certain cases were in Courts of Law. The recoverable amount from other parties amounting to Rs. 14,36,377 had been reduced to Rs. 75,561 in the course of about 5 years and steps were in progress for the recovery of the remaining amounts. The Committee had directed that if there were any definite bad debts, these should be investigated and steps taken to write them off so that the outstandings may not be carried forward from year to year. In their compliance report relating to the above recommendation, the Ministry of States and Frontier Regions had stated that according to the information received from the Assistant Director, Food, Quetta, there had been no change in the position. Action was, however, being taken to write off a sum of Rs. 6,576 representing definite bad debts. Full information regarding the case was not available with the departmental representative and the Committee directed that it should be furnished to them in the next session.

23. The Committee then took up an examination of the list of un-finalised cases of financial irregularities, losses etc., mentioned in the Appropriation Accounts for the years 1953-54 to 1955-56 (*Annexure VIII*), that had been circulated by the Comptroller and Auditor General. The Committee observed that in most cases necessary sanction was awaited from the Ministry of States and Frontier Regions and it appeared that no notice had been taken of the objections raised by Audit in the past. The Committee enquired what steps had been taken to ensure finalisation

of these cases without further delay. The departmental representative stated that all cases would be taken up by them with the departments concerned. He added that some of the cases had actually been finalised and systematic efforts were being made to clear the remaining cases. The Committee directed that a detailed report indicating the action taken by the Ministry of States and Frontier Regions in respect of all cases (reproduced below) should be submitted by the Ministry of States and Frontier Regions in the next session of the Committee :—

<i>Years of Accounts</i>						<i>Item No.</i>	<i>Page</i>
1953-54	..	..	..	..	..	1	559
1953-54	..	..	..	..	..	26 & 27	568
1953-54	..	..	..	..	..	29 to 31	569
1953-54	..	..	..	..	..	32 & 33	570
1955-56	..	..	..	..	..	1	616

24. The Committee then took up an examination of the Appropriation Accounts, 1954-55 to 1956-57, relating to the Ministry of States and Frontier Regions.

25. *Grant No. 71-Baluchistan (Note 6 on page 522 of the Appropriation Accounts, 1954-55).*—The Food Directorate in Baluchistan owned 40 lorries of which the capital cost amounted to about Rs. 2.5 lakhs and after depreciation etc., the residual value of these lorries was taken at Rs. 50,000. The Central Government decided that the lorries should be sold to the late transport contractor at the residual value and the pending claims of the contractor finally settled. The claims of the contractor were examined by the Audit department who reported that after the adjustment of the cost of lorries a sum of Rs. 36,165 was due to the contractor. The Audit Report on these claims remained under consideration of the Central Government for some time but no decision could be taken by them before the 14th October, 1955 after which the matter was considered by the West Pakistan Government who decided to strike a settlement with the contractor at an *ad-hoc* payment of Rs. 25,000. The contractor accepted the decision and the payment was made to him and the matter closed.

Mr. Yaqub Shah pointed out that it seemed that interest on capital, and the cost of the lorries had not been adjusted in working out the profit of the scheme for the purchase of foodstuffs and other commodities. He added that element of hire and depreciation should have been taken into account on the credit and debit sides respectively in working out the profit. It was pointed out in reply that both the elements had been duly accounted for in working out the net profit of the scheme.

26. *Annexure A—List of un-finalised cases of serious financial irregularities (S. No. 12 on page 554 of the Appropriation Accounts, 1954-55).*—A sum of Rs. 7,472 was drawn on a contingent bill for the purchase of Khassadars uniforms on 28th September, 1953. The amount was subsequently credited in a Personal Ledger Account pending its payment to the supplier. The irregularities in the case were (i) withdrawal of the amount in advance of the requirement and (ii) its subsequent deposit into a Personal Ledger Account. The Political Agent had been asked to

regularise the matter by obtaining sanction of Government. The departmental representative stated that *ex post facto* sanction was accorded in 1958 to regularise the position.

27. *Appropriation Accounts 1955-56 (Annexure A—List of unfinished cases of serious financial irregularities (S. No. 1 on page 516 of the Appropriation Accounts, 1955-56).*—Fines amounting to Rs. 3,003 imposed on private persons for damages to Government property were reported to be outstanding. The Committee desired to know the latest position. The departmental representative stated that efforts were being made to recover the amounts involved in each case and the result would be reported to the Committee in due course.

28. *Annexure B (S. No. 7 on pages 622-623 of the Appropriation Accounts, 1955-56.—Grant No. 71—Ministry of States and Frontier Regions).*—Physical verification of stores was not carried out in the Ministry of States and Frontier Regions and the reasons for the failure had not been furnished to Audit. The departmental representative stated that the necessary certificates of physical verification had since been issued. The Chairman pointed out that the certificate had not been received by Audit. The Committee, therefore, desired that the position should be checked up by the Ministry and result reported to them.

29. The Committee then took up an examination of the compliance report of the Federal Public Service Commission on the recommendations made by the previous Committee in their Report on the Accounts for the year 1953-54.

30. *S. Nos. 1-2 on page 334 of the Compliance Report.*—The recommendations made by the previous Committee were as follows :—

- (i) That the Federal Public Service Commission should furnish a report on some typical cases in which Ministries had failed to furnish the information called for by them thus leading to delays in selection of candidates. The case of promotion of officers of Pakistan Audit Department to the Pakistan Audit and Accounts Services took nearly 2 years to finalise and the Federal Public Service Commission might investigate and report as well the reason for this delay.
- (ii) That the Federal Public Service Commission should be advised to either recommend the requisite number of candidates or when it recommended more candidates than required, it should fix the order of merit of the candidates and that the Ministries should not normally go against the recommendations of the Commission.

The Committee observed that the Federal Public Service Commission had to conduct its business in accordance with the rules of business prescribed by Government. The Public Accounts Committee could not amend those rules and could not give directions to the Ministries in this connection. The recommendations made by the previous Committee related to matters of policy and administration and were not related to accounts which were being examined by the Public Accounts Committee. The Committee, therefore, decided that the points need not be pursued further.

31. The Committee then adjourned to meet again on Friday, the 23rd December, 1960 at 2.30 P.M.

Proceedings of the eleventh meeting of the Public Accounts Committee held on Friday, the 23rd December, 1960 at 3.00 P.M.

The Public Accounts Committee met in Pakistan Secretariat-II, Rawalpindi at 3-00 P.M. on Friday, the 23rd December, 1960 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives

MINISTRY OF FINANCE

8. Mr. M. Ayub, C.S.P., Secretary.
9. Mr. Vaqar Ahmed, P.A.&A.S., S.Q.A., Joint Secretary.
10. Mr. Mohammad Aslam, Member, Central Board of Revenue.
11. Mr. T. G. Nasir Khan, P.M.A.S., Joint Secretary.
12. Mr. M. Mujtaba, T.Q.A., Deputy Secretary.

MINISTRY OF RAILWAYS AND COMMUNICATIONS

13. Mr. M. Aslam Salim, Director Finance, Railway Board.
14. Mr. K. A. Rahman, T. Pk., Deputy Director General, Posts and Telegraphs.

Secretary of the Public Accounts Committee

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

2. The proceedings started with the examination of the compliance report of the Comptroller and Auditor General on the recommendations made by the Public Accounts Committee in their Report on the Accounts for the year 1953-54.

3. *B-Specific (Pages 8-13 of the Compliance Report).*—The Committee observed that the various items included in the compliance report of the Comptroller and Auditor General pertained to some of the Ministries as well and had been discussed by them during the course of the examination of the compliance reports of those Ministries. The

Comptroller and Auditor General pointed out that the position stated in his compliance report gave full information regarding the action taken by the various Ministries. As regards the specific items relating to the Comptroller and Auditor General, action had been finalised on all recommendations made by the previous Committee. It was, therefore, decided that further examination of the various items was not necessary.

4. The Committee then took up the examination of the compliance report of the Ministry of Finance on the recommendations made by the Public Accounts Committee in their Report on the Accounts for the year 1953-54.

5. *S. No. 1 on page 100 of the Compliance Report.*—The previous Committee had recommended that the excesses over voted grants and charged appropriations for the year 1953-54 should be regularised. The Chairman stated that an Ordinance for the regularisation of the excesses in respect of the years 1950-51 to 1953-54 was being submitted to the President.

6. *S. No. 2 on page 100 of the Compliance Report.*—It had been recommended by the previous Committee that the Ministry of Finance should refuse to provide funds in the budget until they were fully satisfied that the planning and preparatory work for a scheme had advanced to such an extent as to justify reasonable prospects of the expenditure being actually incurred during the year. The Chairman stated that although the suggestion of the previous Committee was to be followed as a general rule, there could be certain cases in which funds had to be provided in the budget even when the Ministry of Finance was not convinced that the planning and preparatory work for the scheme had advanced to a reasonable extent. As an example he quoted the case of transmitters purchased for East and West Pakistan for which *ad hoc* provision had to be made in the budget without waiting for the finalisation of the scheme. The Comptroller and Auditor General pointed out that the point under discussion had been considered by the previous Committee in connection with the development programme in respect of which budget provision had been made for various schemes without detailed estimates with the result that unwanted funds had ultimately to be surrendered to the extent of 40% or so. He added that a decision had already been taken according to which the Ministries would now ask for budget provision after each scheme had been approved and detailed estimates prepared. The Committee hoped that as a result of the decision referred to by the Comptroller and Auditor General, the percentage of surrenders would be reduced during the subsequent years.

7. *S. No. 11 on page 102 of the Compliance Report.*—Section 140-A of the Government of India Act 1935 (as adapted) provides that such portion of the net proceeds in any financial year of sales-tax, as may be prescribed by an Order of the Governor General, shall not form part of the revenues of the Federal Government but shall be assigned to the Provinces and to the Federated States within which the tax was leviable in that year, and shall be distributed among the Provinces and those States in such a manner as may be prescribed. The requisite Order of the Governor General prescribing the distribution of the net proceeds of sales tax between the Centre and the Provinces for the years 1948-49 to 1951-52 was not issued, although the share of each Province and the Bahawalpur State in the proceeds of sales tax was fixed by mutual consent between the Central, Provincial and the States Governments.

Section 138 of the Government of India Act 1935 (as adapted) lays down that taxes on income other than agricultural income will be levied and collected by the Federation but a prescribed percentage of the net proceeds in any financial year of such taxes will be required to be distributed among the Provinces and the acceded States in such a manner as may be prescribed by an Order of the Governor General. By mutual consent of the Centre and the Provinces no assignments from income tax collections were made to the Provinces etc., for the period 1947-48 to 1951-52. The Governor General's Order was not issued in this case as well.

During the course of examination of the Appropriation Accounts for the year 1953-54, the Committee were informed by the Ministry of Finance that the matter had been examined by them in consultation with the Ministry of Law and it had been decided that an Order regularising the position could not be issued due to the fact that under Article 118 of the new Constitution such an Order could only be issued after the National Finance Commission was appointed and had submitted its report. The Ministry of Law had advised that the best course would be to bring the omissions to the cognisance of the Public Accounts Committee by insertion of a paragraph to that effect in the Audit Report. The Committee had directed that the matter should be examined *de-novo* and legal advice obtained as to whether it would be necessary to bring out legislation or to issue a President's Order with a view to supplying the omissions.

In their compliance report the Ministry of Finance had stated that the matter had been re-examined by them in consultation with the Ministry of Law who opined that no further regulatory action was indicated. The departmental representative however, stated that as the Constitution no longer existed, the position could be regularised by the issue of a Presidential Order if so desired by the Public Accounts Committee. The Committee directed that necessary action in this regard should be taken by the Ministry of Finance and compliance reported to them in the next session.

8. *S. No. 13 on page 103 of the Compliance Report.*—The previous Committee had directed that a report indicating the detailed position in connection with the accounting of foreign aids received in various forms should be submitted to them. The departmental representative referred to a booklet issued by the Ministry dealing with the accounts of foreign aid received under the various programmes up to the 30th June 1959, copies of which had been circulated to the members of the Public Accounts Committee and stated that different types of assistance received under the various aid programmes and the procedure governing their procurement and utilisation had been briefly discussed in that booklet. The Comptroller and Auditor General pointed out that the foreign aid accounts had not been completed and a special committee consisting of his representatives and those of the Ministry of Finance had been set up which held periodical meetings for the purpose of clearance of arrears. As a result of the various measures adopted by this Committee, considerable progress had been made to bring the foreign aid accounts up-to-date. The Comptroller and Auditor General, however, added that the pace of adjustment in respect of the technical assistance was very slow as only an amount of Rs. 1,01,76,487 had since been accounted for against the total aid amounting to Rs. 20,00,66,438 received under this category. The overall position regarding adjustment of foreign aid received under the various programmes was, however, satisfactory as out

of a total of Rs. 3,13,86,93,266. a sum of Rs. 2,17,59,68,161 had already been accounted for. The departmental representative explained that one reason why progress was slow was that the valuation of the assistance presented some difficulty. The Committee directed that the Ministry of Finance should address themselves to the job of the valuation of technical assistance and its adjustment in the accounts without further delay and should submit a report in the next session of the Public Accounts Committee indicating the results achieved in the matter.

9. *Compliance Report of the Central Board of Revenue on the recommendations made by the Public Accounts Committee in their Report on the Accounts for 1953-54 (B-Specific.—S. No. 2 on page 136 of the Compliance Report).*—The previous Committee had recommended that the Central Board of Revenue should exercise stricter control over cases involving sanctions of remissions of revenue and write off etc., with a view to checking the increase in the number of such cases. Attention in this connection was invited by the Comptroller and Auditor General to Note 4 below Grant No. 31-Taxes on Income, Corporation Tax and Sales Tax on page 144 of the Appropriation Accounts 1956-57, wherein it was stated that the remissions, writes off, etc., of revenue sanctioned during the year 1956-57 including those in respect of the additional taxes and duties levied under the Supplementary Finance Act, 1950 amounted to Rs. 2,77,135. The Committee observed that there was an increase in the number of cases of writes off. The departmental representative explained that the amount mentioned in the Appropriation Accounts for the year 1956-57 included a sum of Rs. 1,48,072 which had been written off by the Commissioner of Income Tax concerned on the ground that it was irrecoverable. This decision was not however accepted by the Central Board of Revenue and instructions were issued to the Commissioner to recover the amount. As a result of this the amount had been partly recovered and the question regarding the recovery of the balance was being pursued. The Committee directed that the result should be reported to them in the next session.

10. *S. No. 4 on page 137 of the Compliance Report.*—It was stated in paragraph 47 of the Audit Report, 1955 that 5,500 bills of entry in respect of stores imported on Government account, involving customs duty and sales tax amounting to a few crores of rupees were still pending for settlement. During the course of examination of the Appropriation Accounts for the year 1953-54, the previous Committee had directed that a report regarding delay in the settlement of these bills should be submitted to them. In their compliance report, the Central Board of Revenue had stated that the latest position of the outstanding amounts of customs duty and sales tax on "Note and Pass" bills of entry covering Government stores as well as goods imported by non-Government bodies, was as follows:—

	Duty	Sales tax	Remarks
	Rs.	Rs.	
1. Government departments	83,767	3,39,566	The adjustments were pending with Accountant General, Pakistan Revenues.
2. Non-Government bodies	18,66,276	11,49,858	

As regards Chittagong Custom House, the total number of outstanding cases on 4th May 1956 was 5367. Out of these 4485 cases had been

finalised up to 1960 and duty on them had been recovered. 882 cases still remained to be finalised.

As repeated reminders to Government departments and other organisations concerned had failed to produce any effect, legal notices were being issued to them to pay up the amounts due within three months of the date of notice failing which they would be proceeded against under the Customs Law. The Committee desired to know whether as a result of the legal notices, the bills of entry had been settled in any case. The departmental representative stated that the non-Government bodies had paid no attention to the communications sent by them and it was now proposed to proceed against them in a Court of Law. The Comptroller and Auditor General pointed out that in respect of duties on stores purchased through the D.G.S.&D., the Ministry of Industries had stated in their compliance report under examination that since 1956 the outstanding adjustments were being carried out straightaway as a result of the establishment of revolving credit system. He added that the system of revolving credit could be adopted by the Central Board of Revenue for the settlement of claims in respect of stores imported on Government account. The departmental representative stated that the system proposed by the Comptroller and Auditor General would be difficult to adopt due to the fact that it would necessitate the provision of funds in advance to Government departments involved as a pre-requisite. The Committee directed that the matter should be considered further by the Central Board of Revenue and steps taken in order to avoid such delays in future. They also directed that a report indicating the position of recoveries made against the outstanding amounts should be submitted to them in the next session.

11. S. No. 6 on page 137 of the Compliance Report.—Certain concessions were allowed by the un-divided Government of India in the rates of duty chargeable on the matches produced indigenously. The concessions did not apply to the imported matches. Two consignments of the imported matches were, however, assessed on the concessional rate which was stated to have been applied for the reason that the relative bills of entry were delivered in the Customs House before the date of the ruling given by the Central Board of Revenue. Subsequently, the Collector agreed with the Audit point of view that the ordinary rate was applicable irrespective of the date of presentation of the bills of entry and after re-assessment provisional demand notices were issued but an amount of Rs. 26,505 had not yet been recovered. The previous Committee had directed that the reasons for the non-recovery of the amount should be stated. In their compliance report the Central Board of Revenue had stated that the demand issued by the Customs House in respect of the consignments in question was subsequently withdrawn on the ground that the relevant bills of entry had been actually filed before the issue of the ruling by the Board on the 18th April, 1950. Audit was not accepting this view and the case was still under examination. The Comptroller and Auditor General pointed out that there had been several cases in which Audit had raised objections but the Collector of the Customs had been resisting and dis-agreeing with Audit. In the present case the Comptroller and Auditor General added, the Central Board of Revenue had agreed with the Audit point of view but the recovery of the amount involved had not been effected even after the lapse of so many years. It was desirable that the objections raised by Audit should be complied with without delay. The departmental representative agreed with the Comptroller and Auditor General and stated that in accordance with the

orders contained in the Manual of the department, a demand notice should be issued by the Collector as soon as an objection was raised by Audit. These orders were being brought to the notice of all officers concerned again. The Committee directed that the question regarding the recovery of Rs. 26,505 should be finalised and compliance reported to them in the next session.

12. *S. No. 12 on page 139 of the Compliance Report.*—It was stated in item number 15 on page 565 of the Appropriation Accounts for the year 1953-54, that a customs refund voucher had been forged resulting in a loss of Rs. 50,529. The previous Committee had directed that a report indicating the action taken in the matter should be submitted to them. The departmental representative explained that out of the total amount of Rs. 50,529 a sum of Rs. 36,000 was recoverable from Government servants involved and Rs. 14,000 from the private bodies. A sum of about Rs. 11,000 had already been realised from the Government servants concerned and another sum of about Rs. 9,000 was expected to be collected. The balance of Rs. 16,000 could not be realised due to the fact that the clerks concerned were absconding. The second amount of Rs. 14,000 was expected to be realised from the private party concerned. The Committee desired to know further progress of recoveries in their next meeting.

13. *S. No. 13 on page 139 of the Compliance Report.*—The previous Committee had directed that steps should be taken to avoid recurrence of cases relating to expenditure sanctions issued by officers in excess of the financial powers delegated to them. The departmental representative stated that necessary instructions had been issued to all concerned, in compliance with the recommendation made by the previous Committee.

14. The Committee then took up the examination of the Appropriation Accounts, 1954-55 to 1956-57 relating to the Ministry of Finance and the Central Board of Revenue.

15. *Paragraph 26 on page 29 of the Appropriation Accounts for the year 1954-55.*—The locally recruited staff in a Pakistan Mission abroad formerly used to be paid for overtime in accordance with the provisions of the local Government Estacode, which governed the terms and conditions of service of such staff in the Mission upto the 31st March, 1952. In October, 1952 the Mission revised the scales of pay of the locally recruited staff and overtime was stopped. These scale of pay were introduced retrospectively from the 1st April, 1952 and the staff, therefore, received overtime payments during the period April to September, 1952. Although the staff were given substantial arrears of pay as a result of their fixation of pay in the new scales, no deduction on account of overtime payments to them was made by the Mission from these arrears. In February, 1953 Audit took up the question of recovery of the overpayment on account of overtime to the locally recruited staff but instead of taking action for recovery of the overpayment, Government were approached by the Mission for the write off of the sum involved. Sanction to the write off of the overpayments amounting to £ 93-3-5 (Rs. 683 approximately) in respect of the staff under the administrative control of the Ministry of Foreign Affairs and Commonwealth Relations only had been issued. Sanction in respect of the overpayment made to the staff under the administrative control of other Ministries was still

awaited. For want of timely action on the part of the Mission, Government had been put to a loss of £ 864 approximately (Rs. 8,004 approximately). Much, if not all of this loss, could have been saved if the required vigilance had been shown to protect the financial interest of Government. The departmental representative stated that out of the total amount involved in this case a sum of £ 211-17-6 related to the staff of the Accounts Division of the Pakistan Mission abroad. Action regarding the write off of this amount had already been taken and it was not known whether similar action regarding the remaining amount had been taken by the administrative Ministries concerned. The Committee felt that if the Accounts Division had exercised a greater watch at the time of payment of arrears to the staff concerned, the necessary recovery of overpayment on account of overtime would have been effected. They, however, directed that the Ministry of Finance should consider the possibility of a single sanction for the write off of the amount involved and for this purpose necessary information should be collected by them from the various Ministries etc. The Committee desired that the result of the action taken should be communicated to them in the next session.

16. *Paragraph 28 on page 30 of the Appropriation Accounts for the year 1954-55.*—This paragraph related to reassessment by the Collector of Customs of customs duty on a consignment of artificial silk yarn on the basis of reduced price which was irregular. The recovery of the difference of Rs. 2,500 due to reassessment could not be made for want of timely demand under Section 39 of the Sea Customs Act. The Collector's request for voluntary payment was also turned down by the party concerned. The departmental representative stated that the Collector had admitted his mistake and action was being taken for the write off of the amount involved.

17. *Grant No. 1-Customs—Note 6 on page 65 of the Appropriation Accounts, 1954-55.*—The remissions of revenue sanctioned during the year amounted to Rs. 13,016. Mr. Jasimuddin Ahmed desired to know whether the remissions that had been sanctioned were in order. The departmental representative stated that the Central Board of Revenue was competent to sanction such remissions and writes off and the same had been allowed during 1954-55 for the reasons stated in the Note in the Appropriation Accounts.

18. *Grant No. 1-Customs (Important Comments on page 65 of the Appropriation Accounts, 1954-55).*—The net receipts and the total expenditure of the Customs Department indicated that the receipts were going down and the expenditure was increasing gradually. The Comptroller and Auditor General pointed out that the total expenditure of the Customs Department which was 0.93% of its receipts during 1951-52, had gone up to 2.69% during the year 1957-58. The Committee desired to know the reasons for the increase in expenditure without a corresponding increase in the receipts of the department. The departmental representative stated that the increase in expenditure was attributed to many factors. To start with, the department was left with a depleted staff at the time of Independence and the requisite strength was sanctioned after many years. Again, the revenue receipts could decrease as a result of the restrictions on imports etc., but no reduction could be made in the minimum staff required. The Chairman observed that a Committee had been appointed to examine this question in details and to stream line the procedure so that economy in staff also

could be achieved. The Committee directed that the Ministry of Finance should examine the circumstances under which the expenditure of the department was increasing without a proportionate increase in its net receipts, and should take suitable steps for controlling the expenditure. For this purpose, a comparison of the percentages of expenditure to receipts should be made with other countries and a report submitted to the Committee in their next session.

19. *Grant No. 21-Ministry of Finance (Note 6 on page 124 of the Appropriation Accounts, 1954-55).*—During the period from the 28-1-1954 to 10-7-1954, six fraudulent payments aggregating £ 25,667-0-9 took place in the Accounts Division of a Pakistan Mission. All Payments were made to a fictitious firm of that country. One of the perpetrators of the fraud had been sentenced to 7 years of imprisonment. The disciplinary proceedings against other members of the staff had not been finalised. Action for the recovery or write off of the amount involved also remained to be taken. The departmental representative stated that four persons were connected with this fraud ; two were convicted and out of the other two, one had turned approver and one was acquitted. Government decided to initiate civil suits against the two persons already convicted. Institution of departmental proceedings had also been sanctioned in order to recover the defrauded amount. The amount involved could not be written off until the result of these efforts was known. Information regarding the disciplinary aspect of the matter was not available with the departmental representative who promised to furnish it to the Committee in due course.

20. *Appropriation Accounts, 1955-56. [Paragraph 17(i) on page 20 of the Appropriation Accounts for the year 1955-56].*—Under item 72(12) of the Pakistan Customs Tariff, diesel oil engines of less than 50 B.H.P., and parts thereof were assessable to duty at the protective rate of 35 per cent. *ad valorem*. The protective rate of duty was originally applicable only in the case of such diesel engines as were imported before 1st July, 1957. This period was subsequently extended up to 30th June, 1958 by the provisions of the Tariff (Amendment) Acts, 1958. The Ministry of Commerce, however, failed to notify the customs authorities about this extension in the period. As a result of this delay, some consignments of diesel oil engines and their parts covered by items 72(12) imported after 30th June, 1957 were assessed to duty at the non-protective lower rate resulting in a substantial loss. The under assessment was detected by Audit in March, 1958. The Collector of Customs was requested to trace all the bills of entry assessed at the non-protective rate during the preceding three months and to issue provisional demand notices. The demand notices were not, however, issued till the Central Board of Revenue accepted the Audit's interpretation and directed the Collector on April 16, 1958 to issue demand notices under section 39 of the Sea Customs Act (VIII of 1878) in respect of such goods assessed at 5 per cent. The recoveries made by the Karachi Custom House amounted to Rs. 22,149 as duty and Rs. 10,417 as sales tax short levied. Certain amounts, it was apprehended, had already become irrecoverable due to the expiry of the statutory time limit of 3 months for serving demand notices. One such case involving an amount of Rs. 38,739 was actually noticed by Audit. The under assessment in this case was detected in time but the recovery could not be made for want of the demand being issued in time. The departmental representative stated that the contention made by Audit was correct and the loss had occurred but to failure

of the Ministry of Commerce to notify the customs authorities about the extension in the period. The Committee directed that the Ministry of Finance should find out from the Ministry of Commerce as to why they failed to notify the customs authorities about the extension in question and submit a report in the next session of the Public Accounts Committee.

21. *Para 17(ii) on page 21 of the Appropriation Accounts, 1955-56.*—The Collector of Customs at the instance of Audit decided in February, 1956 that "Soapless Detergent Tide" were assessable as chemicals at 36 per cent. *ad valorem* instead of at Rs. 7|12-4|5 per cent. specified for laundry soaps under item 32(2) (4) of the Pakistan Customs Tariff. As a result of this decision, the amount short levied to the extent of Rs. 8,000 yet remained to be recovered from the parties concerned. The departmental representative stated that the amount involved had since been recovered.

22. *Paragraph 25 on page 25 of the Appropriation Accounts for the year 1955-56.*—Under Section 140(2) of the Government of India Act, 1935 (as adapted), the Government of East Pakistan was entitled to receive such proportion of the net proceeds of export duty on jute and jute products in each year as the Governor-General might, by an Order, determine. The proportion of net proceeds fixed by the Governor-General for various periods was as under :—

<i>Period</i>	<i>Proportion assigned to the Province</i>
1947-48	62-1/2 per cent of the net proceeds. Government of India (Distribution of Revenues) Order No. 9 of 1936.
1-4-1948 to 31-3-1952	62-1/2 per cent of the net proceeds or Rs. 350 lacs whichever is less. Government of Pakistan (Distribution of Revenues) Order No. 3 of 1949.

Prior to April 1, 1948 the Government of East Pakistan was also levying a tax of 2 annas per maund on raw jute under the "Bengal Raw Jute Taxation Act, 1941". The Provincial Government proposed to increase this tax to Re. 1 per maund with effect from April 1, 1948. In order to avoid two separate taxes by the Central and Provincial Governments on one and the same commodity, it was decided in a meeting between the Central and Provincial Governments that the latter should discontinue the levy of the existing tax or to enhance it. The Central Government in turn undertook to make good the loss in revenue to the Provincial Government by increasing the export duty on jute, and making additional payment to the Provincial Government over and above the 62-1/2% share fixed by the Governor-General. This decision was announced through a press note issued on April 1, 1948. As the decision arrived at was at variance with the provisions of the "Order" issued by the Governor-General in 1949, the said Order should have been got amended before implementing the decision. This was, however, not done through an omission on the part of the department. The excess payments made during all these years on the basis of the agreement between the two Governments were irregular in the absence of an amendment to the Governor-General's Orders of 1936 and 1949. The position was required

to be regularised through suitable legislation. The departmental representative stated that there had been some legal difficulties in regularising the position due to the inauguration of the 1953 Constitution under which an order could be issued only after the findings of the National Finance Commission were available in accordance with Article 118 *ibid.* However in the present circumstances when the Constitution is no longer in existence, the omission could be supplied by the issue of an Order of the President if so desired by the Public Accounts Committee. The Committee directed that action for the issue of a Presidential Order should be taken and compliance reported to them.

23. *Paragraph 33 on page 29 of the Appropriation Accounts for the year 1955-56.*—This paragraph indicated the important irregularities noticed by Audit at the time of inspection of treasuries. The departmental representative stated that necessary instructions had been issued to Karachi Treasury with which they were concerned and their Accounts were now being maintained properly.

24. *Charged Appropriation—Debt Services (Page 214 of the Appropriation Accounts, 1955-56).—Sub-head G-2-Interest on Deposits of Income Tax under Section 18-A of the Income Tax Act.*—The final excess of Rs. 6,41,036 was explained to be due to more adjustments of deposits as a result of more assessments during the year due to departmental drive. The excess had not been regularised due to the fact that adequate arrangements did not exist for estimating the expenditure and the Commissioners of Income-Tax were under an impression that they had no responsibility in the matter. The Committee observed that the control over expenditure was to be exercised by the Ministry of Finance and the blame could not be shifted to the Commissioners of Income Tax. They directed that the Ministry of Finance should keep a watch on the progress of expenditure in order to ensure that such excesses were not left uncovered in future.

25. The Chairman stated that the Ministry of Finance should set a high standard of accuracy in the regularisation of savings and excesses in respect of the grants controlled by them. Better results could not be expected from other Ministries in case the accounts relating to the Ministry of Finance revealed huge excesses and savings. The Committee desired that the Ministry of Finance should tighten up its procedure regarding the control over expenditure so as to reduce the percentages of savings and excesses in the accounts with which they were concerned.

26. *Grant No. 34-Currency and Mint (Audit Comments on page 224 of the Appropriation Accounts, 1955-56).*—The proforma account of quaternary surplus silver stock indicated that there was a balance of Rs. 2,87,111 on the 31st March, 1956. The physical verification of the stock was confined to the counting of the boxes and bags in which the stock was sealed. The contents of the packages could neither be weighed nor counted by tallying. The value of the stock was checked with the value recorded on the invoices furnished by the remitting treasuries and the seals of the treasuries were found intact. The remittances in question were received during the years 1950 to 1953 but were lying unexamined at the Mint pending the decision of the question as to whether these should be examined by the Mint authorities in the presence of

potdars of the remitting treasuries and if so whether the relative expenditure should be borne by the Provincial Government or the State Bank of Pakistan. The Committee were informed that the matter had since been settled as the Central Government had decided to bear the expenditure involved as a special case.

27. *Annexure A—List of unfinalised cases of serious financial irregularities (S. No. 5 on page 618 of the Appropriation Accounts, 1955-56).*—A sum of Rs. 110 representing an excess levy customs duty was sanctioned for refund to an importer. The refund order was duly pre-audited by the internal Audit organisation of the Custom House concerned and passed for payment for the correct amount of Rs. 110. A clerk of the Custom House fraudulently obliterated the refundee's name and the amount from the order and substituted a fictitious name and altered the figure of refund to Rs. 11,014. The forged refund order was presented to the Custom House Treasury and a payment of Rs. 11,014 was obtained. The matter was reported to be pending in a Court of Law. Sardar Barkat Hyat Khan desired to know whether any departmental action had been taken against the clerk concerned. The departmental representative stated that departmental action could not be taken until the Court's decision was known. The Comptroller and Auditor General pointed out that according to the information available with him the case was still pending as the clerk concerned was absconding and the Central Board of Revenue had written off the loss. The Committee directed that a report on the subject should be submitted to them by the Central Board of Revenue in the next session.

28. *Appropriation Accounts, 1956-57. (Paragraph 19 on page 15 of the Appropriation Accounts for the year 1956-57).*—Under item 63(28) of the Pakistan Customs Tariff, kerosene oil containers are assessable to duty at 30% *ad valorem*. During the course of Audit, it was found that the containers were being allowed by the customs authorities free of duty. The omission was pointed out to them but the Audit interpretation of item 63(28) was not accepted in the first instance and the containers continued to be passed free of duty. This resulted in a loss of Rs. 3,17,465. Later on, however, the Audit's interpretation was held correct and an amount of Rs. 2,42,738 was recovered. The balance amount of Rs. 74,727 could not be recovered due to the statutory time limit for the enforcement of demand having expired. The Committee observed that loss had occurred to Government due to failure to carry out the orders as laid down in the Departmental Manual and directed that such omissions should be avoided in future. The Committee also directed that the question of revising the statutory time limit for enforcement of demand should be examined by the Central Board of Revenue and a report submitted to them in the next session.

29. *Paragraph 71 on pages 38 to 39 of the Appropriation Accounts, 1956-57.*—Thirty three cases of serious financial irregularities involving a total amount of Rs. 7,56,375 referred to in paragraph 49 of the Audit Report, 1957 and 10 cases involving a total amount of Rs. 1,12,413 approximately shown in Annexure-A to the Appropriation Accounts, 1955-56 had been reported to be unfinalised. In addition, para 25 of the Commercial Accounts, 1956-57 had exhibited 8 unfinalised cases involving a total amount of Rs. 41,01,808. Out of these 51 cases, 6 cases were

subsequently finalised leaving 45 cases relating to the various Ministries as shown below :—

Name of Ministry	Year in which reported			Total No. of cases outstanding
	1953-54	1954-55	1955-56	
1. Finance	2	—	1	3
2. Commerce	8	—	—	8
3. Defence	2	—	1	3
4. States and Frontier Regions ..	9	—	1	10
5. Foreign Affairs and Commonwealth Relations.	—	4	—	4
6. Food and Agriculture	1	2	—	3
7. Health, Labour and Social Welfare	1	1	—	2
8. Karachi Administration	3	—	—	3
9. Kashmir Affairs	3	2	4	9
Total	29	9	7	45

The Committee directed that necessary instructions should be issued by the Ministry of Finance drawing the attention of the other Ministries to the settlement of these cases without much delay.

30. The Comptroller and Auditor General circulated a list of un-finalised cases of financial irregularities mentioned in the Audit Report and the Notes below the Appropriation Accounts of the grants for 1947-48 to 1955-56, relating to the Ministry of Finance (Annexure IX). The departmental representative promised to finalise these cases and to submit a compliance report to the Committee in the next session.

31. The Committee then took up the examination of the Commercial Accounts, 1954-55 to 1956-57 relating to the Ministry of Finance.

32. Paragraph 37 on page 37 of the Commercial Accounts for the year 1955-56.—This paragraph indicated the trading results of salt for the year 1955-56 and 1954-55. It was stated that the year 1955-56 registered an increase of 2 annas 7.34 pies in the average cost price per maund and a decrease of 1.99 pies in the average sale price per maund over the corresponding averages for the preceding year. The loss per maund during the year under review was 8.77 pies as compared with a profit of 2 annas 0.56 pies in the previous year. The loss was due to the fact that in the past the net working results were arrived at after taking into account the book balance of the stock of salt excluding quantity of salt recoverable from the miners, and not on the basis of the closing balance of stock of salt actually found as a result of physical verification at the various salt sources. The Accounts for the year 1955-56 was got prepared after taking into account the actual stock of salt found as a

result of physical verification and not on the basis of book balances. The Chairman desired to know whether the selling rates were being kept under review. The departmental representative stated that the subject now concerned the Bureau of Mineral Resources. The Committee directed that the Ministry of Fuel, Power and Natural Resources should submit a report to them regarding this paragraph. That Ministry should also explain as to how a certificate of physical verification was recorded without ever carrying out such verification.

33. *Paragraph 564 on page 366 of Commercial Accounts, 1955-56.*—Section 25 of the Agricultural Development Finance Corporation Act restricts the grant of loan to an individual to Rs. 1,00,000 which may be raised to Rs. 2,00,000 under special orders of Government on the recommendation of the Corporation. It was observed that a total loan of Rs. 1,64,000 was granted against two separate applications in one of which the applicants were an agriculturist and his mother, and the other was filed by the same agriculturist, his wife and a son. Both the applications were made for loans for the purpose of development of a dairy farm and an agricultural land. The same property was offered as security against the two loans applied for. Audit examination of respective copies of land revenue records available in the Corporation's office disclosed that the agriculturist himself had the sole proprietary rights over the entire property offered as security and his other relatives had no share in it. The grant of two loans exceeding Rs. 1 lakh in this case without the sanction of Government was irregular. The Committee desired to know how this was allowed by the Corporation. It was explained by the departmental representative that the loans had been applied for by the same person in different capacities and the securities offered in each case were separate. The loans were sanctioned by the Corporation on the authority of the ruling given by the Ministry of Law. The Comptroller and Auditor General pointed out that the stand taken by Audit in this case had been upheld by the Ministry of Law. The departmental representative promised to look into the matter and to submit a report to the Committee in their next session.

34. *Paragraph 240 on page 151 of the Commercial Accounts, 1956-57.*—This paragraph related to payment of an advance of Rs. 2 crores to the Agricultural Development Finance Corporation when the Corporation did not need the whole of it and reinvested a part of it resulting in a loss of 1% interest to Government. The departmental representative explained that the Ministry of Finance was devising a new procedure under which funds would be released in future to the various Corporations in quarterly instalments after stricter scrutiny of their demands. This would avoid recurrence of such cases in future.

35. *Paragraph 286 on page 173 of the Commercial Accounts, 1956-57.*—Section 43 of the Pakistan Industrial Finance Corporation Act provides that the Board of Directors may, with the previous sanction of the Central Government, make regulations governing (i) the conditions subject to which the Corporation may grant loans, and (ii) the manner of determining the sufficiency of the security taken under sub-section (2) of Section 24 *ibid.* The main function of the Corporation being the grant of assistance to industrialists in the form of loans; framing of regulations on the subject was a matter of importance and urgency. Notwithstanding the lapse of several years since the commencement of the Corporation's business, regulations were still remained to be framed. The

departmental representative explained that there had been some slackness in some of the Government sponsored Corporations in framing their regulations. The Ministry of Finance had all along been insisting on the framing of the required rules and regulations. Two years ago some drafts were received by the Ministry of Finance from the P.I.D.C. and correspondence was exchanged between the P.I.D.C. and the Ministry of Finance but the matter had not been settled. The Committee directed that regulations of the statutory Corporations should be framed in such a way that they did not adversely affect their working as efficient organisations. Referring to the Ordinance issued in November, 1960, which superseded all provisions of other laws relating to autonomous organisations and gave powers to the Central Government *inter alia* to issue instructions to Corporations in financial matters, the Chairman enquired if necessary action had been taken to issue the requisite instructions to the various Corporations. The departmental representative stated that as a first step, directions to be given to the various Corporations were being divided into two categories *viz.* general orders and specific orders. The Committee desired that the Comptroller and Auditor General should be consulted regarding the points which he might like to include in the specific instructions on accounting and financial arrangements.

36. *Paragraph 316 on page 188 of the Commercial Accounts, 1956-57.*—The working of A. D. F. C. disclosed losses from year to year. From the date of its inception the Corporation had incurred a total loss of Rs. 19,04,606 up to the year 1956-57. The Chairman observed that since the recovery of interest on capital advanced by Government had been waived, the Corporation should now be able to show profits. The Committee desired to know the latest position of the Corporations working in their next meeting.

37. *Paragraph 317 on page 189 of the Commercial Accounts, 1956-57.*—It was stated that the position of repayment of loans granted by the A.D.F.C. to the various parties, was not very satisfactory and indicated a growing tendency of non-payment of instalments on the due dates on the part of the borrowers. The departmental representative explained various difficulties in effecting recoveries from the borrowers. He stated that in several cases the borrowers were financially not in a position to repay the loan on due dates and extension had inevitably to be granted. The Committee desired that the position should be kept under constant review and all possible steps should be taken to recover the loans.

38. *Paragraph 318 on page 189 of the Commercial Accounts, 1956-57.*—It was stated that the number of loan applications remaining pending with the A.D.F.C. at the end of each year was increasing. The percentage of outstanding applications to the total number of applications received during the year 1956-57 was 64.1 compared with 47.6 in 1955-56. This not only checked the expansion of the business, but also retarded the development of agriculture for which purpose the Corporation came into being. The departmental representative stated that efforts were being made to accelerate the disposal of applications for loans. The Committee directed that the aim should be not only to clear the outstanding applications but to stop the accumulation of fresh arrears.

39. The Committee then adjourned to meet again on Saturday the 24th December, 1960 at 9-00 A.M.

Proceedings of the twelfth meeting of the Public Accounts Committee held on Saturday the 24th December 1960 at 9.00 A.M.

The twelfth meeting of the Public Accounts Committee was held in Pakistan Secretariat-II, Rawalpindi, at 9.00 A.M., on Saturday, the 24th December, 1960, under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives

MINISTRY OF REHABILITATION AND WORKS

7. Mr. M. H. Soofi, C.S.P., Joint Secretary.
8. Mr. M. Shafi, S.Q.A., Chief Engineer, Pakistan Public Works Department.
9. Mr. A. R. Qureshi, Deputy Secretary.
10. Mr. M. Anwar Shaikh, Deputy Financial Adviser.

Secretary of the Public Accounts Committee

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

2. The day's proceedings began with the examination of the compliance report of the Ministry of Rehabilitation and Works on the recommendations made by the previous Committee in their Report on the Accounts for the year 1953-54.

3. *S. No. 1 on page 443 of the Compliance Report.*—The previous Committee had recommended that effect of the new measures restrictively approved should be reported to them. The Comptroller and Auditor General desired to know whether the budget provision for the year 1957-58 for various works had been made in accordance with the directives of the Committee. The departmental representative stated that necessary instructions in this regard had been issued by them to all concerned. The Comptroller and Auditor General pointed out that

in spite of these instructions, savings to the extent of 22.84% were noticed in the works expenditure in the year 1957-58. He suggested that in future a cut of about 20% may be made in the budget estimates for various works and additional amount may be sanctioned during the course of the year if it was found that larger amounts could be spent. The departmental representative stated that the savings in works expenditure were mainly due to the fact that the Ministries concerned approached the Ministry of Finance direct for provision of funds and the P.W.D. were usually not consulted. The Chief Engineer was of the view that huge variations in the works expenditure could be avoided if budget provision was made after the estimates had been seen by the P.W.D. and sanctions accorded by them. The departmental representative added that in some cases the administrative Ministries concerned made budget provisions for a work but as they could not obtain the site, the work could not be started resulting in the non-utilisation of the funds. The Committee observed that there should be realistic estimation of expenditure and provision should be made only for what was likely to be incurred during the course of a year. They directed that the Ministry of Rehabilitation and Works should set up a small committee consisting of the representatives of the Works Division, the Ministry of Finance and an indenting Ministry, which executed large works and devise a detailed procedure to ensure proper budgeting and utilisation of funds for works, so that unwanted funds could be spared for allocation elsewhere. The Committee desired to have a report on this subject in the next session.

4. *S. No. 2 on page 443 of the Compliance Report.*—The previous Committee had desired to know the full facts of the case relating to budget provision for a Meteorological Observatory at Cox's Bazar, which was being repeated for the last two or three years. The departmental representative explained that the site was made available to the department concerned on 11th June, 1957, the work started on 3rd July, 1957 and completed on the 15th April, 1958. The delay in the completion of the work was due mainly to un-favourable weather conditions.

5. *S. No. 4 on page 445 of the Compliance Report.*—The previous Committee had directed that the Ministry of Rehabilitation and Works should state the position regarding the physical verification of furniture in the residences of Ministers and officers entitled to free furnished accommodation and should fix the responsibility for glaring omissions. In their compliance report, the Ministry of Rehabilitation and Works had stated that the physical verification of the furniture of the Ministers' residences had since been completed and the certificates of verification were being sent to the Accountant General, Pakistan Revenues. The position with regard to the other houses was being ascertained and the Chief Engineer had been requested to fix responsibility for the omission. The Committee observed that the Ministry of Rehabilitation and Works should not have taken such a long time over this matter. They directed that the physical verification of furniture in question should be carried out regularly in future.

6. *S. No. 6 on page 446 of the Compliance Report.*—The previous Committee had directed that the Ministry of Rehabilitation and Works should expedite the finalisation of the report of the Enquiry Committee investigating into the poor quality of the repairs done to the Drigh Road and the delay in the completion of the repairs. They had also desired

that important conclusions of the Enquiry Committee should be reported to them. In their compliance report, the Ministry of Rehabilitation and Works had stated that the Executive Engineer concerned was censured. As regards the recommendations of the Enquiry Committee most of them had been enforced in the department. Subsequently a high powered committee was also appointed to reduce mal-practices in the department and to improve supervision of works. This Committee had recommended complete reorganisation and stream lining of the P.W.D. Sardar Barkat Hyat Khan desired to know whether the reorganisation scheme had been implemented. The departmental representative stated that necessary orders in this regard had been issued by them. The Comptroller and Auditor General desired to know the broad lines of the reorganisation. The departmental representative explained that under the new scheme the estimates for various works which at present were prepared by the Executive Engineer responsible for the execution of the work, would be prepared by another Executive Engineer who would be attached to the Chief Engineer's office. Essentially the revised scheme aimed at centralisation of the work in the Chief Engineer's office and avoidance of making one Executive Engineer responsible for both the preparation of a scheme and its execution.

7. *S. No. 7 on page 447 of the Compliance Report.*—The previous Committee had recommended that in cases where a Minister refused to sign the inventory in respect of furniture etc. in his residence, the matter should be brought to the notice of the Cabinet and a detailed report should be submitted to them indicating whether the account of the stores in question had been compiled and the physical verification had been done. The departmental representative stated that necessary inventories in respect of the houses of the Ministers had since prepared and were being sent to them for the requisite certificates. The result would be reported to the Committee during the next session.

8. *S. No. 8 on page 448 of the Compliance Report.*—The previous Committee had recommended that a report on the completion of the work relating to the fixation of standard rent of residential buildings should be submitted to them. The departmental representative stated that standard rent had been fixed except in the case of ten types of residential accommodation and it was hoped that the fixation of rent in respect of those types would be completed during the course of the year 1961. The Committee directed that a report in the matter should be submitted to them in the next session.

9. *S. No. 9 on page 449 of the Compliance Report.*—In paragraph 47 of their Report on the Accounts for the year 1951-52, the Public Accounts Committee had observed that immediate steps should be taken to determine the responsibility for the maintenance of sanitary arrangements, etc., in the Quaid-abad and Khudadad colonies. The previous Committee were informed that expenditure for the provision of sanitary and water services was still being incurred from the Central Government funds. The Committee had directed that a detailed report on this subject should be submitted to them in the next session. The Comptroller and Auditor General pointed out that what was intended to bring out was that expenditure on health services and sanitary arrangements should not have been met from Central Government funds. The departmental representative stated that the responsibility for the maintenance of sanitary arrange-

ments in the two colonies had since been transferred to the Karachi Municipal Corporation in accordance with the directives given by the previous Committee.

10. *S. No. 10 on page 451 of the Compliance Report.*—The previous Committee had asked for a report on the progress of the recovery of rent of 3,000 H-type quarters in Nazimabad and also in respect of the quarters constructed in other refugee colonies of Karachi. In their compliance report, the Ministry of Rehabilitation and Works had stated that it had been decided by Government in 1959 to recover the capital expenditure and development and other charges from the allottees of the quarters built in the refugees colonies. The Karachi Development Authority to whom all refugee colonies were transferred in October, 1960, had been directed to take immediate steps for the recovery of rents etc. A sum of Rs. 42,94,013 had accordingly been recovered and necessary steps were being taken for the realisation of the remaining amounts. The Committee desired to know further progress of recoveries in their next meeting.

11. *S. No. 11 on page 453 of the Compliance Report.*—The previous Committee had observed that arrangements in respect of the recovery of rent of urban evacuee property were not quite satisfactory and had directed that a detailed report indicating the up-to-date position in regard to these recoveries should be submitted to them during the next session. The departmental representative stated that the arrears of rent to be recovered from the occupants of the urban immovable evacuee property amounted to Rs. 15,69,51,436 on 31st December, 1959. It was added that large arrears of rent had already been adjusted against the verified claims. The bulk of the arrears would be cleared by the time the settlement operations came to an end. The Committee directed that a report indicating the final position of the settlement operations should be submitted to them in the next session.

12. The Committee then took up the examination of the Appropriation Accounts for the year 1954-55 to 1956-57, relating to the Ministry of Rehabilitation and Works.

13. *Paragraph 47 on page 43 of the Appropriation Accounts, 1954-55.*—It was stated that the movement register in respect of staff cars was not scrutinised by the officer incharge in the Ministry of Rehabilitation and Works to ensure that the staff cars were not mis-used by the driver. The staff cars were also allowed to be used by the non-gazetted staff in contravention of the rules on the subject. The Committee observed that disciplinary action should be taken in such cases against the officers concerned in future.

14. *Paragraph 48(v) on page 44 of the Appropriation Accounts, 1954-55.*—There was a tendency towards delay in disposal of Inspection Reports and Audit Notes on Public Works Accounts. The total number of outstanding Reports and Audit Notes up to the end of the year 1954-55 was stated to 79 and 57 respectively. The Comptroller and Auditor General pointed out that the latest position was that the total number of outstanding Reports and Audit Notes had arisen to 797 up to end of the year 1956-57. The departmental representative stated that efforts were being made by them to clear the Audit Notes and outstanding Reports and for this purpose the services of an Assistant Accounts Officer had been obtained by them from the Pakistan Audit Department. The

Committee observed that the disposal of such notes and reports was an executive action for which it was not very necessary to obtain the services of an Assistant Accounts Officer. The departmental representative stated that the officers concerned had been warned to be careful in future and if the position did not improve, it was proposed to make adverse entries in their confidential reports. The Committee hoped that all outstanding Reports and Audit Notes would be cleared by the Ministry of Rehabilitation and Works expeditiously.

15. At this stage the Comptroller and Auditor General raised the point that the West Pakistan Government had decided that the confidential reports of the Divisional Accountants would, in future, be written by the officers of the Audit Department and not by the Executive Engineer. The Committee recommended that the Ministry of Rehabilitation and Works should introduce a similar system with regard to the confidential reports of the Divisional Accountants working in the Pakistan Public Works Department.

16. *Paragraph 49(a) on page 44 of the Appropriation Accounts, 1954-55.*—In a Public Works Division huge quantities of materials were issued to a contractor for the execution of work, the supply of which was not stipulated in the relevant agreement. The contractor was authorised to obtain 800 tons of cement required for the execution of work out of the Government quota from a cement factory and its cost was to be recovered at the stock issue rate of Rs. 110 per ton. The cost was actually recovered at the rate of Rs. 92-4-0 per ton resulting in a short recovery of Rs. 14,200 (Rs. 110 minus Rs. 92 per ton) from the contractor. In the same Division a quantity of 1074.75 tons of cement was issued to the contractor in excess of the quantity of the material to be supplied as stipulated in the agreement, and its cost was recovered from him at Rs. 70 per ton against the actual cost of Rs. 83-9-7 per ton. This resulted in a loss of Rs. 14,615 and the contractor was irregularly benefited to the extent of Rs. 43,000 (the issue rate being Rs. 110 per ton and the recovery made from the contractor being Rs. 70 per ton). The departmental representative stated that in the first case no financial aid had been rendered to the contractor due to the fact that cement was purchased by him directly from the market and it was not supplied by Government. In the second case the quantity of cement stated in the Audit Report was not correct due to the fact that the actual quantity of the cement issued in excess was 74 tons and not 1074.75 tons. The departmental representative admitted that the cement was sold to the contractor at Rs. 70 per ton but added that the difference was recovered from him subsequently. The Committee observed that since all paragraphs to be included in the Audit Report were shown by the Accountant General, Pakistan Revenues to the Ministry concerned, the requisite information should have been furnished to him for incorporation in the Audit Report. The Committee also desired to know as to what action had been taken against the officers responsible for the irregularity. The departmental representative stated that this question would be examined and a report submitted to the Committee in due course. The Committee also observed that in the case of items of stores which were in short supply in the market, the contractors usually got the material through Government and it was, therefore, necessary that the Ministry of Rehabilitation and Works should exercise greater vigilance regarding the issue of Government stores to contractors.

17. Paragraph 49 (b) on page 45 of the Appropriation Accounts, 1954-55.—In a Public Works Division a contractor was issued material for which no provision existed in the agreement. The material (not being in Government stock) was arranged by the Division by local purchase and by indent from other Divisions. Thus financial aid to the extent of Rs. 28,000 was given to the contractor. The cost of 15½ tons of bitumen supplied was recovered at Rs. 282 per ton against the issue rate of Rs. 294 per ton (excluding storage charges) which resulted in a financial loss of Rs. 1,860 to Government. The departmental representative admitted that the stores in this case should have been purchased by the contractor directly and should not have been supplied by the Public Works Division. He added that recovery of the amount involved had since been made from the contractor. The Committee observed that steps should be taken to avoid recurrence of such irregularities in future.

18. Paragraph 50 on page 45 of the Appropriation Accounts, 1954-55.—The work "construction of 600 residential quarters (400-G and 200-H) at Jacob Lines (building portion)" was stated to have been completed on 12th March, 1953 but work-charged establishment costing Rs. 6,641 was engaged on the removal of excavated earth and clearance of site, etc. According to the conditions of contract the work should not have been considered as complete until the contractor had cleared the site of the work, etc. The amount of Rs. 6,641 was correctly recoverable from the contractor whereas it had been debited to the work's account. The departmental representative explained that the site had to be cleared at Government expense due to the fact that the rubbish was thrown there by some milkmen who were staying there and in accordance with the terms of the contract, the contractor was not required to clear it. The Committee observed that this explanation should have been furnished to the Accountant General, Pakistan Revenues for incorporation in the Audit Report. They also observed that the amount spent on the clearance of site was very high and directed that steps should be taken in future to disallow encroachments on the site where a work had to be started.

19. Grant No. 62-Civil Works (Note 10 on page 315 of the Appropriation Accounts, 1954-55).—It was stated that out of six Public Works Divisions in West Pakistan entrusted with the work of acquisition, custody and issues of stock materials, the half yearly registers of stock for the period ending September, 1954 and March, 1955 of 5 Divisions were still awaited by Audit while those received in respect of one Division had been returned with certain observations. The number of half yearly registers of stock which had not been received from the Divisions concerned after clearance of Audit objections was stated to be 35 upto the end of the year 1953-54. All the stock registers for the year ended 1954-55 had not been received from the Public Works Division in East and West Pakistan and it could not be certified in Audit whether the closing balance represented the actual value of stock materials in hand at the close of the year. The departmental representative stated that the stock registers in respect of all Divisions had been brought up-to-date and a report had been submitted to the Accountant General, Pakistan Revenues. The Committee desired that the position should be checked up by the Comptroller and Auditor General and a report submitted to them in the next session.

20. Note 11 on page 316 of the *Appropriation Accounts, 1954-55*.—It was stated that the Capital and Revenue Accounts of residential buildings under the charge of Public Works Department required to be compiled by the Accountant General, Pakistan Revenues once in 3 years were not compiled for a single triennium since Independence due to non-receipt of necessary information from the Public Works Department and the Estate Officer. The departmental representative stated that this could not be done due to the fact that they were short of experienced staff and most of the accountants in the Public Works Department were not fully qualified to do the job. It was hoped that under the reorganised system, the Chief Engineer would be able to put separate staff exclusively on the clearance of arrears. The Comptroller and Auditor General observed that steps should have been taken by the Ministry of Rehabilitation and Works much earlier for the clearance of these arrears as the Public Accounts Committee had been asking for the same for the last 3 years. The departmental representative stated that the arrears were expected to be cleared in 6 to 8 months time and a report would be submitted to the Committee in the next session.

21. Note 13 on pages 316-317 of the *Appropriation Accounts, 1954-55*.—In para. 27(a) of their Report on the Accounts for the year 1949-50 the Public Accounts Committee had desired that the Accountant General, Pakistan Revenues and the Chief Engineer should take steps to improve the unsatisfactory state of affairs with regard to the heavy arrears accumulated in the Public Works Department since Independence, due to non-submission of accounts returns to Audit, etc. The suggestion of the Committee was examined by the Chief Engineer and the Accountant General, Pakistan Revenues and certain recommendations were made to clear the arrears. A scheme was also prepared for the training of the clerical staff of the Public Works Department offices in the accounts routine and for exchange of clerks of the Public Works Department offices with the clerks in the Office of the Accountant General, Pakistan Revenues in suitable batches. This scheme was implemented and an investigating party consisting of an officer of Pakistan Public Works Department and an officer of the Pakistan Audit Department assisted by two Divisional Accountants was formed to inspect the Public Works Department offices to assess the volume of arrears in each office and to see to an expeditious reconstruction of all returns in arrears etc. With effect from the 15th November, 1956, the *modus-operandi* of the party was changed under the instructions of the Chief Engineer and its activities confined to the clearance of arrears of one Public Works Division at a time. The Committee desired to know the reasons under which the procedure prescribed by the investigating committee had been changed. The departmental representative stated that there were heavy arrears in all Divisions and it was considered desirable to complete the work in one Division before taking up the clearance of arrears in the other Divisions. He added that the question of getting separate staff for the clearance of arrears on the introduction of the reorganisation scheme was being examined. The progress made in the clearance of arrears would be reported to the Committee in the next session.

22. Note 13 (iii) on page 318 of the *Appropriation Accounts, 1954-55*.—It was stated in this note that a large number of works were started during the course of the year without first getting the detailed estimates sanctioned technically. The Government of Pakistan ordered discontinuation of this practice but it appeared from the Accounts of the subsequent years that the orders were not carried out. The Comptroller and

Auditor General pointed out that the number of central works started in anticipation of technical estimates, after the issue of the above orders was as follows :—

Year	No. of Works	Amount invoiced
1956-57	1,101	3,62,99,609
1957-58	1,550	4,39,69,921
1958-59	1,603	6,79,54,537
1959-60	1,308	4,46,01,345

The Committee observed that the amounts involved in these cases were quite heavy. During the year 1958-59, works involving an expenditure of Rs. 6,79,54,537 were undertaken without proper formalities being observed. The departmental representative admitted that this deviation from the procedure created confusion in accounts although in some cases it was necessary to start the work in anticipation of the requisite sanction due to pressure from the department concerned. However, in future it was intended that only those works would be included in the budget estimates for which technical sanction had been accorded. The Committee directed that a system should be evolved by the Ministry of Rehabilitation and Works to ensure that only urgent works necessitated as a result of the floods etc., were started without getting the detailed estimates sanctioned technically. No other work should be taken up in future without getting proper sanction.

23. *Appropriation Accounts, 1955-56* [paragraph 41(iii) on page 36 of the *Appropriation Accounts, 1955-56*].—In a Division it was found that materials worth Rs. 25,410 were stolen from the godown. In the same Division a second theft occurred within a period of six months and materials worth Rs. 1,282 were stolen. In another Division it was observed that materials like galvanised iron pipes, mild steel rods and corrugated iron sheets valued Rs. 49, Rs. 2,441 and Rs. 386 respectively were stolen.

In one Division it was found that 1,044 tons of cement worth Rs. 1,14,840 was stored for about four years and ultimately turned into cakes. In another Division it was noticed from a survey report that 14 tons of cement worth Rs. 2,380 became unserviceable within six months of its receipt which was attributed to the fact that there was no pucca godown for protection of the cement from rain. All these facts indicated lack of care and supervision over Government property by the Divisional officers concerned. Action taken by the department concerned to regularise or make good the loss, thus sustained by Government, had not been intimated to Audit in spite of repeated reminders. The Committee desired to know the latest position of the cases. The departmental representative stated that the matter had been referred to the Special Police and was being followed up. Sardar Barkat Hyat Khan

desired to know if any departmental action had been taken against the officers responsible for the losses, etc. It was explained that departmental action would be taken after the cases had been decided by the police or the Court of Law. The Committee observed that in such cases considerable time was taken by the Special Police and the Courts of Law, resulting in delays in taking departmental action against the officers concerned. They directed that departmental proceedings should be started side by side and final action should be taken immediately after the findings of the Court of Law were available. As regards the damaging of cement the departmental representative explained that it was damaged in transit and did not reach the godown in good condition. The Committee observed that due care should be taken to avoid such losses in future.

24. *Paragraph 42(a) (i) on page 37 of the Appropriation Accounts, 1955-56.*—In a Public Works Division, three tenders were received for a work, the lowest of which was 55 per cent below the estimated cost whereas the second and the third lowest were 67 per cent and 142 per cent above the estimated cost respectively. After the tenders had been opened, the lowest tenderer changed his quotation to 50 per cent above the tendered cost. The Executive Engineer recommended that the lowest tender (50 per cent above the tendered cost) be rejected as it was unworkable and that the second lowest tender (67 per cent above the tendered cost) be accepted. The Superintending Engineer, however, rejected all the three tenders without assigning any reasons and ordered the calling of fresh tenders. After unsuccessful negotiations the work was ultimately awarded to the contractor who had given the lowest tender on the second occasion at 75.2 per cent above the estimated cost and who was the second lowest on the first occasion. Had his first tender been accepted it would have saved a sum of Rs. 1,848 to Government. No punitive action was taken against the contractor who had initially quoted at 55 per cent below the estimated cost in order to discourage the submission of unworkable tenders. In view of the wide disparity between the estimated cost and the rates tendered for the work, the possibility of getting the work executed departmentally should have been considered. The Committee desired to know the circumstances under which the lowest tender had not been accepted on the first occasion. The departmental representative explained that in this case the Executive Engineer concerned had recommended that the second lowest tenderer should be asked to do the work on reduced rates as the lowest one was considered by him to be unworkable. This would, however, have amounted to negotiations and all tenders were, therefore, rejected. No reasons for rejection had been assigned as it was not necessary to do so under the normal rules. The reasons had to be assigned only when the lowest tender was not accepted and the second lowest was accepted. The Committee recommended that even in cases where all tenders were rejected and fresh tenders invited, full reasons for the rejection should be stated in future.

25. *Paragraph 42(a) (ii) on page 37 of the Appropriation Accounts, 1955-56.*—In another Division a work was entrusted to a contractor who was the second lowest. The net loss to Government by not entrusting the work to the lowest tender was Rs. 34,488. The reasons for not accepting the lowest tender were not placed on record. The tenders were also not reviewed by Government as required under the rules. The departmental representative stated that in this case the Chief Engineer had

recorded the reasons for non acceptance of the lowest tender in his office file which did not go to the Executive Engineer and was not thus shown to Audit. The Committee observed that in such cases, reasons for rejection of lowest tender should have been made available to Audit to verify the correct position.

26. *Paragraph 42(a) (iii) on page 37 of the Appropriation Accounts, 1955-56.*—Tenders for a work were called for by a Divisional Officer and the lowest tender received was 15.2 per cent above the estimated cost. The work was, however, awarded to three contractors, i.e., to the lowest tenderer on the basis of his tendered rates and to two others on the basis of rates negotiated with them which were 18 per cent. higher than the estimated cost or in other words 2.8 per cent higher than the lowest tenderer. The award of a portion of the work to two contractors by negotiation resulted in an excess expenditure of about Rs. 60,000. No reasons were recorded by the departmental officers for not giving the entire work to the lowest tenderer. The Committee desired to know why the work was given to three contractors instead of one contractor. The departmental representative explained that the work had to be split up in view of its magnitude and the division was made with the concurrence of the Financial Adviser. Sardar Barkat Hyat Khan pointed out that the position should have been intimated to the Accountant General, Pakistan Revenues for incorporation in the Appropriation Accounts. The Comptroller and Auditor General pointed out that no comments on the paragraph were furnished by the Ministry of Rehabilitation and Works, for incorporation in the Audit Report. The Committee observed that in cases where it was visualised in advance that the work might have to be split up, the correct procedure was to call for tenders in parts rather than to call for a bulk tender and then split it up. The departmental representative admitted that the correct procedure was not followed in this case. The Committee directed that the correct procedure should be followed in future.

27. *Para. 42(a) (iv) on page 37 of the Appropriation Accounts, 1955-56.*—In another instance of award of work to a tenderer other than lowest it was noticed that the higher tender was accepted mainly because the tenderer promised to complete the work speedily. The expectation, however, did not materialise and the work was completed long after the stipulated date. In accepting the higher tender, equipment somewhat inferior to that offered by the lowest tenderer had also to be accepted. Thus on the one hand, Government were unnecessarily put to an additional expenditure of Rs. 10,351 and on the other they had to accept inferior equipment. Sadar Barkat Hyat Khan desired to know whether any penalty had been imposed on the tenderer concerned. The departmental representative stated that no penalty was imposed on the tenderer and no departmental action had been taken against the officer who allowed this to happen. The Committee directed that a report indicating the action taken against the contractor and the officer responsible for the loss should be submitted to them in the next session. They also directed that in cases where a work was considered to be entrusted to a tenderer other than the lowest in order to complete it speedily, orders of the superior authority should be obtained in future.

28. *Paragraph 42(b) on page 38 of the Appropriation Accounts, 1955-56.*—In a Public Works Division 74 tons 2 cwt cement was found short, involving a loss to Government of about Rs. 8,500. No report of the loss was, however, made to Audit as required under the rules. The result

of the departmental investigation in the matter was also awaited. The departmental representative explained that the amount involved was being recovered from the salary of the overseer concerned.

29. *Paragraph 42(c) on page 38 of the Appropriation Accounts, 1955-56.*—In the same Division stores worth Rs. 84,535 were found short on physical verification but the final report of the departmental investigation regarding this shortage had not been furnished to Audit, in spite of the fact that the matter was specifically brought to the notice of the authorities concerned as far back as 1953. Shortages of glass panes (7,711 sq. ft.) and surpluses of hard coke (7 tons), steel (more than 8 tons) and deodar wood (185 c.ft.) noticed during the course of physical verification of stores were also commented upon in para 20(d)(ii)(b) of the Audit Report, 1954. These shortages and surpluses also remained uninvestigated and unadjusted. The Comptroller and Auditor General desired to know whether the surpluses had been taken on charge. The departmental representative stated that surpluses had since been adjusted but the loss had not been written off. The responsibility for the loss could not be fixed as the overseer concerned had since left the department. The Comptroller and Auditor General pointed out that according to his information the surpluses had not so far been adjusted. The departmental representative promised to look into the matter and to submit a complete report to the Committee in the next session.

30. *Paragraph 42(d) on page 38 of the Appropriation Accounts, 1955-56.*—31,698 Rft. of galvanised iron pipe was received in the same Division and was duly measured by the overseer and test checked by the Sub-Divisional Officer. The pipes supplied were, however, of 3-1/2 inches diameter as against 4 inches provided in the Acceptance of Tender issued by the Director General, Supply and Development and were also otherwise of lower specification. A clear certificate of verification of the stores was, however, recorded on the inspection note. A substantial loss was thus caused to Government due to the acceptance of stores of inferior quality. The departmental authorities had neither worked out the loss caused to the State nor intimated the action taken or proposed to be taken against the persons at fault. The departmental representative stated that the responsibility for the loss in this case had not yet been fixed. The Committee observed that the Ministry of Rehabilitation and Works should not have taken so long to take departmental action in this case. They directed that in future, the Secretary, Ministry of Rehabilitation and Works should ensure that in such cases, departmental action was taken expeditiously against the officers concerned. The Committee also desired that the loss involved should be worked out and the action taken to regularise it reported to them in the next session.

31. *Paragraph 42(e) on page 38 of the Appropriation Accounts, 1955-56.*—A Division was entrusted with the execution of a deposit work estimated to cost Rs. 13,99,500. The expenditure incurred on the work amounted to Rs. 13,11,217 up to the end of January, 1957 against which a sum of Rs. 7,00,000 only was received as deposit. The balance of Rs. 6,11,217 still remained outstanding in spite of the fact that considerable time had elapsed since then.

The Committee desired to know why this work had been taken without obtaining any deposit. It was explained by the departmental representative that a Trust had been created for the execution of the work

in question and inspite of requests no deposit was made by them. He promised that the matter would be taken up with the Trust authorities and a report indicating the action taken to recover the balance of Rs. 6,11,217 would be submitted to the Committee in the next session.

32. *Paragraph 52(i) on page 31 of the Appropriation Accounts, 1956-57.*—In three Divisions the contractors ledgers were not maintained properly and necessary recovery on account of cost of materials issued to them was not made from their running account bills, with the result that when the final bills of the contractors were presented, the cost of materials to be recovered was found to be in excess of the amount payable to them on account of the value of works executed by them. The excess payment thus made amounted to Rs. 3,14,504. In one case, the contractor absconded, evading the recovery of Rs. 16,222 due from him. The Committee desired to know the latest position of the case. The departmental representative explained that the amounts involved in this case had been partly recovered leaving a balance of the order of Rs. 31,000. The overpayment was caused by the fact that the ledgers had not been maintained properly for want of qualified accountants. The Chairman observed that it was not necessary to have qualified accountants for the maintenance of ledgers and departmental action should have been taken against the officers responsible for the non-maintenance of ledgers in this case. The Committee directed that instructions should be issued to all officers for taking greater interest in the maintenance of payment records. A report regarding the unrecovered balance was also ordered to be submitted to the Committee in the next session.

33. *Paragraph 52(iii) on page 31 of the Appropriation Accounts, 1956-57.*—In the course of scrutiny of the stock accounts of a Division, it was revealed that the Government suffered financial loss amounting to lakhs of rupees in the shape of pilferage and deterioration of materials due to bad and careless storage and also on account of failure of the departmental officers to act with ordinary prudence. In some cases recoveries were made from the persons at fault which fell far short of the book value of the materials and were too meagre in comparison with the heavy loss sustained by Government. Deteriorated materials had, in a majority of cases, been survey reported and written off without proper investigation and fixation of responsibility. The departmental representative stated that the stores were received from the M.E.S. in bad condition and in some cases the persons responsible had been asked to pay for the loss. The Committee directed that a report indicating the up-to-date position of recoveries and the action taken against the officers concerned should be submitted to them in the next session.

34. *Paragraph 54(iii) on page 32 of the Appropriation Accounts, 1956-57.*—In a Public Works Division, wheat valuing Rs. 15,288 was supplied to a contractor for his labour, but no recovery therefor was made from him. The circumstances responsible for this failure were not intimated to Audit. The departmental representative stated that according to the report received from the Political Agent in Gilgit, the amount was partly recovered and action was being taken to write off the balance. It was further stated that according to the latest distribution of work this case now concerned the Ministry of Kashmir Affairs. The Committee directed that the Ministry of Kashmir Affairs should submit a report indicating the action taken by them in this case.

35. *Paragraph 55 (i) on page 32 of the Appropriation Accounts, 1956-57.*—In a Public Works Division, an amount of Rs. 3,767 was due to be recovered from high officials upto November, 1956 on account of electric charges but no recoveries were made. The departmental representative stated that reminders had been issued to the high officials concerned to clear the outstandings and legal notices would be served in case the accounts involved were not paid by them within a fortnight. The result would be reported to the Committee in the next session.

36. *Paragraph 59 on page 33 of the Appropriation Accounts, 1956-57.*—On 31st March, 1956, the Chief Engineer, Pakistan Public Works Department directed all the Superintending Engineers and the Executive Engineers at Karachi not to make any payments due to the four contractors named by him who owed heavy amounts to Government on account of defective work done by them in connection with the refugee rehabilitation works. In contravention of this directive, payments amounting to Rs. 57,117 were made by a Division to one of the contractors though Government dues amounting to Rs. 88,663 still remained to be recovered from him. The departmental representative explained that the Executive Engineer concerned was screened out of Government service. The case was under dispute as the contractor had asked for arbitration. The Committee directed that a report indicating the final action taken in the matter should be submitted to them in the next session.

37. *Grant No. 7 Cabinet (Note 6 on page 100 of the Appropriation Accounts, 1956-57).*—It was stated in this note that the question of the compilation of proforma account of the expenditure on the State Guest House and its exhibition in the Appropriation Accounts, was under consideration of Government. The Comptroller and Auditor General enquired if it had since been decided that the proforma account should be maintained. The departmental representative replied in the affirmative and added that for the valuation of the building, some data had to be collected from the West Pakistan Public Works Department and it would take some time before a proforma account was prepared. The Committee directed that the proforma account should be prepared expeditiously.

38. *Grant No. 62—Expenditure connected with Kashmir Refugees (Note 4 on page 203 of the Appropriation Accounts, 1956-57).*—It was stated in this note that the Manual of Instructions issued by the Directorate of Kashmir Refugees in 1950 for use by the various formations of the Directorate had become obsolete and a revised Manual of Instructions was stated to be under preparation. During the course of the examination of the Accounts relating to the Ministry of Kashmir Affairs, the Public Accounts Committee were informed by that Ministry (*vide para 23 of the proceedings, dated 20-12-1960*) that this subject had been transferred to the Ministry of Rehabilitation and Works. The departmental representative of the Ministry of Rehabilitation and Works pointed out that the Directorate of Civil Supplies and Transport still continued to be under the control of the Ministry of Kashmir Affairs from whom it had been learnt that efforts were being made to finalise the Manual. The Committee directed that the Ministry of Kashmir Affairs should submit a report in this regard in the next session.

39. *Annexure A—List of un-finalized cases of serious financial irregularities (S. No. 44 on page 419 of the Appropriation Accounts, 1956-57).*—It was stated that shortage of furniture valued at Rs. 7,39,100 came

to light during the physical verification. The case was still under investigation by the Public Works Department and their final report was awaited. The departmental representative stated that the loss incurred was actually of the order of Rs. 35,865 only for 112 articles of furniture. The Committee observed that the inventories of the furniture were not linked with the inventories prepared at the time of Independence when the building in question was taken over from the late Government of Sind. The departmental representative stated that the original inventory of the furniture could not be traced out. A list was, however, prepared of such furniture and it was proposed to take all surpluses on the books and to write off the shortages. The Committee directed that the Ministry of Rehabilitation and Works should examine the matter in detail and should submit a report indicating the action taken to finalise the case.

40. The next item on the agenda for the day's meeting was the consideration of the lines on which the report of the Public Accounts Committee was to be prepared. The Secretary to the Committee pointed out that in keeping with the practice obtaining in the past, the Public Accounts Committee might like to give directions in this regard after the entire Accounts for the years 1954-55 to 1956-57 had been examined. This suggestion was accepted by the Committee.

41. The Comptroller and Auditor General pointed out that the various Ministries/Divisions did not usually take any action on the recommendations made by the Public Accounts Committee until detailed statements indicating the various items concerning them were furnished by the Secretariat of the Committee. He desired that the Secretariat of the Public Accounts Committee might circulate such lists as early as possible, after the circulation of the Report of the Public Accounts Committee. The proposal was accepted by the Committee.

42. The Comptroller and Auditor General pointed out that the huge savings and excesses brought out in the Accounts indicated lack of control over expenditure. He stated that the heads of the departments were required to pay constant attention to this very important matter. A careful scrutiny of the accounts was required to be made with reference to the monthly statements of expenditure furnished by the Accountant General, Pakistan Revenues to various Departments. He added that he proposed to indicate a definite procedure to be followed by the various Ministries/Departments in this connection which the Ministry of Finance might circulate to the various Ministries. The Committee directed that the instructions sent by the Comptroller and Auditor General should be brought to the notice of the Ministries for their guidance.

43. The Committee then adjourned to meet again on Monday, the 30th January, 1961.

Proceedings of the thirteenth meeting of the Public Accounts Committee held on Monday, the 30th January, 1961 at 2.30 P.M.

The thirteenth meeting of the Public Accounts Committee was held in Pakistan Secretariat I, Rawalpindi at 2.30 p.m. on Monday, the 30th January, 1961 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives

MINISTRY OF DEFENCE

11. Mr. S. Fida Hassan, S.Pk., C.S.P., Secretary.
12. Mr. M. A. Mozaffar, S.Q.A., P.A. & A.S., Financial Adviser.
13. Mr. M. Fahimuddin, Financial Adviser (P. O. F.).
14. Mr. A. U. Kalim, Military Accountant General.

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

CIVIL AVIATION DEPARTMENT

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

METEOROLOGICAL DEPARTMENT

16. Mr. S. N. Naqvi, Director.

Secretary of the Public Accounts Committee

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

2. The proceedings began with the consideration of the compliance reports of the Ministry of Defence on the recommendations made by the previous Committee in their Report on the Accounts for the year 1953-54.

3. *Compliance Report relating to Civil Accounts (S. No. 1, paragraph 31 on page 136 of the Public Accounts Committee Report on the Accounts for the year 1953-54).*—The previous Committee had asked for a report on the delay in the installation of radar set at Dacca and had also desired that necessary action for fixing responsibility for the delay in the installation of the set should be taken. In their compliance report the Ministry of Defence had explained that in September, 1953 a proposal was agreed to by Government for the improvement of facilities at Dacca Airport in preparation for super constellation operations. This proposal among other things envisaged the installation of VOR (very high frequency Omni-Directional Ranges) at Dacca. Due to difficulty in obtaining this equipment from abroad, change over was made to the purchase of a Storm Warning Radar. The Storm Warning Radar was received in Pakistan in 1954-55. The department had asked for sanction to an expenditure of £ 325 towards the cost of the services of an installation engineer. This was the subject of prolonged consultation between the Ministries of Defence, Finance, the Civil Aviation and the Meteorological Department. The point at issue was whether instead of spending this amount in installation of the equipment, the work should be entrusted to the Meteorological Department. It was settled only towards the end of 1957 when equipment was finally handed over to the Meteorological Department. During this period the equipment deteriorated. There was further delay in handing over the tower in which the equipment had to be installed by the Department of Civil Aviation. The installation was further delayed due to some repairs and the Radar was finally brought into operation on 3rd January, 1960. The departmental representative stated that necessary action for fixing the responsibility for the delay had been initiated. The Committee observed that the Civil Aviation and the Meteorological Departments should not have taken so long in the installation of the radar set. They directed that the responsibility for the delay should be fixed without much delay and a report submitted to them in the next session.

4. *S. No. 2 (paragraph 32 on page 136 of the Public Accounts Committee Report on the Accounts for the year 1953-54).*—The previous Committee had desired that a report regarding the number of radar sets purchased, the number of radar sets set-up, the places and the departments where these sets had been set up and the reasons for the delay in their setting up should be submitted to them. In their compliance report the Ministry of Defence had stated that one mobile Storm Warning Radar set was received by the Meteorological Services in June, 1957 and it was installed within a month of its receipt at Karachi. Another type of radar set received by the Civil Aviation Department in 1954 was transferred to the Meteorological Services at the end of 1957 and installed at Dacca Air Port immediately thereafter. This set could start functioning only since January, 1960 when certain parts which had become unserviceable were replaced. The Committee desired that the responsibility for the delay should be fixed in this case and a report submitted to them in the next session.

5. *Compliance Report relating to Defence Services Accounts—part II (S. No. 1, paragraph 33 on pages 20-21 of the Public Accounts Committee Report for the year 1953-54).*—The previous Committee had directed that the large variations in expenditure under various sub-heads as compared to the original as well as the modified grants, of the Defence Services

should be carefully reviewed by the Financial Adviser and a procedure should be evolved whereby it should be possible to avoid such variations and to take necessary regulatory action before the close of each financial year. In their compliance report the Ministry of Defence had indicated several measures adopted by them to avoid recurrence of variations in the accounts. The Committee hoped that consequent upon the revision of the system of financial control and budgeting, the position would improve and large variations in the accounts would not be revealed in future.

6. S. No. 2 (paragraph 34 on page 21 of the Public Accounts Committee Report on the Accounts for the year 1953-54).—In paragraph 22 of the Audit Report, 1955, a case of unusual extension of time of a contract giving un-due advantage to the contractor was mentioned. The construction of a building was to be completed within 4 months of the signing of the contract. The contractor failed to complete the work within the stipulated period and the contract was subsequently cancelled. The portion of the work which had not been completed was required to be carried out at the risk and expense of the contractor, according to the terms of the contract. However, the contractor continued to carry out the work even after the cancellation of the contract. The contract was subsequently revived as a special case and its period extended from 4 months to 16 months. The previous Committee had directed that the case should be investigated and it should be considered whether disciplinary action should not be taken against the officials concerned. The departmental representative explained that the matter had been fully investigated and the officer who granted extension of the contract and thereby afforded undue advantage to the contractor had since left service and had been repatriated to the U.K. It was, therefore, not possible to take any disciplinary action against him.

7. S. No. 3 (paragraph 35 on page 21 of the Public Accounts Committee Report for the year 1953-54).—The deficiencies in Defence Stores found as a result of stock taking during the 4 years ended 1953-54 had been shown in paragraph 23 (ii) of the Audit Report, 1955. The previous Committee had observed that the deficiencies relating to the year 1953-54 were the largest and amounted to Rs. 40.23 lakhs. They had directed that special steps should be taken to minimise deficiencies in stocks and the steps taken together with the result obtained should be reported to them in the next session. The departmental representative explained that the amount of deficiencies came down to Rs. 5 lakhs in 1954-55 and to Rs. 2 lakhs approximately in 1956-57. The Committee noted with satisfaction that the number of cases involving deficiencies was decreasing.

8. S. No. 4 (paragraph 36 on page 22 of the Public Accounts Committee Report for the year 1953-54).—The previous Committee had observed that due to the increased use of mechanical devices in the Army, there should be a considerable reduction in the requirements of animals and it should be possible for them to surrender large pieces of land reserved for breeding of horses and mules. They had recommended that this question should be examined by the Ministry of Defence and a report submitted to them. The departmental representative explained that despite the mechanisation, animals were still required for transport in hilly areas etc. As a result of the periodical reviews,

however, about 67,000 acres of land in the possession of the Army, had been surrendered. The Chairman pointed out that since horse breeding was being done for the requirements of the civil population by other breeders, the land retained by the Army for this purpose need not be wasted. The departmental representative promised to examine whether it was possible for them to surrender the remaining land also and to submit a report to the Committee in the next session. The Chairman further pointed out that horses of various breeds were being imported to which the climatic conditions of Pakistan did not suit and added that instead of multiplying experiments, it would be better to concentrate on one breed. The Committee desired that this question should also be examined by the Ministry of Defence and a report on the animal breeding policy and the cost thereof should be submitted to them in the next session.

9. S. No. 6 (paragraph 8 on page 128 of the *Public Accounts Committee Report on the Accounts for the year 1953-54*).—In paragraph 11 of the Defence Audit Report 1954 it was stated that the accuracy of the recoveries made by H. M. G. during the period 1947-48 to 1951-52 on account of entitlement of pay and allowances of British Services personnel on loan to Pakistan Armed Forces could not be certified in audit due mainly to the difficulty in obtaining the relevant data from the U.K. Service Ministries. The Comptroller and Auditor General had agreed to accept a certificate of the Comptroller and Auditor General of the U.K. about the accuracy of these recoveries from Pakistan. The negotiation with the Comptroller and Auditor General of the U.K. could not, however, be progressed, as it had transpired that there was no agreement with H. M. G. to the terms allowed to the British Services personnel. The previous Committee had directed that the Ministry of Defence should settle the question of the terms and conditions governing the lent British Services personnel to the satisfaction of the Comptroller and Auditor General of Pakistan and a report indicating the correct position in this respect should be submitted to them. In their compliance report, the Ministry of Defence had stated that the terms and conditions of the loan of British Services personnel for the period from 1951 onwards stood agreed to by H. M. G. As regards the period from 1947 to 1950, the terms and conditions laid down were actually the reproduction of those already prescribed by H. M. G. but the orders notifying these terms and conditions were not shown to H. M. G. for formal acceptance before issue, nor was it considered necessary because H. M. G.'s agreement to the terms and conditions already prescribed by them was implied. The departmental representative stated that this fact had repeatedly been pointed out to H. M. G. but their formal confirmation was not yet forthcoming. In view of this, proper audit certificates had not so far been furnished by the Comptroller and Auditor General of U.K. and the claims in question remained unsettled. The Committee directed that the matter should be finalised without further delay and a report submitted to them in the next session.

10. S. No. 7 (paragraph 11 on pages 129-130 of the *Public Accounts Committee Report for the year 1953-54*).—The previous Committee were informed that the procedure regarding adjustment in the works accounts of the cost of Defence stores was defective and had been revised so as to avoid variations in the accounts. The Committee had recommended that a detailed report explaining the previous procedure relating to adjust-

ment of the cost of stores in the accounts of works, the revised procedure and the result obtained by adopting the revised procedure should be submitted to them. In their compliance report the Ministry of Defence had stated that according to the previous procedure the debits for supplies of stores used to be raised by civil accounts officers concerned against C.M.A., Karachi who used to debit the cost finally in his books without passing debits to the respective Controller of Military Accounts for final adjustment in the works accounts. Under the revised procedure the debits were required to be raised by the civil accounts officers direct against the respective Controller of Military Accounts. It was, however, observed that even with this change necessary improvement could not be achieved in the matter of prompt receipt of debits and their ultimate charge to the works accounts. As a more effective step, therefore, the work relating to the procurement of engineer stores had been transferred from the D. G. S. & D. to the D. G., D. P. This would ensure debits to Defence Accounts direct instead of through civil accounts officers thereby eliminating the delays in the exchange of accounts and accelerating the adjustments between the stores and works heads. The Committee was satisfied with the action taken by the Ministry of Defence.

11. S. No. 8 (paragraph 12 on page 130 of the *Public Accounts Committee Report on the Accounts for the year 1953-54*).—The previous Committee had recommended that the Ministry of Defence and the Comptroller and Auditor General should jointly review the present practice regarding the acceptance of tenders by Engineers as constituting technical sanction for works and consider whether any procedural improvement should be made. In their compliance report the Ministry of Defence had stated that after an examination of the matter in consultation with audit authorities, it had been decided to amend existing rules in the light of Public Accounts Committee's instructions and necessary orders were under issue. The Committee was satisfied with the action taken by the Ministry of Defence.

12. S. Nos. 9-10 (paragraphs 13-14 on page 130 of the *Public Accounts Committee Report for the year 1953-54*).—The previous Committee had considered that it was not proper to make major alterations in the plans and estimates of works without first obtaining the formal administrative approval. They had also pointed out that the execution of certain works which commenced during the previous years and continued during the subsequent year without allotment of funds was highly objectionable, and indicated lack of proper control over works expenditure. The departmental representative explained that suitable steps had been taken to ensure that major alterations in the plans and estimates were not effected without obtaining administrative approval except in the case of important projects where the Service Chiefs were competent to allow the continuance of works in anticipation of revised administrative approvals. The Chairman pointed out that in the case of Civil Works, a recommendation had been made by the Committee (paragraph 22 of the proceedings of the 12th Meeting of the Public Accounts Committee held on the 24th December, 1960) to the effect that a system should be evolved to ensure that only urgent works necessitated as a result of floods etc., were started without getting the detailed estimates sanctioned technically and that no other work should be taken up in future without getting proper sanction. The Committee observed that similar procedure should be adopted in the execution of Defence Works.

13. S. No. 11 (paragraph 16 on page 131 of the Public Accounts Committee Report on the Accounts for the year 1953-54).—The previous Committee had observed that it was highly irregular for high officials to have incurred unauthorised expenditure on the repairs of their residences. The departmental representative stated that the observations made by the Committee had been noted for future guidance. He added that the houses in question had since been acquired by Government.

14. S. No. 12 (paragraph 17 on pages 131-132 of the Public Accounts Committee Report on the Accounts for the year 1953-54).—In paragraph 21 of the Audit Report 1955, heavy infructuous expenditure on the provision of watch and ward staff for certain Military Installations was brought to notice. Two sets of tankages were located at a certain station for bulk petrol installations for the Defence Services. One of the tankages was taken on lease by the undivided Government of India from certain Indian Companies and was returnable to them and the other was the property of Government. There was an arrangement between the undivided Government of India and an oil company to the effect that, for an agreed consideration, the company would be responsible for watch and ward of these installations. Later on, both these tankages were purchased by the company. From 15th August, 1947 to the dates of their purchase by the company, the company had been paid Rs. 76,451 on account of watch and ward. A further expenditure of Rs. 1,386 was incurred by the department on watch and ward of these tankages after their purchase by the company. This amount had not been recovered from the company. Further, of the payments made to the company, a sum of Rs. 30,270 was paid without even obtaining explanations for material variations from the estimated figure as required under agreement with the company. The previous Committee had desired that the case should be fully examined by the Ministry of Defence and it should be seen whether any amount was recoverable from the company and if so it should be recovered. They had also directed that the responsibility for failure to take due action should also be fixed and a report submitted to them. The departmental representative explained that the total recoverable amount was Rs. 31,655 which had since been realised. The disciplinary aspect of the case was still under examination. The Ministry of Industries who were also concerned with the matter were being consulted and a report would be submitted to the Committee in the next session.

15. S. No. 13 (paragraph 20 on page 133 of the Public Accounts Committee Report on the Accounts for the year 1953-54).—In paragraph 26 of the Audit Report 1955, a reference was made to losses amounting to Rs. 4,13,600 suffered by the State in connection with the purchase of certain Defence equipment and spare parts. The disciplinary aspect of the case had remained un-settled. The previous Committee had observed that there was considerable delay in fixing the responsibility for the loss in this case. In their compliance report the Ministry of Defence had stated that the observations made by the Committee had been noted by them for future guidance. Mr. Ebrahim Khan pointed out that it appeared that no action had been taken against the official concerned due to the considerable delay that had taken place in fixing the responsibility in the case. The Chairman stated that the Committee had already taken note of such delays on the part of various Ministries in deciding disciplinary

cases with the result that the persons concerned retired, left the service or died and it was not possible to take any action against them. The Committee decided that the various Ministries/Divisions should not delay fixing of responsibility in such cases in future.

16. S. No. 14 (paragraph 21 on page 133 of the Public Accounts Committee Report on the Accounts for the year 1953-54).—In paragraph 3i of the Audit Report, 1955, a case of irregular grant of permission for higher studies in U. K. to a medical officer of the Pakistan Navy was brought to notice. The Committee had been informed that in this case an officer was allowed to go on studies and no sanction of Government was taken. This was a case of omission which had been admitted by the authorities. Disciplinary action had been taken and the Defence Secretary had warned the Director concerned and pointed out to him that a serious irregularity had been committed in this case. The previous Committee had observed that the case revealed rather extraordinary treatment being accorded to the officer in question and considered that a mere warning was not adequate. The departmental representative stated that the recommendations made by the Committee had been noted by them for future guidance. The Committee were also informed that after the warning the case was re-examined by the legal branches of the General Headquarters and Naval Headquarters and it was decided that since the case was very old, it would not be proper to take disciplinary action at so late a stage. The Committee hoped that there would be no recurrence of such cases in future.

17. S. No. 15 (paragraph 24 on page 134 of the Public Accounts Committee Report on the Accounts for the year 1953-54).—The previous Committee had observed that there was no point in making hurried and doubtful payments to avoid lapse of funds by the close of a financial year. If any payment was really justified, it could have been made even during the next financial year by obtaining additional funds. The Committee observed that it was necessary to go through the prescribed procedure before making any payment. There was no justification in making doubtful payments merely to avoid lapse of funds.

18. S. No. 16 (paragraph 26 on page 134 of the Public Accounts Committee Report on the Accounts for the year 1953-54).—Flotilla barges and stores valued at Rs. 4 lakhs (approximately) were found surplus to Defence Services requirements in 1948. No action was taken to dispose these of with the result that they deteriorated. The previous Committee had directed that early step should be taken to regularise the loss due to the deterioration of the surplus flotilla barges and stores of the Defence Services. In their compliance report the Ministry of Defence had stated that the barges had since been disposed of. Mr. Ebrahim Khan pointed out that some action should have been taken against the persons responsible for the loss. The departmental representative explained that the delay was caused as a result of the in-decision on the part of the East Pakistan Government who having expressed a desire to buy these barges took a long time finally to decide that these were not required by them. The Committee desired that it should be pointed out to the Provincial Government that as a result of the delay on their part, a loss had sustained by the Central Government. It should also be suggested to the Provincial Government that if any officer was responsible for the loss which this delay entailed, the question of taking suitable action against him might also be considered.

19. *S. No. 17 (paragraph 27 on page 135 of the Public Accounts Committee Report on the Accounts for the year 1953-54).*—This related to the progress of the completion of the Ordnance Factory at Wah. The previous Committee were assured that every effort was being made to accelerate the pace of setting up of Ordnance Factories. The departmental representative explained that it was hoped that the Explosive Factory would be completed by the end of 1961, and that it would be self-sufficient and self-contained. He added that the Factory was being developed into an autonomous institution like the Pakistan Industrial Development Corporation.

20. The Committee then took up the examination of the Appropriation Accounts (Civil) relating to the Ministry of Defence.

21. *Paragraph 37 on page 32 of the Appropriation Accounts, 1955-56.*—In 1947, the Cabinet while granting a licence to two air companies (Orient and Pak. Air) to operate air services in Pakistan, approved the formation of a third company to be called Pakistan Aeronautical Limited (subsequently known as Pakistan Aviation Limited) for undertaking major overhaul, repair and maintenance of aircraft, training of ground engineers and technicians and certain other common services. The company was floated by Government and initially the Government investment to the extent of Rs. 35 lakhs was charged to the Defence estimates and in addition to that, liabilities to the extent of about Rs. 25 lakhs were incurred by the company. Several factors leading to the deterioration of the company's affairs were indicated in this paragraph resulting in losses to Government which were of the order of Rs. 18 to 20 lakhs up to the end of the year 1951-52. The company went into liquidation w.e.f. 1st October, 1954. The accumulated loss upto the end of the 30th September, 1954 was reported to be Rs. 14.1 lakhs. The audit of the said company was also not conducted in spite of a decision taken by the Board of Directors that the audit of the company would be entrusted to the Comptroller and Auditor General. The departmental representative stated that the position was correctly stated in the Audit Report and the losses were required to be written off. Mr. Ebrahim Khan desired to know the circumstances under which the audit of the company could not be conducted by the Comptroller and Auditor General. The Comptroller and Auditor General explained that there had been some delay in undertaking this audit due to difficult staff position. The Chairman pointed out that the loss could not be avoided even if audit had been conducted in time. The Committee recommended that necessary action should be taken to write off the loss involved.

22. *Paragraph 38(a) on pages 33-34 of the Audit Report, 1957.*—While transferring the assets of the Orient Airways Limited to the Pakistan International Airlines Corporation in March, 1955 a sum of Rs. 20,000 was retained by the former to meet its liquidation expenses. A further sum of Rs. 17,258 was also spent on this account by the Pakistan International Airlines Corporation itself raising the total expenditure on liquidation to Rs. 37,258. According to the provisions of the Pakistan International Airlines Corporation Act, the Orient Airways was required to be wound up voluntarily under the Companies Act, 1913, and as such all liquidation expenses were to be paid by the company that went into liquidation and not by the Pakistan International Airlines Corporation. When the irregularity was pointed out to the Corporation, it agreed to recover the charges by adjustment from the share capital of the owners of the Orient

Airways. The Comptroller and Auditor General enquired whether action had been taken to recover the amount involved. The departmental representative stated that necessary recovery had since been effected.

23. *Paragraph 38 (b) on pages 34 to 35 of Audit Report, 1957.*—With a view to developing integrated air transportation services in the country, Government decided in 1953 to set up a State controlled Pakistan International Airlines Corporation by amalgamation with the Orient Airways Limited. The basic terms of this amalgamation were settled in a meeting held between the representatives of Government and the Orient Airways Limited in August, 1953. In actual practice, however, the proposed Corporation could not be set up till 11th March, 1955, and the Orient Airways Limited continued to function independently in the intervening period. One of the decision taken in connection with the proposal for the establishment of the Pakistan International Airlines Corporation was that it would be guaranteed against all losses for the first three years of its working. This condition was incorporated in section 26 of the Pakistan International Airlines Corporation Act 1956 which reads as follows :—

“The Central Government shall make good any losses sustained by the Corporation during the three years next after 30th September, 1953 but not thereafter unless otherwise determined by the Central Government”.

Although the guarantee against loss was specifically provided for the Pakistan International Airlines Corporation, the Government reimbursed the Orient Airways Limited of the heavy losses incurred by it during its independent working from 1st October, 1953 to 10th March, 1955. The Committee desired to know the position of the case. The departmental representative explained that section 26 of the Pakistan International Airlines Corporation Act, 1956 was intended to cover losses which took place between 1st October, 1953 to the date of amalgamation of Orient Airways with Pakistan International Airlines Corporation. He added that the matter was reported to the then Cabinet in a summary and had also been discussed in the various meetings held at the Prime Minister's house. The Comptroller and Auditor General pointed out that the records of the meeting held with Prime Minister did not make any mention of the fact that Government stood committed to the reimbursement of the losses incurred by the Orient Airways during its independent working. He added that Government had no control over their working during the period in question and since the Company continued to work as an autonomous body, and had separate accounts, Government could not be held responsible for the reimbursement of the losses. The Committee was not convinced by the explanation given by the departmental representative and directed that a Committee consisting of representatives of the Ministry of Defence, the Financial Adviser, Ministry of Defence and the Comptroller and Auditor General should be appointed to look into this question and to submit a report to the Public Accounts Committee in their next session indicating a statement of facts of the case supported by various documents to enable the Public Accounts Committee to give further directions in the matter.

24. *Paragraph 38 (c) on page 35 of the Audit Report, 1957.*—The book value of the physical assets of the Orient Airways Limited on the 30th September, 1953, amounted to Rs. 81,00,767. However, for the purpose

of amalgamation they were evaluated and paid for at Rs. 1,24,18,876 at the market price, resulting in appreciation of their value by Rs. 43,18,109. An assessor acceptable to both the parties, i.e., Orient Airways and Government was to be appointed for the evaluation of assets of Orient Airways Limited and Pakistan International Airlines. At first the company agreed to the nomination of the assessor proposed by Government but later on they went back on their agreement and insisted on the appointment of an assessor of their own choice. Government also ultimately agreed to his appointment. The valuation of assets as made by the assessor nominated by Orient Airways Limited was found to be very much on the high side, inasmuch as the air fleet alone comprising two convairs and fourteen old dakotas which were shown in the books of the company at Rs. 19,88,679 on the 30th September, 1953 were valued at Rs. 59,88,537 resulting in an appreciation of the value by Rs. 39,99,858 in one category of assets alone. The other assets were likewise overvalued. On their experience of the disposal of a dakota aircraft, Government placed its value at Rs. 1.5 lacs (Rs. 150 thousands). On this basis, the value of dakotas of Orient Airways Limited was overstated to the extent of about Rs. 3 lacs (Rs. 300 thousands). Similarly Government's purchase price of a convair aircraft was Rs. 10.5 lacs (Rs. 1.05 millions) against Rs. 15.1 lacs (Rs. 1.5 millions) assessed by the firm for a convair of Orient Airways Limited. Notwithstanding this position, no action was taken by Government to reduce the assessed price.

The departmental representative explained that this assessment was entrusted to a foreigner appointed by Government who completed it by December, 1955 when Pakistan currency had been devalued and the assessment was made at pre-devaluation rate. The Public Accounts Committee directed that this case should also be examined by the Committee consisting of the representatives of the Ministry of Defence and the Comptroller and Auditor General and a report submitted to them in the next session.

25. *Grant No. 21 Aviation (Note 4 on page 156 of the Appropriation Accounts, 1955-56)*.—Government dues aggregating Rs. 2,51,342 were allowed to remain unrecovered in a branch of the Aviation Department. The major portion of the dues was outstanding against private parties. Out of the outstanding amount a sum of Rs. 2,04,650 had been realised. The recovery of the balance of Rs. 46,692 was awaited. The Committee desired to know the latest position of the case. The departmental representative stated that out of the balance, a sum of Rs. 37,444 was outstanding against Pakistan International Airlines Corporation who had to recover the same from other Ministries. The Chairman enquired whether the amount outstanding against private parties had been recovered. The departmental representative explained that certain amounts had not been recovered from some Indian companies which had gone into liquidation. The Chairman pointed out that according to the International practice, the landing charges should have been paid by the companies in advance. The Committee directed that such charges should invariably be recovered in advance in future. They also directed that action should be taken to recover the outstanding balance of Government dues.

26. *Grant No. 84 Capital Outlay on Civil Aviation (S. No. 32 on page 512 of the Appropriation Accounts, 1955-56—Detailed statement of expenditure on important new works)*.—The actual expenditure on

account of installation of instruments landing system and V. O. R. Station was stated to be Rs. 6,784 during the year 1955-56. The estimate of the work was stated to be unknown. Mr. Jasimuddin Ahmad referred to the accounts under this Grant for the year 1956-57 and pointed out that the detailed statement of expenditure on important new works had not been furnished for incorporation in the Appropriation Accounts even during that year (Note 5 on page 278 of Appropriation Accounts, 1956-57). The Committee desired to know the circumstances under which the estimates of the work were not available. The departmental representative explained that all Civil Aviation works were entrusted to the Public Works Department who prepared the estimates at every stage. The Chairman pointed out that as the amount to be spent by the Public Works Department was to be obtained by the Civil Aviation Department, the estimates should be known to them. The departmental representative could not indicate the total estimated expenditure involved in the work in question. The Committee observed that the requisite information should have been furnished to Audit for incorporation in the accounts of the two years to enable the Committee to compare the actual cost with its estimate. They directed that necessary information in this regard should be furnished to them in the next session. They also directed that full information should be furnished to Audit in future in time for incorporation in the Appropriation Accounts.

27. Paragraph 28 on page 19 of the Appropriation Accounts for the year 1955-57.—A contract for the purchase of 41,135 yards of serge blue grey for Air Force was placed with a local firm at the rate of Rs. 19 per yard by ignoring the lowest acceptable offer of an importer at the rate of Rs. 13-10-10 on the plea that the stores of the local firm were much superior in quality to the stores of the importer and that only the local firm could supply the stores by the end of May, 1958, the date by which the stores were urgently required by the Air Force. The firm did not adhere to this date line and the stores ultimately supplied by them contained many defects. It was subsequently admitted by the Air Force authorities that there had been omission all along both by the indentors as well as the inspecting authority, in not pointing out the defects to the firm in time. The firm retreated 12,500 yards of the unconsumed serge to improve its finish. But no price reduction was demanded from the firm in respect of the remaining quantity of the material that had already been consumed. Government suffered a loss of Rs. 3,20,328 by ignoring the lowest acceptable offer. As a result of the firm having failed to supply the stores by the scheduled date, they were liable to pay liquidated damages amounting to Rs. 56,398 but their payment was waived off resulting in a total loss of Rs. 3,76,726.

The departmental representative explained that the officer responsible for accepting sub-standard material had been deprived of his temporary rank and had been removed from the post. He added that the Ministry of Industries was also concerned with this case as the Ministry of Defence were responsible for the inspection of the material only. The Committee directed that a detailed report should be furnished to them in their next session which should also cover the explanation from the Ministry of Industries as to why it did not charge the liquidated damages which they could recover under the terms of the contract.

28. The Committee then took up the examination of the Commercial Accounts relating to the Ministry of Defence (Civil).

29. Paragraph 489 (a) on page 330 of the Commercial Accounts 1955-56 (Pakistan International Airlines Corporation).—2,778 1/2 yards of grey woollen gaberdine of an approximate cost of Rs. 65,000 was purchased in March, 1957 by the Pakistan International Airlines Corporation. Some cloth was issued to the tailors out of which 225 caps and 288 trousers were stitched at a cost of Rs. 7,132. The total cost of all the stitched material including the cost of cloth worked out to Rs. 19,300. All these articles were however lying unused as according to a subsequent decision, the grey coloured gaberdine was not to be utilised for the Corporation's uniform. The balance of unstitched cloth valuing Rs. 42,771 was stated to have been dyed navy blue with a view to using it for the preparation of uniforms. The original purchase of such a huge quantity should not have been made unless the choice of the colour of the Corporation's uniforms was finally settled by the Corporation.

The departmental representative explained that there was a change of General Manager of the Corporation and the colour of the uniforms accepted earlier was not considered suitable by the new administrator. The cloth was, therefore dyed navy blue and uniforms made out of it. Additional expenditure had thus been incurred on dyeing. The Chairman pointed out that the additional expenditure was unnecessary and could have been avoided.

30. Paragraph 489 (b) on page 330 of the Commercial Accounts, 1955-56.—One of the agents owed a sum of Rs. 2,54,545 to the Pakistan International Airlines Corporation on account of the sale of tickets for the period from October, 1956, to July, 1957. On the failure of the agent to pay the amount, criminal and civil proceedings were instituted for the realisation of the amount. But a sum of Rs. 12,114 only had so far been realised from him. The Corporation was trying to recover as much of the balance as possible, though the prospects of any further appreciable recovery were remote. One of the terms of agreement concluded with the agent was that he would remit the Corporation's dues at least once in a month. This was not done and the Corporation also failed to enforce this requirement for a long time.

The Committee desired to know whether any further recoveries had been made from the agent concerned and what the result of the Criminal and civil proceedings against him was. The departmental representative stated that the civil suit was still pending in a Court of Law and a sum of Rs. 73,116-7-0 remained to be recovered. The Chairman enquired whether it was watched that the agent was remitting the Corporation's dues in accordance with the terms of the agreement. The departmental representative stated that he had issued certain cheques which were dishonoured later on. The Committee desired Audit to verify the position regarding recoveries. They also directed that a report indicating the full position of this case and the final action taken regarding recoveries, etc., should be submitted to them in the next session by the Ministry of Defence.

31. The Chairman pointed out that all Ministries/Divisions should in future be asked to furnish their replies in writing on the various points brought out in the Audit Reports and the Appropriation Accounts to be considered by the Public Accounts Committee and copies of the statements thus furnished by the Ministries should be circulated to the Committee sufficiently in advance of their meeting. This would facilitate examination of the accounts by the Public Accounts Committee. The

information furnished by the various Ministries in the statement circulated to the Public Accounts Committee could be amplified by the departmental representatives at the time of examination of the Accounts.

32. *Paragraph 583 on page 376 of the Commercial Accounts, 1955-56.*—It was stated that during the year 1955-56 the operational cost of the Pakistan International Airlines Corporation exceeded the revenue by Rs. 1,027 crores. In the estimates for the year 1958-59, the Corporation expected to pay its way due to its increased activities. The Corporation had accordingly decided not to approach Government to extend the guarantee of losses, which was originally granted for the first 3 years of working of the Corporation under section 26 of the Act. The Chairman requested the Financial Adviser, Military Finance, to submit a report regarding the working result of the Pakistan International Airlines Corporation. The Financial Adviser stated that the Pakistan International Airlines Corporation had been running at a loss till the year before last when for the first time they showed a profit of Rs. 80 lakhs. The chances were that they might get a profit of Rs. 64 lakhs during the year 1960-61. The Financial Adviser added that the Corporation had increased their services between the two zones of the country by about 30—40%. Mr. Jasimuddin Ahmad desired to know the amount of subsidy paid in the case of inter-zonal air traffic. The Financial Adviser stated that the subsidy during 1960-61 was about 80 lakhs and it was expected to go up to about 120 lakhs in the revised estimates. The Chairman pointed out that subsidy was being allowed in order to promote inter-zonal contacts between East and West Pakistan. The subsidy was not to be set off against the profits of the Pakistan International Airlines Corporation.

33. The Committee then took up the examination of the Appropriation Accounts, Defence Services, for the years 1954-55 to 1956-57 and Audit Reports thereon.

34. *Paragraph 12 on page 4 of the Audit Report, 1956.*—Accuracy of budgeting and control of works expenditure was still not very satisfactory during the year under report. The remarks of the Financial Adviser, Military Finance, indicated that in respect of individual works there was scope for improvement in the direction of securing closer approximation of expenditure to the appropriation. The Committee hoped that consequent upon the introduction of the new system of financial control and budgeting procedure, the position regarding accuracy of budgeting and control of works expenditure would improve.

35. *Paragraph 16 on page 5 of the Audit Report, 1956 (Cases of defective drafting of tenders).*—In the case of a lumpsum contract, the letter of acceptance was erroneously issued at 93% above the Pakistan Schedule of Rates instead of 93% above the rates given in Schedule "A" of the contract agreement. Accordingly the contractor submitted a claim for the difference between the Pakistan Schedule of Rates and the rates given in Schedule "A" of the contract agreement. The matter was ultimately taken to arbitration as a result of which the contractor was granted an award of Rs. 44,500. The departmental representative admitted that the position stated in the Audit Report was correct. The error was not, however, deliberate and had occurred apparently through inexperience of the officer concerned. He added that this officer had since retired from service.

36. *Paragraph 17 on page 6 of the Audit Report, 1956.*—This paragraph related to infructuous expenditure of Rs. 21,604 on the conversion of an existing single storey building on acquired land into a double storey building. It was proposed in 1950 to convert an existing single storey building on acquired land at a certain station into a double storey building for use as single officers' quarters and mess. As the area was within the zone liable to earthquake tremors, it was decided in 1951 that all double storey buildings in that area should be built to an earthquake-resistant design. In the design of the proposed double storey building, no provision was made for precautions against earthquakes. The work on the building was started in the later part of 1952 but it was stopped after it was noticed in April, 1953, by a high engineering official that the building did not comply with the requirements of earthquake-resistant design. The upper storey was ultimately removed. The net loss of Rs. 21,604 incurred due to demolition of the upper storey, etc., had been written off by Government. It was also stated in this paragraph that no disciplinary action was taken against anyone in this case nor was a Court of Inquiry held to investigate the case. It was stated that a Court of Inquiry would have served no useful purpose as some of the officers who had examined the design were no longer in service.

Mr. Ebrahim Khan desired to know whether it was not possible to effect any recovery from the pension of the officer responsible for the loss, even though he had retired from service. The Financial Adviser, Ministry of Defence, explained that before sanctioning the pension, it had to be ascertained whether there was any charge of misconduct or inefficiency against an officer and that once pension had been sanctioned no recoveries could be made from it on such grounds. The Comptroller and Auditor General pointed out that the irregularity came to notice in 1953-54 and the loss was written off in 1956. He added that the frequency of such cases where regularising action was delayed was increasing and it was desirable to take suitable steps to avoid their recurrence. The departmental representative stated that instructions had been issued by them to all concerned to the effect that immediate action should be taken in the matter of irregularities which came to notice.

37. *Paragraph 18 on page 7 of the Audit Report 1956 (Infructuous expenditure in connection with the construction of roads).*—A contract for the construction of roads in a factory was concluded with a contractor in 1949. A few roads constructed according to certain levels were subsequently dismantled and reconstructed at lower level to conform their levels to the Railway line crossing them. The work on one of the roads was stopped for the same reason, but the portion left incomplete was later on completed at the original level. Thereafter the road was dismantled and relaid according to the required level. It was stated that the incomplete portion of the road was completed at the original level in connection with the visit of a high-ranking official and that the completion of the road facilitated the visit and the inspection of the factory. The infructuous expenditure amounting to Rs. 14,450 on laying and subsequently dismantling the roads was written off by Government in 1957.

No Court of Inquiry was held to fix responsibility in this case. It was stated by the authorities under whose supervision the roads were constructed that the original levels adopted were given by the factory authorities and subsequent changes were also made at their instance.

The Committee desired to know whether prior financial sanction was sought for incurring expenditure on the construction of the road in question at the original level. It was explained by the departmental representative that no sanction had been obtained to this effect. The Committee observed that this was an omission and directed that there should be no recurrence of such cases in future.

38. *Paragraph 19 on page 7 of the Audit Report, 1956.*—In a certain M. E. S. Sub Stores Dump located in a factory area, fire broke out on the 21-5-1952 and destroyed certain stores resulting in a loss of Rs. 1,63,005. The departmental representative explained that the cause of the fire could not be definitely established. Departmental action was taken against the Chowkidar and one senior officer who were found negligent in the discharge of their duties. The loss amounting to Rs. 1,63,005 was written off in 1957.

39. *Paragraph 20 on page 7 of the Audit Report, 1956.*—Barrack damages amounting to Rs. 9,61,784 pertaining to the years 1947-48 to 1955-56 were reported to be outstanding against certain individuals, units and formations. The Comptroller and Auditor General pointed out that the latest amount of the outstandings was Rs. 5,94,273. The departmental representative stated that orders had been issued for making all possible recoveries and it was proposed to write off the amounts that could not be recovered. The Comptroller and Auditor General pointed out that the amounts which were not decided to be written off should be recovered urgently. The Public Accounts Committee agreed to this and directed that such delays should be avoided in future. The Committee also desired to have an upto date report indicating the position of recoveries, in the next session.

40. *Paragraph 21 page 8 of the Audit Report, 1956.*—In one M. E. S. Division, 2,71,900 cubic feet of road metal worth Rs. 37,024 was found deficient during the handing|taking over charge in 1949. According to the accounts and the executive authorities, this deficiency included a deficiency of 1,54,767 cubic feet of road metal worth Rs. 20,120 discovered early in 1946 but not regularised. A Court of Inquiry was held in 1950 which held the S. D. O. who was in charge of the stores, responsible for the loss. The Station Commander agreed to the findings of the Court of Inquiry. The higher departmental authorities did not agree to the findings of the Court of Inquiry notwithstanding the fact that the Divisional Commander had accepted the Court's findings and the S. D. O. himself had admitted that the road metal was actually measured and taken over by him at the time of the assumption of charge and was not used anywhere in the Division. The departmental representative explained that the S. D. O. concerned had property worth Rs. 8,000 only and the legal authorities advised that no useful purpose would be served in filing a civil suit which the department had originally intended to do. The S. D. O. had absconded and no action could, therefore, be taken against him. The Committee observed that this information should have been furnished to audit for incorporation in the Audit Report.

41. *Paragraph 23 on page 9 of the Audit Report, 1956.*—It was stated in this paragraph that losses amounting Rs. 85,374, Rs. 24,15,347 and Rs. 18,44,898 had occurred due to the destruction of stores as a result of fires in a certain Depot in June, 1950, June, 1952 and June, 1954 respect-

ively. The loss in each case had been written off. The Chairman enquired the circumstances under which the fire cases had occurred in the same Depot year after year. The departmental representative explained that all of these cases had been thoroughly investigated and disciplinary action taken against the officers responsible for the loss. In the first case the cause of the fire could not be ascertained. In the second case the fire had taken place due to falling down of a box of fuses, and it was difficult to obtain evidence in this case. In the third case, there was an indication of some sabotage possibilities, and all that could be done was to tighten up the security arrangements and take disciplinary action against the persons who were negligent in the performance of their duties. The position had since improved and no fire had occurred in that depot since 1954.

42. *Paragraph 25 on page 11 of the Audit Report, 1956.*—In an Equipment Depot, it was noticed that losses of stores to the extent of Rs. 50,000 approximately had occurred during the period March, 1951 to July, 1952 due to long storage and poor preservation arrangement, unsuitable climatic conditions and acute shortage of proper storage accommodation. Sardar Barkat Hyat Khan desired to know as to why the stores had not been preserved properly. The Chairman pointed out that even now the Army had storage accommodation too inadequate to meet their requirement and that additional funds were being provided to them for this purpose. The departmental representative stated that they had given priority to storage accommodation and more buildings were being constructed to satisfy the demand.

43. *Paragraph 27, on pages 12-13 of Audit Report, 1956.*—Contracts for locally purchased articles are required to be concluded by the Army Service Corps normally for a period of 12 months and with the prior concurrence of the Financial Adviser concerned. In contravention of these orders and in spite of the fact that the annual supply rates were lower than the rates for the first six months, half-yearly contracts were concluded in an area without the concurrence of the Financial Adviser. At the end of the year when the cost of supplies purchased was worked out on the basis of the annual rates and compared with the actual expenditure, it was found that Government suffered a loss of Rs. 19,062. The departmental representative stated that the officer concerned had given reasons for departing from the normal rules prescribed for the conclusion of contracts in question. He had expected that the contracts for the following half year would be concluded at much cheaper rates. However this expectation did not materialise and the tendered rates for the second half of the year went up instead of coming down. The Chairman pointed out that the Financial Adviser should have been consulted in the matter. The departmental representative stated that instructions had been issued by them to all concerned for observance of the prescribed procedure in future.

44. *Paragraph 28 on page 13 of the Audit Report, 1956.*—Certain irregularities occurred in the cash and the stores accounts of a certain unit during the period 15th August, 1947 to 31st December, 1951 were reported in this paragraph. A sum of Rs. 22,496 was misappropriated from the unit imprest account and stores costing Rs. 33,488 were found deficient. The departmental representative stated that this loss occurred during the period immediately following Independence. The person responsible for misappropriation was tried by the Martial Law Court

and awarded six months R. I. and effective preventive action had also been taken. Further, orders had been issued to the effect that there should be quarterly reviews and annual verification of the stocks. As a result of these measures the losses noticed during the subsequent years were not high. The loss in all cases reported in this paragraph had been written off.

45. *Paragraph 17 of the Audit Report, 1957.*—This paragraph indicated the amounts of certain categories of losses of stores during the years 1953-54, 1954-55 and 1955-56. The departmental representative explained that the increase in the amount of losses during the year 1955-56 was mainly due to fires. The Committee hoped that amounts of losses due to defective storage and deterioration of stores would be reduced in the subsequent years.

46. *Paragraph 18 on page 8 of the Audit Report, 1957.*—A provisional order, subject to confirmation at a later date, for the supply of a particular type of Defence equipment costing £ 19,89,933 (Rs. 2,65,62,000 approximately) was placed on 31st December, 1954 by an agency responsible for the procurement of Defence services stores on certain prospective suppliers abroad without ascertaining competitive rates or obtaining the concurrence of the Ministry of Finance (Military). A sum of £ 4,97,484 (Rs. 66,40,500) representing 25% of the value of the order was also paid to the supplier by way of advance but on the condition that if the order was cancelled the advance would be refundable to the buyer. Soon after placing the order Government came to know of a different type of equipment in use and available in other countries. The supplier on whom the provisional order was placed in 1954 also intimated that they were making experiments on newer type of equipment. The Provisional order was ultimately cancelled on 5th April, 1957 and the advance left with the suppliers for utilisation for payments to them against other sale agreements. Despite the fact that there were little prospects of receiving the new equipment from the prospective suppliers in the foreseeable future no efforts were made to procure it from other sources. The administrative authorities opposed the cancellation of the provisional order pending final outcome of the trials with the new equipment. This resulted in unnecessary lock up of a heavy sum of £ 497,484 paid as advance in foreign currency for a period of more than 2 years and therefore Government had to suffer a loss of Rs. 4,50,280 approximately in the form of interest. As regards the disciplinary aspect of the matter it had been stated that no action against any individual was necessary and that the controlling authority shared this view. It had further been stated that the accounts authorities made payment of the advance on the basis of the orders issued by the purchasing agency and as such no disciplinary action was called for against them too. The departmental representative explained that the supplier was not a firm, but the Ministry of Supply of U.K. and under their terms and conditions an advance was given to them before the order, which was allowed to be kept by them. The money was, however, utilised against other contracts and there had been no loss except that the money remained with the Ministry of Supply. He added that it was necessary to examine and test the equipment as compared to similar items produced elsewhere. The delay was, therefore, unavoidable because a choice had to be made out of the equipment that were available. The Chairman observed that after the cancellation of the

provisional order the advance should have been refunded automatically by the Ministry of Supply in U.K. The Financial Adviser stated that the actual difficulty was that the foreign exchange allocation had been reduced. If the money had been refunded the amount would not have been available to them again. In view of this, fear they thought it better that the money should be kept there. The Committee observed that the amount should not have been allowed to remain with the Ministry of Supply and should have been utilised against other contracts immediately after the cancellation of the provisional order.

47. *Paragraph 20 on page 10 of the Audit Report, 1957.*—This paragraph related to a loss of Rs. 24,760 incurred by Government due to delay in lodging claim for deficiencies and damages detected in certain stores as a result of non-inspection and accounting by the Government trade representative in the country of Supply. The departmental representative stated that the deficiencies were noted when the consignment was received from the firm but there were no documents available at the receiving end. A complete review of the consignment had to be done and that took some time. In the meantime the question of raising of a claim against the firm was taken up but the Ministry of Defence were advised by the solicitor that it would not serve any purpose because of the time that had since elapsed. Order for the supply of the stores in question was placed with the foreign firm in February, 1949 and the consignment was received in Pakistan in June, 1949. A Court of Inquiry was convened in February, 1954 although the inspection was completed in March, 1950. The Chairman desired to know the circumstances for the delay in the setting up of the Court of Inquiry. The departmental representative stated that the question was taken up with the supplier first who were asked to make up the losses and then the Court of Inquiry was ordered. The approaches made to the firm to make up the deficiencies under the contractual obligations took a long time. The Committee observed that the Ministry of Defence should not have taken so long in convening a Court of Inquiry to investigate the circumstances in which the claim in respect of the discrepancy could not be lodged with the firm within a reasonable time.

48. The Committee then adjourned to meet again on Tuesday, the 31st January, 1961 at 2-30 P.M.

Proceedings of the fourteenth meeting of the Public Accounts Committee held on Tuesday the 31st January, 1961 at 2-30 P.M.

The fourteenth meeting of the Public Accounts Committee was held in Pakistan Secretariat No. I Rawalpindi, at 2-30 P.M. on Tuesday the 31st January, 1961 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Sardar Barkat Hyat Khan, Member.
3. Mr. Ebrahim Khan, Member.
4. Mr. Jasimuddin Ahmad, Member.
5. Mr. Ghulam Abbas, Comptroller and Auditor General.
6. Mr. A. I. Osmany, P.A. & A.S., Director of Railway Audit.
7. Mr. M. A. Subzwari, P.A. & A.S., Director of Commercial Audit.
8. Mr. Zahurud Din, P.A. & A.S., Director of Audit Defence Services.
9. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor General.
10. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives

MINISTRY OF DEFENCE

11. Mr. S. Fida Hassan, S.Pk., C.S.P., Secretary.
12. Mr. M. A. Mozaffar, S.Q.A., P.A. & A.S., Financial Adviser.
13. Mr. M. Fahimuddin, Financial Adviser (P.O.F.).

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

MINISTRY OF RAILWAYS AND COMMUNICATIONS (RAILWAY BOARD)

14. Mr. S. A. Suhrawardy, S.Pk., Chairman, Railway Board.
15. Mr. Mushtaq Ahmad, Financial Commissioner, Railways.
16. Mr. S. B. Azid, Member, Railway Board.
17. Mr. A. H. Ghani, Director of Mechanical Engineering and Stores.
18. Mr. M. Aslam Salim, Director Finance, Railway Board.
19. Mr. A. M. Akhoond, Director, Civil Engineering.
20. Mr. M. A. W. Siddiqi, Joint Director, P. & D.
21. Mr. Riyaz H. Bokhari, Joint Director, Finance.

Secretary of the Public Accounts Committee

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

2. The proceedings began with the resumption of the examination of the Audit Report, Defence Services, 1957.

3. *Paragraph 22 on pages 11-12 of the Audit Report, 1957.*—It was stated in this paragraph that on 25th October, 1951 a Pakistan Air Force aircraft was involved in a flying accident. A Court of Inquiry was convened to investigate the circumstances leading to the accident and to fix the responsibility in the matter. The Court, which finalised its proceedings in November, 1951, found that the accident occurred due to faulty technique applied by the pilot for landing the aircraft. The pilot, who was also held responsible for carrying an un-authorised civilian passenger in the aircraft, was severely reprimanded for breach of discipline. The loss on account of the damage worked out to Rs. 4,99,444 and was written off by Government in October, 1957. Although the accident occurred in October, 1951 and the proceedings of the Court of Inquiry were finalised in November, 1951, the case was reported to Government for write off only in January, 1956. The departmental representative explained that the delay had occurred due to difficult staff position of technical personnel which was required to determine the amount of the actual loss and for assessing the value of the serviceable parts of the aircraft which had by then gone out of service. He added that there had been no other instance of such delay. The Committee observed that the case should not have been delayed and directed that there should be no recurrence of such delays in future.

4. *Paragraph 27 on pages 14-15 of the Audit Report, 1957.*—It was stated that in March, 1950, during the course of Audit of the stores accounts of a certain unit, it was noticed that the stores accounts for the period from 24th May to 31st December, 1949 were either not maintained or improperly maintained with the result that the correctness of the stores drawn and consumed and the Government mechanical transport used during the period in question could not be verified in Audit. The financial loss on this account could not be determined due to non-availability of relevant records. No Court of Inquiry was convened to investigate the irregularity involved and to fix responsibility in the matter. No disciplinary action could be taken against the defaulter due to the fact that the case was reported to Government for regularisation 7 years after the irregularity was detected. Mr. Ebrahim Khan pointed out that the delay in the finalisation of the case was inordinate and could have been avoided if due care had been taken by the officers concerned. The Chairman stated that the irregularity reported in this paragraph pertained to the year 1949-50 when things had not settled down but the accounts of the subsequent years were stated to have been properly maintained and periodically audited by the Accounts Officers concerned. The Committee should, therefore, take a serious view of the situation if such irregularities were reported in the Accounts of the year 1957-58 onwards. Referring to the Committee's examination of the accounts of the various Departments the Chairman added, that similar irregularities had been observed by the Committee on several occasions. The Committee hoped that there would be no recurrence of such cases in future.

5. *Paragraph 28 on page 15 of the Audit Report, 1957.*—A large quantity of unserviceable Defence material of various types had accumulated in some depots in the country. As this material was occupying valuable space, it was considered necessary to dispose it of in the shortest possible time to relieve pressure on the available space. Various methods for the disposal of the unserviceable material, such as dumping into sea, breaking down in the depots etc., were

examined but were not found suitable. Ultimately it was thought advisable to entrust the job to a civil contractor. A contract was accordingly negotiated and concluded in May, 1957, with a civil firm, to destroy the unserviceable material by burning and smelting within the depot's premises free of charge. In return the contractor was to be allowed to retain the residual metal. The contract was concluded without calling for tenders and it was stated that no other firm had approached for the job. The destruction of the material could fetch the contractor about Rs. 26 lakhs (about Rs. 16,52,726 according to the latest estimate) by sale in the market. If the destruction of the material had been carried out under service arrangements, the job could have been completed in lesser time and the public exchequer could have been enriched by the above amount. The Chairman pointed out that it was rather strange that the contract was not subjected to open tender system but was negotiated with a particular firm. The Comptroller and Auditor General stated that the destruction of the material was a simple operation and it should have been possible to carry it out under service arrangements. The departmental representative stated that several firms were contacted but nobody was in a position to do it at the outset and the depots had no arrangements for the disposal of the material. Again there was the question of transportation charges which would have been quite enormous. He added that the depots had since set up their own machinery for the disposal of such material.

6. *Paragraph 30 on page 16 of Audit Report, 1957.*—It was stated that during the year 1954-55 the imprest holder of a unit mis-appropriated a sum of Rs. 18,004 from the unit imprest account. Besides, a sum of Rs. 8,144 realised on account of sale proceeds of certain articles was also not credited to Government account. The total loss of Rs. 26,148 was written off by Government in January, 1953. As an administrative action, the Commanding Officer of the unit was compulsorily retired from service for showing gross negligence and inefficiency in the performance of his duties. The departmental representative stated that the case was dealt with by a Court Martial and the imprest holder was cashiered and awarded rigorous imprisonment for one year. The cashier involved in the case was also sentenced to undergo rigorous imprisonment for 10 years. The entire amount involved in the case had been written off. The Chairman pointed out that the matter should have been looked into with a view to ascertaining whether some portion of the loss could be made good. The departmental representative stated that the making good of such losses by recovery from the person concerned would be kept in view in future.

7. *Paragraph 31 on pages 16-17 of the Audit Report, 1957.*—This paragraph related to irregular grant of sick leave to an Army officer who remained in hospital for 20 months from 31st March, 1952 to 3rd December, 1953. The period of sickness of the officer exceeded the maximum limit of 18 months for the grant of sick leave on medical certificate. In relaxation of the provisions of the relevant rules, the entire period of this absence was, however, regularised by the grant of sick leave. In dealing with this case, the administrative authorities failed to take action to grant him leave on medical certificate or to publish the casualty regarding the sickness. Quarterly Medical Boards were not held to determine the fitness of the officer to resume duty. A Medical Board was held on 24th September, 1953 after a period of about 18 months and the officer was declared invalid and unfit for military service, on the 4th December, 1953. The departmental representative stated that the lapses mentioned in the

Audit Report were unintentional and had occurred inadvertently. The Chairman pointed out that there was no question of inadvertent omissions of this nature. The Committee directed that the matter should be examined by the Defence Secretary personally and a report indicating the circumstances under which the rules and regulations regarding grant of sick leave were not followed, should be submitted to them in the next session.

8. *Paragraph 19 on page 9 of the Audit Report, 1958.*—In certain accounts areas, heavy amounts on account of Government dues were reported to be outstanding against M. E. S. contractors for a very long time. The outstanding against the contractors were on account of over-payments, non-adjustment of advances, cost of stores issued, penalties imposed and lesser recoveries from bills. The amount outstanding in respect of these accounts areas upto the 31st March, 1956, was reported to be Rs. 5,15,72,167. These large outstandings were due to the fact that the executive authorities had failed to take prompt and effective action to recover the various amounts due from the contractors in accordance with prescribed rules on the subject. The accounts and executive authorities were stated to be taking steps to expedite the recovery of the various amounts due from the M. E. S. contractors and as a result of these efforts, a sum of Rs. 2,02,82,130 had been recovered upto 31st March, 1957, out of the amount mentioned above. The balance of Rs. 3,12,90,037 was still outstanding on 31st March, 1957 and the progress of further recoveries was not known.

The departmental representative furnished particulars of the outstanding recoveries. The Chairman observed that according to the information furnished by the departmental representative the position had improved since 1956 as the latest figure of outstanding was only Rs. 55,82,790. The Financial Adviser, Ministry of Defence stated that the Military Accountant General had been asked to collect the exact figures of the amounts that were still to be recovered. The Committee, therefore, directed that a report indicating full particulars of the outstanding amounts, the recoveries effected and the amounts which could not be recovered should be submitted to them in the next session. They also desired that the action proposed to be taken regarding the non-recoverable amounts should also be reported to them.

9. *Paragraph 20 on page 9 of the Audit Report, 1958.*—With a view to controlling the supply of electric energy and avoiding excessive consumption of electricity by consumers entitled to free use of electricity, Government prescribed certain scales in the case of married personnel. For single accommodation in barracks, it enjoined upon the Officer Commanding Station to convene a Station Board annually to lay down the free scales on the basis of number of burning hours and wattage of lamps installed. Any consumption in excess of the scales so authorised was to be paid for by the individuals concerned at the prescribed rates of electricity for lighting, ventilation etc. In certain accounts areas it was, however, noticed that the above orders were not enforced from the beginning, i.e., since May, 1951. Consequently, the electricity used in excess of the free limit prescribed by the Government in respect of the married personnel was not determined, nor were the recoveries effected from the persons concerned. In the case of single men accommodation in barracks, no Station Boards were convened to fix the free allowance of electricity with the result that electricity used in excess could not be determined.

The departmental representative stated that the orders issued in May, 1951 could not be implemented in some stations due to the fact that there were no Station Commanders and the annual Station Boards could not be convened. Instructions had however, since been issued drawing the attention of the executive authorities to the requirement of convening annual Station Boards to fix free scales in future. The Chairman pointed out that it was not clear why there was a distinction between the married and single officers and why Station Boards were provided for single accommodation and not for others. The departmental representative stated that it was necessary to leave the responsibility of the lighting times to Station Boards because of the climatic and other considerations. This, however, could not be done in the case of married persons because of certain considerations which did not exist in the case of single men. The Committee directed that full information on the objections raised in this paragraph should be furnished by the Ministry of Defence to the Comptroller and Auditor General and compliance reported to them in the next session.

10. *Paragraph 26 on pages 11-12 of the Audit Report, 1958.*—On 22nd December, 1948, an Army Battalion issued certain equipment to its Sector Headquarter for onward despatch to a consignee unit which was employed on special duties. In February, 1952, when the accounts authorities demanded documents from the consignee unit for verifying the receipt of the equipment, it came to light that the equipment had not been received by it at all. Investigations revealed that the equipment was actually despatched to the Sector Headquarter but it could not be ascertained as to (a) who received the equipment at the Sector Headquarter and (b) how it was disposed of at that Headquarter. The holding of a Court of Inquiry was not considered necessary in this case and was dispensed with under Government orders. The factors which brought about this loss could not, therefore, be ascertained. It was pleaded that the loss occurred in very peculiar circumstances which were not likely to recur and the adoption of remedial measures was, therefore, not necessary. The loss of equipment worth Rs. 11,254 which occurred in December, 1948, was written off by Government in the year 1959, i.e., after a lapse of over 10 years.

The Chairman desired to know why it took so long to discover and write off the loss. He also enquired whether any internal check regarding the movement of the equipment had been exercised within the Army itself. The departmental representative stated that according to the normal drill such checks were required to be made in the Army. Such drill was not, however, carried out during the days just after Independence due to chaotic conditions prevailing in those days with the result that the non-receipt of the equipment could not be detected in time in this case. The Committee hoped that there would be no recurrence of such cases in future.

11. *Paragraph 28 on page 12 of the Audit Report, 1958.*—During the year 1949, a particular type of equipment, together with the accessories, was purchased without the preliminary users' trial from abroad at a cost of Rs. 41 lakhs. In 1950, it came to light that the equipment in its existing form did not function correctly and was being replaced in the country of origin by another equipment. It was accordingly declared obsolete and the question of its replacement by another type was decided in 1951. However, due to the budgetary position, order for the new type of

equipment was placed for a part of the total requirement leaving the balance for future procurement. But, in 1952 there came about another change in the equipment policy. It was decided to abandon the idea of making any more purchase of the equipment approved in 1951 and to procure in lieu thereof another equipment comparatively much superior in quality and more economical in use. As for the equipment procured under the contract placed in 1951, there existed great disparity in the proportion of the equipment and its accessories the former being 65% while the latter only 16% of the total requirements. Because of this, about 750 units of the equipment, costing approximately Rs. 1,82,000 were in the absence of accessories, rendered surplus to requirement. Other noteworthy features of this deal were :—

- (a) The existence of the equipment “comparatively much superior in quality and more economical in use” was known in 1951. It would have, therefore, definitely been better if it had been initially decided to purchase that equipment in 1951.
- (b) The order for the equipment was placed with the suppliers without any technical and users' trials with the result that the equipment when put to use was found defective in certain respects. On representation by the indentors, the suppliers agreed to supply, free of cost, the spare parts required for modification of the defective equipment. The freight charges on the spare parts were, however, to be borne by the Government which was thus put to unnecessary extra expenditure to the extent of Rs. 2,647.

The departmental representative gave a brief account of the circumstances under which it had been decided to replace the equipment initially. He stated that a team of experts of G. H. Q. was sent to France, Belgium and other European countries and they came to the conclusion that it was necessary to change the equipment. He added that the spare parts required for modification of the defective equipment were supplied free of cost by the suppliers. As regards the disparity in the proportion of the equipment and its accessories as a result of which certain units of equipment were reported to have been rendered surplus, the departmental representative stated that changes from one type of equipment to another had to be made rapidly and the loss would have been much greater if more spare parts had been imported. The Committee desired to know why full facts of the case were not brought out in the Audit Report. The Comptroller and Auditor General stated that the paragraph to be included in the Audit Report had been shown to the Ministry of Defence in draft and had been accepted by them with some modifications. The Committee observed that full facts of the case should have been furnished to Audit for incorporation in the Audit Report.

12. *Paragraph 34 on page 15 of the Audit Report, 1958.*—This paragraph related to infructuous expenditure on account of irregular discharge of a civilian gazetted officer in Pakistan Navy. It was stated that in December, 1947 a certain individual was appointed as a civilian gazetted officer in a particular Branch of the Pakistan Navy on purely temporary basis. The Federal Public Service Commission found him unsuitable for the post to which he was originally appointed. Notwithstanding the fact that the individual had been transferred to another post, the duties of which were different, the Federal Public Service Commission were not

requested to adjudge his suitability for that appointment and he was discharged from service with effect from the 8th November, 1949. As a result of some representations made by him, it was decided in consultation with the Cabinet Secretariat and the Ministry of Law that he should be reinstated from the date of discharge and since he had already reached the age of superannuation, he should be considered as retired from service with effect from that date. Consequently a sum of Rs. 29,184 was paid to him as arrears of pay and allowances for his presumptive service during the period from 8th November, 1949 to 10th December, 1954 and an additional sum of Rs. 4,600 by way of gratuity. The Financial Adviser, Ministry of Defence stated that he was not satisfied with the advice given by the Ministry of Law in this case. He added that he had called for the relevant papers and promised to submit a report indicating full particulars of this case to the Public Accounts Committee in the next session.

13. *Paragraph 35 on pages 15-17 of the Audit Report, 1958.*—This paragraph related to irregular reimbursement of rent to officers of the Air Force for accommodation hired in private houses, hotels etc. Contrary to the orders, reimbursement of house rent was allowed to some officers. The administrative authority had not accepted the Audit ruling to the effect that the reimbursement of house rent to the officers in question was not admissible and had reported the matter to the Ministry of Defence. The Ministry of Law when approached in the matter up-held the Audit ruling. Consequently the units were apprised of the correct procedure in January, 1957 and the unauthorised practice was discontinued. The total amount on account of irregular reimbursement of rent etc., worked out to Rs. 59,336 which was regularised. No disciplinary action was taken against any individual for the lapses.

The Committee desired to know the position of the case. The departmental representative explained that the irregularities were not detected until the test Audit had pointed them out and after that the matter was referred to the Ministry of Law. He added that the irregularity would not have occurred if the internal Audit had objected to the payments at the time of pre-Audit. The Military Accountant General explained that during the period in which irregularities had occurred, the accounts were maintained by the Air Force themselves. The Committee observed that reimbursement of the amount involved could have been avoided after Audit ruling, if the administrative authorities had implemented that ruling by discontinuing the unauthorised arrangements.

14. *Annexure to Audit Report, Defence Services, 1958.—List of un-finalised cases of serious financial irregularities (S. No. 3 on page 23 of the Audit Report, 1958).*—Large quantities of serviceable stores found surplus to requirements, were returned by various units to a certain Depot. The stores, on receipt in the Depot, were classified as unserviceable but, contrary to the existing orders, the change in condition was not reported to the units concerned. These stores were then sold out to kabaris. The book value of these stores amounted to Rs. 86,76,353 (approximately). The case was investigated by a Court of Inquiry which held that the stores were classified unserviceable with the intention of defrauding the Government. The accused were tried by a Court Martial whose verdict was awaited. The re-issuing of vouchers of stores was being done by the Accounts authorities.

The Comptroller and Auditor General pointed out that the case had been held up for a long time and had not been finalised. The departmental representative explained that the case pertained to a period when the strength of the Army was reduced. As a result of this reduction, unserviceable stores were returned to the Depots which could not cope with this exigency due to receipt of very large quantities of stores and certain stores were, therefore, disposed of. Three officers who were responsible for the irregularity had been dismissed from service and another officer was awarded three years rigorous imprisonment. As regards the assessment of loss, the pricing of vouchers of stores was erroneously done taking every thing as new although the stores were partly worn.

15. *S. No. 5 of the Annexure on pages 23-24 of the Audit Report, 1958.*—This related to miscellaneous irregularities noticed in a certain M. E. S. Division resulting in losses to Government during 1955-56. The departmental representative stated that all of these cases had been referred to the Civil Courts. The Committee directed that a detailed report indicating the action taken with regard to all of these cases should be submitted to them in the next session.

The Comptroller and Auditor General pointed out that the object of this Annexure was to bring to the notice of the Public Accounts Committee and the Ministry concerned, cases that had not been settled for quite a long time and it was desirable that such cases should be settled expeditiously.

16. The Committee then took up the examination of the Commercial Appendices to the Appropriation Accounts of the Defence Services.

17. *Ordnance Factories—Delay in the completion of the Ordnance Factory and Preliminary expenses—pages 4 to 5 of the Commercial Appendix for the year 1955-56.*—The Chairman observed that the estimated cost in the case of Ordnance Factory had risen from Rs. 23 crores to Rs. 53 crores. The Committee desired to know the reasons for the upward revision of the estimated cost. The departmental representative stated that since the work was taken in hand, the cost of material had been rising from year to year necessitating a revision of the original estimates of the cost. Another reason was that additional machinery had to be installed in the Factory. On an enquiry by the Chairman the departmental representative stated that Ordnance Factories, no where in the world, were a paying concern as they were primarily meant to be an insurance against war. The Chairman further enquired whether any estimates had been prepared in relation to the capacity of the factory that must be maintained. The departmental representative stated that efforts were being made to assess the capacity which the factory should maintain both in the case of Civil and Military production. The Chairman pointed out that in peace time, the requirements must be much less than in war time. In peace time the requirements should be about 15 to 20% of the war time requirements.

It was pointed out in the Audit Report that the basis for the compilation of the preliminary expenses of the Ordnance Factory and the manner in which they had to be charged to future production had not so far been decided by Government. The desirability of taking an early decision in the matter had been stressed in view of the fact that the amount on this account had grown quite large. The departmental representative stated

that the preliminary expenses had been calculated afresh and stood at Rs. 8 crores. These expenses included overhead charges also. The Comptroller and Auditor General pointed out that overhead charges were a separate item and could not be treated as a part of the preliminary expenses. The Chairman pointed out that so far as the Ordnance Factory was concerned, substantial portion of its capacity was meant for war time. The whole of the over-head charges could not, therefore, be charged to current production and it was necessary to work out rational *pro-rata* charge for this purpose. He added that expenditure was also being incurred on training of staff and some portion of it should also be charged to current production. The Chairman concluded that since the matter was a complicated one, the Ministry of Defence should appoint an expert firm to go into this question, and to evolve a suitable formula.

18. *Loss in the purchase of defective material (page 5 of the Commercial Appendix 1955-56).*—Certain material purchased abroad was, on receipt in Pakistan, inspected by a representative of the local inspection agents and a large percentage was rejected either finally for various defects or accepted after certain processing, resulting in a loss which was reported to be estimated at some lacs of rupees. Failing recovery from suppliers or construction agents, a part of the loss had been written off. The extent of the remaining loss was required to be assessed and written off. The departmental representative explained that the material had been purchased from the U. S. A. and a firm was requested to inspect it. They inspected 10% of the material but when it arrived in Pakistan it was found that 40% of it was defective. The total loss, however, he added, was only Rs. 58,000. The Public Accounts Committee desired that Audit should verify the details of the loss to be written off and make a report in this respect in the next session.

19. The representatives of the Ministry of Defence then left and the Committee took up the examination of the compliance report of the Railway Board on the recommendations made by the previous Committee in their Report on the Accounts for the year 1953-54.

MINISTRY OF RAILWAYS AND COMMUNICATIONS (RAILWAY BOARD)

20. *B-Specific—S. No. 1 on page 350 of the Compliance Report (Irregularities in the contract for the purchase of Railway Wagons).*—Paragraph 14(a) of the Railway Audit Report, 1955 related to two contracts placed on a local firm in 1951 for the purchase of 471 wagons at a cost of Rs. 64.66 lakhs. These wagons had to be imported from Belgium in a partially dismantled condition and erected in Pakistan before delivery to the Railways. The following irregularities were reported to have been committed in this case:—

- (a) The contract was placed against an unsolicited revised tender of the firm and a month after the public opening of the tenders when its previous tender had been rejected. The appropriate course under the circumstances was to call for fresh and open tenders once again.
- (b) The capacity of the firm to undertake such heavy contract was not properly assessed at the time of placing orders. The firm neither possessed necessary workshop nor equipment for the erection of wagons.
- (c) A change in specifications was allowed within a month after placing orders. The firm was allowed to use basic bessemer steel in the construction of the wagons instead of open hearth steel.

- (d) Relaxation in the specifications was stated to have been allowed in the interest of early deliveries but inspite of that, delivery had not been effected. Although the firm failed to deliver the wagons on the due dates, Government did not exercise the option to recover the liquidated damages or to purchase elsewhere on contractor's risk according to the terms of the contract.
- (e) Inspite of the failure of the firm to supply the wagons according to the schedule, certain advance payments were made to them. Government had paid a sum of Rs. 44.78 lakhs to the firm without obtaining any security deposit or banker's guarantee when not a single wagon had been supplied.

21. While examining the Railway Audit Report 1955, the Public Accounts Committee had recommended that an Enquiry Committee should be appointed to determine if any of the officers of Government who handled the case were directly or indirectly at fault, so that further action, as envisaged in paragraph 1822 and 1823 of the State Railway General Code—Volume I, could be proceeded against them without any loss of time. The Committee had also decided that their recommendations may be brought to the notice of the Minister incharge of Communications and the Ministry of Law consulted for the type and the scope of the Enquiry Committee to be set up.

22. With their compliance report, the Railway Board had submitted a detailed note tracing the history of the case, answering the various points raised in the Audit Report and indicating the action taken by the Railway Board in pursuance of the recommendations made by the previous Committee for instituting a departmental enquiry. It was reported that the Ministry of Railways and Communications were of the view that departmental enquiry could appropriately be held only after the award of the arbitrators, to whom the main case had been referred, was available.

23. The position regarding various audit objections was examined by the Committee in full details, with the following results :—

- (a) *Acceptance of revised tender through negotiations.*—The departmental representative explained that the contract was, no doubt, negotiated but this was not the only instance where the Railways had a recourse to negotiations. All the three lowest Pakistani tenderers were invited to negotiate but this was the only firm who responded.
- (b) *Assessment of the capacity of the Firm.*—As regards the capacity of the firm to undertake the heavy contracts, the departmental representative explained that the firm was reported to have done similar jobs in India before Independence and there was no reason to doubt their capability to perform the contract here.
- (c) *Change in specification.*—Regarding the change in specification the departmental representative stated that the Railway Division were satisfied that there were real difficulties in the procurement of open hearth steel and there was no profit motive in asking for this alteration as the prices of the bessemer steel and the open hearth steel were almost equal. This change was agreed to mainly to avoid delay in delivery.

- (d) *Liquidated damages*.—The departmental representative stated that no liquidated damages were levied on the basis of the advice given by the Ministry of Law who had stated that as **loss of revenue which the non-supply of the wagons could have covered** was not covered by the provision of the clause, the contractor could not be subjected to the payment of liquidated damages.
- (e) *Security Deposit*.—As regards the obtaining of the security deposit from the local firm, the departmental representative stated that the firm was of a good reputation and it was not considered necessary to ask for it apart from the fact that in such big contracts if the international practice was followed no security deposit was obtained.
- (f) *Advance Payments*.—As regards the advance payment, the departmental representative explained that this again was the usual practice in contracts of this size. The departmental representative added that the wagons manufactured in Belgium against this contract were subsequently obtained by Government at less cost. A sum of Rs. 14 lakhs paid by the local contractor to the manufacturer was adjusted against their price. A sum of Rs. 6 lakhs payable to the contractor against another contract with the Railways besides a sum of Rs. 7.5 lakhs payable to them in connection with their contracts with other Government departments was also withheld. A sum of Rs. 6 lakhs on account of the commission payable to the local firm by the foreign manufacturer in respect of the wagons which later Government bought from them direct was also adjusted towards the cost of wagons obtained from them. In addition to this, the firm had agreed to pay a sum of Rs. 14 lakhs for which a draft had already been sent by them.

24. The Committee directed that in order to enable them further to examine the case, the following documents|information should be furnished to them by the Railway Board :—

- (i) Data regarding the ruling prices of bessemer steel and open hearth steel.
- (ii) Particulars of some major contracts containing similar conditions placed by the Director General, Supply and Development.
- (iii) The relevant file wherein the Ministry of Law had advised that the liquidated damages were not admissible.
- (iv) Letter to the local firm wherein it had been made clear to them that inspite of the extension granted for the delivery of the wagons, liquidated damages would be claimed by the Railway Board.

25. The Committee decided to continue the examination of the compliance report of the Railway Board and the Appropriation Accounts (Railways) on the 1st and 3rd February, 1961.

26. Mr. Ebrahim Khan pointed out that the time allotted for the examination of Defence and Railways Accounts was very small and the Committee could not examine these Accounts in detail. The Committee suggested that in future two days should be allotted for the examination of these Accounts.

27. The Committee then adjourned to meet again on Wednesday, the 1st February, 1961 at 3-30 P.M.

Proceedings of the fifteenth meeting of the Public Accounts Committee held on Wednesday, the 1st February, 1961 at 2-30 P.M.

The fifteenth meeting of the Public Accounts Committee was held in Pakistan Secretariat I, Rawalpindi, at 2-30 P.M. on Wednesday, the 1st February, 1961, under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Sardar Barkat Hyat Khan, Member.
3. Mr. Ebrahim Khan, Member.
4. Mr. Jasimuddin Ahmad, Member.
5. Mr. Ghulam Abbas, Comptroller and Auditor General.
6. Mr. A. I. Osmany, P.A. & A.S., Director of Railway Audit.
7. Mr. Zahuruddin, P.A. & A.S., Director of Audit, Defence Services.
8. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor General.
9. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives

MINISTRY OF RAILWAYS AND COMMUNICATIONS (RAILWAY BOARD)

10. Mr. S. A. Suhrawardy, S.Pk., Chairman.
11. Mr. Mushtaq Ahmad, Financial Commissioner.
12. Mr. S. B. Azid, Member.
13. Mr. A. H. Ghani, Director of Mechanical Engineering and Stores.
14. Mr. M. Aslam Salim, Director, Finance.
15. Mr. A. M. Akhoond, Director, Civil Engineering.
16. Mr. Riyaz H. Bokhari, Joint Director, Finance.

(POSTS AND TELEGRAPHS DEPARTMENT)

17. Alhaj Abdul Hameed, Director General.
18. Mr. S. A. Sattar, Deputy Director General.
19. Major A. Akbar, Deputy Director General.
20. Mr. Shamoan Ahmad, Deputy Financial Adviser, Communications.
21. Mr. M. A. Mansuri, Director of Posts and Telegraphs Accounts.

Secretary of the Public Accounts Committee

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

2. The proceedings began with the resumption of the examination of the compliance report of the Railway Board on the recommendations made by the previous Committee in their Report on the Accounts for the year 1953-54.

3. *A-General—S. No. 19 on page 347 of the Compliance Report.*—The previous Committee had recommended that all Ministries|Departments should carry out the periodical physical verification of stores in time in future and in the case of failure of a department in carrying out physical verification of the stores, the reasons should be communicated to Audit for incorporation in the Appropriation Accounts. In their compliance report the Railway Board had stated that the existing rules in the Pakistan Government Railways Code for the Stores Department already provided for the periodical verification of ground balances both by the staff of the Stores Department and the Accounts Department and such verifications were being carried out regularly at intervals. Omissions, if any, on the part of the staff of the Stores Department were invariably taken up by the Railway Administration. Mr. Yaqub Shah desired to know whether omissions or discrepancies were recorded in the Appropriation Accounts. The departmental representative explained that the registers and returns of periodical verification were invariably checked by Audit as a regular measure and there was no scope for any discrepancies.

4. *S. No. 21 on page 347 of the Compliance Report.*—The previous Committee had directed that suitable arrangements should be made for proper maintenance of departmental accounts and their periodical reconciliation with Audit office figures. In their compliance report the Railway Board had stated that this recommendation did not concern them. Mr. Yaqub Shah enquired to know why the Railway Board were not concerned with the recommendation. The departmental representative explained that the recommendation pertained to the departments the accounts of which were maintained by an independent Accounts Office. As the Railway Accounts were maintained by the Department itself, the question of their reconciliation did not arise.

5. *B-Specific—S. No. 2 on page 351 of the Compliance Report.*—In paragraph 14(b) of the Railway Audit Report, 1955, it was stated that in the case of a contract for the supply of 200 wagons placed on a Pakistani firm, the delivery was made by the firm after a delay of 23 months as a result of which liquidated damages to the extent of Rs. 10.55 lakhs became recoverable from the firm. A recovery of Rs. 5,000 only was made from the firm and the balance of Rs. 10.5 lakhs was remitted. The previous Committee was not satisfied with the explanation given to them by the departmental representative and had called for a report indicating why proper legal advice was not obtained before waiving the liquidated damages and also whether any loss was sustained by Government on account of late delivery of wagons.

The departmental representative explained that in such cases no liquidated damages were levied by Government unless it was established that the damages were actually sustained. The Ministry of Law had not been consulted in the matter as they would not have been in a position to advise on the points which could be settled only by the officials of the administrative Ministry. As regards the loss, the wagons were ordered under replacement programme and it could not be concluded that there was a loss in revenue unless the old wagons had been cut up. The departmental representative added that under these circumstances, even though the execution of the contract was delayed, the actual loss in the form of loss of revenue could not be established. There had, however, been a loss on account of interest on capital of Rs. 2,15,114 for a period of 23 months. The Committee agreed that the

Railway Division were competent to decide whether liquidated damages should be recovered and it was not necessary to obtain legal advice for this purpose. As regards the losses, the Committee observed that the wagons were *prima facie* intended for use due to shortage of the same and revenue would have been earned if their supply had not been delayed.

6. Mr. Yaqub Shah enquired whether it was not possible for Government to make some rules according to which such contracts could not be given to people who had got connections with persons highly placed in Government. The Chairman pointed out that this was a controversial point which had been debated in other countries of the world also. One set of argument was that a person connected with a high official or a politician should not get benefit because of that connection. On the other hand, it was also argued that the fact of his being related to a high official or a politician should not prejudice his right to get such contract as an ordinary contractor. It was, therefore, very difficult to follow a cut and dried procedure. The Comptroller and Auditor General was of the view that contracts could be placed with such persons also but they should not be given any preferential treatment.

7. *S. No. 4 on page 351 of the Compliance Report*—During the course of the examination of the compliance report of the Railway Division on the recommendations of the Public Accounts Committee on the Accounts for 1950-51, 1951-52 and 1952-53, the previous Committee had observed that in one case a firm was ordered to deliver a certain quantity of mustard oil for the East Bengal Railway which, on receipt in the depot, was checked and accepted by the authorities concerned. Delivery certificates were, therefore, issued by the depot authorities to enable the party to prefer his bill. Even then payment to the firm was held up. The previous Committee had directed that full facts of the case should be furnished to them. In their compliance report, the Railway Board had stated that the mustard oil was supplied in a general contract agreement executed with the firm and the payment to the firm was withheld as the oil supplied was subsequently reported to be unfit for human consumption even though it had been inspected earlier by the representatives of the Railway Division. Sardar Barkat Hayat Khan pointed out that the right type of persons should have been initially put to inspect and certify the quality of mustard oil. He added that in such cases persons of high status and integrity should be appointed to investigate and certify the quality of the supplies made so as to avoid subsequent losses to Government. The Financial Commissioner Railways pointed out that huge quantities of stores were being received by the Railways and it was, therefore, not possible to appoint senior officers on the inspection side. The Chairman agreed that it was not financially feasible to have officers of high level for such inspections.

8. *S. No. 5 on page 351 of the Compliance Report*.—The previous Committee had recommended that the Ministry of Railways and Communications should, in future, see to it that the provisions made in the budget for amenities to lower class passengers were invariably utilised and should furnish reasons for the savings when the provisions could not be utilised. The departmental representative stated that the recommendation had been noted for future guidance.

9. *S. No. 15 on page 354 of the Compliance Report*.—The previous Committee had directed that the findings of the Expert Committee on the question of future organisation of the Port Railway Chittagong should be

submitted to them. The Chairman pointed out that the administration of the Port Railway Chittagong had since been taken over by the Chittagong Port Trust.

10. S. No. 19 on page 355 of the *Compliance Report*.—The previous Committee had directed that a report regarding the overpayment of hill allowance stated to have been made in a certain Division should be furnished to them after fixing the responsibility in the matter. In their compliance report the Railway Division had stated that the orders issued by the Ministry of Finance regarding the grant of hill allowance to class III staff of the Quetta Division did not clearly indicate that this allowance was not to be paid to the staff in addition to the frontier allowance which was already being paid in that Division. As such the staff had been paid hill allowance in addition to frontier allowance. The payment was stopped with effect from the 1st December, 1951 and the entire amount involved (Rs. 87,600) written off. The Comptroller and Auditor General pointed out that during the course of the examination of the Railway Accounts for the year 1953-54 by the Public Accounts Committee, the departmental representative had admitted that this was a clear mistake on the part of the controlling officer who should have taken care to get an authoritative correct interpretation of the orders in question from Government. The departmental representative explained that the controlling officer was actually not to be blamed because the intention of the orders issued by the Ministry of Finance was not clear. The Comptroller and Auditor General enquired whether a part of the over-payment was recovered. The departmental representative stated that the allowance had been paid to low paid staff and the whole amount had been written off. The Chairman pointed out that at the time of issue of orders for the hill allowance the Ministry of Finance was apparently not aware of the fact that a Frontier Allowance was being paid to the staff in question under orders issued by the Railway Division. Mr. Yaqub Shah raised a point that the position should have been known to the Financial Adviser (Communications) and the payments of hill allowance should not have been made without his sanction. The departmental representative explained that during the period in question all orders issued by the Ministry of Finance were being applied in the Railway Division without obtaining the prior concurrence of the Financial Adviser.

The Committee observed that the Railway Division had taken a long time in writing off the amount involved. The Comptroller and Auditor General pointed out that the payment was stopped in December, 1951 although the correct interpretation of the orders had been obtained in July, 1951. The Committee concluded that the loss could have been partly avoided if the payments had been stopped in July, 1951.

11. S. No. 21 on page 356 of the *Compliance Report (Item 1 of Annexure on page 27 of Audit Report, 1955)*.—The work of pay and cash of East Bengal Railway was entrusted to a Cash Treasurer with effect from 15th August, 1947. The accounts with the Treasurer were not however finalised when this arrangement was terminated with the result that some irregularities that occurred during the regime of the Treasurer were still pending. The previous Committee was informed that the irregularities had been cleared leaving only a small amount to be regularised. The Committee had directed that this should also be cleared and a compliance report submitted to them.

The departmental representative explained that in order to clear the outstanding claims against the *ex-Treasurer*, it had been decided to refer the matter to arbitration for a decision according to the provisions of the agreement executed with him. The Committee directed that the findings of the Arbitrators should not be allowed to be delayed and the case settled at an early date.

12. *S. No. 22 on page 356 of the Compliance Report.*—Certain irregularities in the sale of empty drums in a stores department resulting in a loss of Rs. 17,023 came to the notice of the Public Accounts Committee during the course of the examination of the Annexure to the Railway Audit Report, 1955. The Committee directed that personal responsibility should be fixed in the matter and a report submitted to them. The departmental representative explained that the responsibility for the irregularity was fixed on two persons who had been censured. The Comptroller and Auditor General expressed the view that the Committee need not go into the question of adequacy or otherwise of this punishment because it was an administrative matter. The Chairman pointed out that in case the Public Accounts Committee felt strongly that the punishment awarded in a case was not adequate they had every right to point it out. The Committee observed that the punishment awarded in this case was sufficient and no further action was called for.

13. *S. No. 24 on page 356 of the Compliance Report.*—Under item No. 4 of the Annexure to the Railway Audit Report, 1955, a fraud in the preparation and payment of overtime bills to a station staff from station earnings was mentioned. The previous Committee were informed that an enquiry was being conducted in this case and the departmental representative had promised to submit a full report in the matter. Sardar Barkat Hyat Khan pointed out that the compliance report of the Railway Board in this case indicated that the fraud had been detected after 5 years of its perpetration and punishment had not been awarded to all persons concerned. The departmental representative admitted that there had been considerable delay in detecting the fraud but the persons who were really responsible for it had been punished. The Chairman observed that disciplinary action against the gazetted officers involved still remained to be taken although the non-gazetted staff had been punished. The departmental representative explained that some of the officers involved in the case were working at different stations and that slowed down departmental action. He added that charge-sheets had since been issued to all the gazetted officers concerned. The Committee felt that necessary action should have been taken much earlier.

14. Mr. Yaqub Shah referred to paragraph 30 of the Annual Report and Accounts of Pakistan Railways for the year 1953-54 wherein it was stated that a scheme for mechanisation of accounting had been approved and put into operation from 1st April, 1954 with a view to solving the problem of maintaining proper accounts of the Provident Fund savings of the Railway employees, and enquired how the scheme functioned. The Financial Commissioner Railways stated that they tried to mechanise the accounts but the machines could not be maintained properly due to shortage of spare parts and other difficulties. It had, therefore, been decided to revert to 'head and hand' system and to decentralise the accounts. Mr. Yaqub Shah observed that the experiment was tried previously also and given up for the same reasons.

15. The Committee then took up the examination of the Railway Audit Reports, 1956 to 1958.

16. The Comptroller and Auditor General pointed out that all cases of financial irregularities losses etc. pointed out in Chapter II of the Railway Audit Report, 1956 had since been settled. The Chairman suggested that in view of this position, the various paragraphs might not be examined by the Committee. This suggestion was accepted by the Committee.

17. *Annexure to the Railway Audit Report, 1956 (S. No. 1 on page 31 of the Audit Report, 1956).*—It was stated that action with regard to the fixation of responsibility for the over-payment of personal pay reported under this item was still to be finalised. The departmental representative explained that responsibility for the irregular grant of personal pay in this case had been fixed. The Committee observed that this information should have been communicated to the Comptroller and Auditor General earlier.

18. *S. No. 2 on pages 31-32 of the Railway Audit Report, 1956.*—It was reported that the question regarding the theft of brass fittings from Railway wagons involving an amount of Rs. 24,421 was under investigation of the Railway Administration. The departmental representative stated that the matter had been investigated and the loss written off.

19. *S. No. 3 on page 32 of the Railway Audit Report, 1956.*—This related to irregular payments of dearness allowance and East Pakistan allowance amounting to Rs. 25,852 (revised to Rs. 27,790 subsequently) in a workshop. The amount overpaid had not been recovered or waived. The departmental representative stated that the amount involved had since been written off. The Committee observed that this information should have been sent to the Comptroller and Auditor General earlier. The Comptroller and Auditor General enquired what action had been taken about the disciplinary aspect of the matter. It was explained by the departmental representative that no person was found to be responsible for the irregular payment in this case.

20. *S. No. 4 on page 33 of the Audit Report, 1956.*—An Assistant Inspector of Works having reported sick, another Assistant Inspector of Works was ordered by the Executive Engineer to take over charge of the Section. While taking stock of the stores, a shortage of material mainly bricks and cement was detected. It was reported that the required investigation had not been carried out as yet. The departmental representative stated that the matter was under police investigation and a report would be submitted to the Committee in due course.

21. *S. No. 2 on page 35 of the Audit Report, 1956.*—Air Conditioners were installed in two officers bungalows on 6th July, 1949 and 12th May, 1950 as a special case subject to the provision that the cost thereof should be included in the capital cost of the bungalows for the purpose of assessing their rent. The air conditioner installed in one of the bungalow was dismantled on 8th December, 1951. No action was however, taken for the recovery of the enhanced rent in any of the two cases. The total amount involved was still to be assessed and recovered. The departmental representative stated that a final decision had been taken in the matter a month ago and the amount involved viz. Rs. 2,938 would be recovered only from the officers who actually used the facility of air conditioners. The Chairman pointed out that it should not have taken so long to finalise the case.

22. The Committee observed that the Audit objections had been taken very lightly by the Railway Board and finalisation of many cases had been generally delayed. The departmental representative explained that such delays occurred for many reasons. Some of the cases had got to go to the police. The officers responsible for the irregularities, etc., represented in some cases and full facts had to be verified before taking a decision. The Committee was not satisfied with the explanation and observed that since the Audit Report had been published in 1957, it should have been possible to finalise the cases much earlier. They directed that all unfinalised cases reported in the Annexure to Railway Audit Report, 1956 should be cleared without further delay.

23. *Paragraph 14 on page 12 of the Railway Audit Report, 1957 (Infructuous Capital Expenditure on Construction Projects).*—In order to connect two sections of the North Western Railway, it was proposed to construct a broad gauge railway line and 1,003 acres of land were acquired for the project and the earth-work etc., was started in December, 1952. The projects were however deferred due to financial stringency in March, 1953 and ultimately abandoned on 20th June, 1955. Excepting the expenditure on the cost of land, an expenditure of about Rs. 14.9 lakhs incurred on the establishment and the earth-work was, therefore, rendered infructuous. In another similar case of connecting two main centres of the Railways an expenditure of Rs. 3.70 lacs incurred on the establishment and the earth-work was rendered infructuous. It was stated in this paragraph that in both the cases action had not been taken to give the land on lease even now so that some return could be had from it. The Comptroller and Auditor General pointed out that a bulk of the total infructuous expenditure could have been avoided if the financial stringency had been foreseen. Mr. Yaqub Shah desired to know whether it had been brought to the notice of the Finance Minister that if the works were stopped there would be a loss of about Rs. 18 lakhs. The departmental representative stated that the case had been submitted to the Finance Minister but funds could not be made available despite the fact that the Communication Minister had strongly pressed for the completion of the projects.

24. *Paragraph 16(a) on page 15 of the Railway Audit Report, 1957.*—This paragraph related to financial results of the working of Khadro-Nawabshah Railway. It was reported that the financial results of the working of this Railway had not been prepared with the result that the loss incurred could not be ascertained. The preparation of the financial results for the period from 1st August, 1948 to 31st March, 1951 had been waived due to certain difficulties in the availability of the connected records. The Comptroller and Auditor General desired to know the position regarding the preparation of accounts from the 1st April, 1951. The departmental representative stated that the accounts from April, 1951 had since been prepared. These accounts indicated that this Railway was not suffering any loss. The Comptroller and Auditor General stated that the information should have been furnished to him in time for incorporation in the Audit Report. The departmental representative promised that all such information would in future be furnished in time to Audit for incorporation in the Audit Report.

25. *Annexure to Audit Report, 1957, S. No. 3 on page 27.*—An Inspector of station accounts detected on the 17th July, 1955 that the demurrage charges were being evaded. The first report of the Inspector of station accounts was received in July, 1955 intimating a defalcation of Rs. 3,648.

Further investigation remained under way and the amount increased to Rs. 21,207 in June, 1956 and to Rs. 42,640 in February, 1957. The Committee desired to know the latest position of the case. The departmental representative explained that the case had since been decided and orders issued for effecting recoveries from the officers concerned. As regards the disciplinary aspect of the matter, the staff was charge-sheeted but the final decision was pending because of the Industrial Disputes Act. The departmental representative added that as a result of further investigation it was detected that the amount involved was only Rs. 19,000.

The Chairman pointed out that the Industrial Disputes Act applied to the Railways also and his information was that about 15,000 cases were pending because of the application of the Act and it was necessary to take some corrective action. The departmental representative stated that the question whether a revision of the Act could be suggested by them was under consideration and the progress would be reported to the Public Accounts Committee in the next session.

26. *S. No. 6 on page 29 of the Audit Report, 1957.*—This related to a fraud in the issue of excess fare tickets. The Inspector who looked into the matter brought to light a total defalcation of Rs. 6,026. The departmental representative stated that a departmental Enquiry Committee was appointed which completed its report in November, 1957. In accordance with the recommendations of the Enquiry Committee, the procedure for the issue of excess fare tickets had been changed. Five persons involved in the defalcation of Rs. 6,026 were discharged from service and one was dismissed. Warnings had been issued to other persons involved in the case.

27. *Paragraph 16 (a) on page 11 of the Audit Report, 1958.*—This paragraph related to a case for the purchase of 235 carriages for North Western and the Eastern Bengal Railways an order for which was placed by the Railway Division on a French firm on the 31st January, 1951. The following irregularities were committed in this case:—

- (i) Orders were placed after negotiations with the firm and no tenders were invited.
- (ii) Liquidated damages amounting to Rs. 48,45,868 were waived without sufficient justification.
- (iii) The coaches were received with various defects and their rectification was programmed in an unsatisfactory manner. A delegation had to be sent to France which arrived at a fresh agreement with the firm regarding replacement of defective carriages. The Railways had thus to undergo additional expenses and loss of income.

The Chairman pointed out that the order in this case was placed with the French firm with a view to introducing light weight carriages in Pakistan. Unfortunately the carriages were passed by the inspecting Engineers although these proved to be defective afterwards. The Comptroller and Auditor General pointed out that such a big order should not have been placed before giving trial to some coaches in the first instance. The departmental representative stated that sample coaches were received and run for 5 months period. No defects were noticed in these coaches during the trial period.

As regards the liquidated damages, the Committee observed that the relevant clause pertaining to recovery of such damages in the contracts made by the Railway Board was doubtful. Since the Ministry of Law had given a ruling that no liquidated damages could be recovered in accordance with this clause, the question should be examined further by the Railway Board with a view to amending the clause in the contracts and a report submitted to the Committee in the next session.

28. *Paragraph 16(b) on pages 14-15 of the Railway Audit Report, 1958.*—This paragraph related to excessive purchase of vaccine due to the preparation of the indent on an *ad hoc* basis by the Chief Medical Officer in Eastern Bengal Railway without ascertaining the actual requirements from the various districts of Railway. Further, while the normal requirement of the Railway was estimated at only 7,200 ampoules (i.e., 72,000 C.Cs.) the quantity was shown in the indent, through an oversight, as 72,000 ampoules (of 10 C.C. each). Moreover, the probable cost of the indent which was also required to be shown simultaneously was not worked out on the ground that the rates of the medical stores were not known. All these factors contributed to the purchase of vaccine over and above the normal requirements of the Railway, resulting in a loss of Rs. 1,31,164 which had been written off. The clerical error of showing greater quantity of vaccine in the indent might have come to notice while calculating the total value of the indent. It was stated that steps had been taken to follow the correct procedure in future.

Mr. Yaqub Shah desired to know what steps had precisely been taken. The departmental representative explained that qualified clerks had been put on the job and it was expected that such clerical errors would not recur in future.

29. *Paragraph 19(a) on page 17 of the Railway Audit Report, 1958.*—In paragraph 22 of their Report on the Accounts for 1951-52, the Public Accounts Committee observed that in all cases of extended dates of delivery or complete failure to supply the stores, some loss was incurred by Government and any waiver or reduction of financial penalties, to which the supplier thus became liable, should be permitted only in exceptional cases. The Committee also recommended that the Comptroller and Auditor General should mention in the Audit Reports all important cases in which the financial penalties provided in the contracts had either been waived or reduced to an appreciable extent. Some cases of this type were mentioned in this paragraph.

The observation of the Committee as contained in paragraph 27 applied to this case also.

30. *Paragraph 19(d) on page 19 of the Railway Audit Report, 1958.*—This related to the number of Audit and Inspection Notes pertaining to various years outstanding on 28th February, 1958 with the Accounts Office. Mr. Yaqub Shah desired to know the latest position with regard to the disposal of these Notes. The Comptroller and Auditor General stated that the number of such Notes had been reduced from 1,470 to 677 and he was satisfied with the progress made in the matter.

31. *Paragraph 20(c) on page 24 of the Railway Audit Report, 1958.*—In paragraph 13 of the Railway Audit Report, 1953 a mention was made about the unsatisfactory position of the stores accounting on North Western Railway. The Public Accounts Committee were informed on

22nd November, 1956 that efforts were being made to reorganise the accounting work. It was reported in this paragraph that the services of a foreign expert had been engaged from the middle of December, 1956 and an Accounts Officer of considerable experience had been attached to him. The departmental representative stated that this two-man Committee had certified that the stores accounts were maintained in a correct way and the procedure now followed was in order.

32. *Annexure to Railway Audit Report, 1958 (S. No. 1 on page 26 of the Railway Audit Report, 1958).*—Section 154 of the Government of India Act, 1935 (as adapted by Pakistan after Independence) provides that property vested in His Majesty for purposes of the Government of the Dominion shall, save in so far as any Dominion Law may otherwise provide, be exempted from all taxes imposed by any authority within a Province provided that if any such tax was payable or treated as payable on any property so vested immediately before the commencement of Part III of the Act, that tax will be paid or continue to be paid as long as the tax continues. Further, Article 112(2) of the late Constitution also provides that property vested in the Federal Government shall, save in so far as an Act of Parliament may otherwise provide, be exempt from all taxes imposed by any authority within a Province. The Railway Administration were however reported to have been paying these taxes since Independence in respect of Railway property built or acquired on or after 1st April, 1937, the date on which Part III of the Act came into operation, as well as an increase in the amount of these taxes that were being paid on 1st April, 1937. It had been decided by the Railway Division to appoint a Judicial Officer to make a general review of the assessment and to settle the question of claiming refund of the taxes excess paid. Although the irregularity was detected in June, 1948, the taxes were still being paid by the Railway Administration.

Mr. Yaqub Shah desired to know the practice followed in this regard before Independence. The departmental representative stated that before Independence the Railways never paid such taxes. Mr. Yaqub Shah stated that while the 1935 Act exempted the Railway Administration from the payment of Municipal and Union Board taxes, his recollection was that the Railway Board had issued certain instructions to the Railway Administration in prepartition India accepting this liability under certain conditions and suggested that these instructions might be looked up. The Chairman was of the view that the Railways should not be exempted from any taxes because they were a commercial organisation.

33. *Annexure to Railway Audit Report, 1958 (S. No. 2 on page 27 of the Railway Audit Report, 1958).*—This related to non-recovery of the cost of electric energy supplied in bulk by the Railway Administration to a company under the terms of an agreement. The amount involved was Rs. 4,67,818. It was stated that the case had been referred to the electrical inspector of the Provincial Government that had taken over the Company after the 1st August, 1952. The Committee desired to know the latest position of the case. The departmental representative explained that the matter was referred for arbitration as a result of which the Railways had been awarded Rs. 2,92,000. Action was being taken to implement the award. The Committee desired that the final position should be reported to them in the next session.

34. The representatives of the Railway Division then withdrew and the Committee took up the examination of the compliance report of the Posts and Telegraphs Department on the recommendations made by the previous Committee in their Report on the Accounts for the year 1953-54.

POSTS AND TELEGRAPHS

35. *A-General—S. No. 24 on page 427 of the Compliance Report, 1953-54.*—The previous Committee had recommended that in the cases of financial irregularities, measures should be adopted to expedite the investigation and prosecution wherever necessary. Further that even though an officer might be under prosecution in a Court of Law, this should not unduly delay the initiation of the departmental proceedings against the officer himself and against the supervisory staff responsible for dereliction of duty leading to loss of Government money. The departmental proceedings should proceed side by side with the criminal prosecution. In their compliance report, the Posts and Telegraphs Department had stated that the long drawn out procedure of obtaining sanction for prosecution directly from the Ministry of the Interior had been simplified so that prosecution sanction was now issued by the appointing authority. The Ministry of Law had given a ruling that disciplinary proceedings could be instituted and finalised against the accused officer without waiting for the finalisation of the case in a Court of Law. The Committee directed that copies of the ruling given by the Ministry of Law should be furnished by the Posts and Telegraphs Department to the Ministry of Railways and Communications who should communicate it to the Establishment Division for necessary action.

36. *B-Specific—S. No. 2 on page 429 of the Compliance Report, 1953-54.*—The previous Committee had directed that full facts of the case relating to postal defalcations by the extra departmental Post Master, Abu Turab Post Office with dates of various events and the names of the officials responsible should be furnished to them in the next session. The details given in the compliance report of the Posts and Telegraphs Department indicated that the accused Post Master was absconding, but some recoveries had been effected from his sureties etc. The officials whose negligence facilitated the fraud were proceeded against departmentally and punished by effecting recoveries from their pay or otherwise dealt with. The total recoveries thus made in this case amounted to Rs. 1,766-7-0.

37. The Committee then took up the examination of the Appropriation Accounts (P. & T.) for the years 1954-55 to 1956-57 and the Audit Reports thereon.

38. *Paragraph 14(a) on page 19 of the Appropriation Accounts for the year 1954-55.*—The total number of defalcations or losses of public money which came to light during the year under report was stated to be 34 and the amount involved Rs. 47,856. On an enquiry by Mr. Ebrahim Khan, the Comptroller and Auditor General explained that a decrease in the number of defalcations in a year did not necessarily mean that the amount involved would also be less just as an increase in the number did not indicate a rise in the amount. The departmental representative stated that efforts were being made by them to ensure that there were no defalcations in future by drawing the attention of all concerned from time to time to the strict observance of the relevant rules.

39. *Annexure to the Appropriation Accounts (P. & T.) 1955-56 (S. No. 3 on page 139 of the Appropriation Accounts, 1955-56).*—The Post Master Bogra Head Office absconded on the night of 20th November, 1956 and took away with him from the cash chest of the Post Office treasury an amount of Rs. 20,020. The departmental and police enquiries were reported to be in progress. Enquiring about the latest position of the case, Mr. Ebrahim Khan observed whether the accused had crossed over to India. The departmental representative replied in the affirmative and added that the case had since been closed, for the same reason.

40. *S. No. 8 on page 141 of the Appropriation Accounts, 1955-56.*—This paragraph related to mis-appropriation of Rs. 1,00,476 of Savings Bank Deposits by a Sub-Post Master. It was mentioned therein that the accused was under arrest. The departmental representative stated that the Sub-Post Master responsible for the mis-appropriation had since died leaving no moveable or immovable property with the result that departmental proceedings against him had to be dropped. Attempts were, however, being made to fix responsibility on the inspecting and supervisory staff with a view to effecting recovery of the loss from them. The result will be intimated to the Committee in due course.

41. *Paragraph 19 on page 23 of the Appropriation Accounts, 1955-56.*—A Post Office paid pay and allowances to its staff in 1948-49 according to India Pay Commission's Award. Over-payments amounting to Rs. 2,548 were ordered to be recovered by Audit. The Post Master did not, however, comply with the Audit instructions on the pretext that the staff had represented that no recovery should be made from them. The result was that when subsequently the staff's representation had been rejected by Government, recoveries amounting to Rs. 2,283 could not be made from 18 officials who had in the meanwhile resigned and the Central Government had to waive recovery of the amount. The Chairman desired to know whether any departmental action was taken against the Post Master. It was explained that a sum of Rs. 800 was recovered from him and his pension was also reduced.

42. *Paragraph 16 (b) on page 21 of the Appropriation Accounts for the year 1955-56.*—A sum of Rs. 2,92,130 on account of bearing press messages revenue relating to the period from April, 1948 to March, 1957 were outstanding against different news agencies. A single news agency owed as much as Rs. 1,95,701. Under the rules, the amount was required to be paid within a week of the presentation of bills, failing which the concession of issuing messages without prepayment was required to be withdrawn. The departmental representative stated that the Ministry of National Reconstruction and Information had decided to pay themselves the major portion of the outstanding amount of Rs. 1,95,701 and the news agency involved had been asked to pay the rest of the amount. He added that the concession was not withdrawn because that was the only national news agency.

43. *Paragraph 15 on page 20 of the Appropriation Accounts, 1956-57.*—It was stated that payments on account of compensations to senders of insured or other articles lost or damaged in transit were not booked under the head "Losses written off" but were charged separately under "Miscellaneous Post Office Expenses". Recoveries, if any, were credited to revenue receipts. The Chairman pointed out that he was of the

view that the payment of compensations should not appear on the expenditure side. The departmental representative stated that the entire structure of classification would have to be changed after the accounts were maintained on commercial lines.

44. *Annexure to Audit Report, 1958 (S. No. 1 on page 131 of the Appropriation Accounts, 1956-57).*—It was stated in this paragraph that a loss of 28 insured parcels received from Dacca Foreign Post occurred due to out-break of fire in a mail van in front of Karachi Foreign Post on 11th May, 1956. The amount involved was Rs. 8,640 and the case was reported to be under police and departmental investigations.

The departmental representative stated that the police and departmental enquiries revealed that the parcels might have contained films which caught fire themselves. The claims made by the senders had been paid.

45. *S. No. 2 on page 132 of Appropriation Accounts, 1956-57.*—It was stated in this paragraph that pocket watches worth about Rs. 7,000 issued to Store Depots at Sargodha and Dacca were not received at their destinations and the department was reported to be taking action for the adjustment of the loss.

The departmental representative stated that what actually seemed to have happened was that the clerks in the office of the Controller of Stores had sent empty parcels. Efforts were being made to recover the amount from the officials responsible for the loss and the result would be reported to the Committee in due Course.

46. The Committee then adjourned to meet again on Thursday, the 2nd February, 1961 at 2-30 P.M.

Proceedings of the sixteenth meeting of the Public Accounts Committee held on Thursday the 2nd February, 1961 at 2.30 P.M.

The Public Accounts Committee met in Pakistan Secretariat I, Rawalpindi at 2.30 P.M. on Thursday the 2nd February, 1961 under the Chairmanship of Mr. Mohammad Shoaib, Minister for Finance.

The following were present :—

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

Departmental Representatives

MINISTRY OF FUEL, POWER AND NATIONAL RESOURCES

10. Mr. M. A. Hameed, S.Q.A., Chief Engineering Adviser.
11. Mr. K. Mushtaq Ilahi, Deputy Secretary.
12. Mr. A. R. Qureshi, Chief Engineer, Warsak Dam Project.
13. Mr. Moizuddin, Coal Commissioner.
14. Mr. A. F. S. Salahuddin, Deputy Financial Adviser.

Secretary of the Public Accounts Committee

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

2. In their compliance report on the recommendations made by the previous Committee, the Ministry, of Industries had stated with regard to items Nos. 9, 15, 16, and 18 on pages 230—232 of the compliance report that the Ministry of Fuel, Power and Natural Resources were concerned with the subject and had been asked by them to furnish the requisite information when they appeared before the Public Accounts Committee. In the meeting of the Public Accounts Committee held on the 21st December, 1960, the representatives of the Ministry of Fuel, Power and Natural Resources were however, unable to explain the position regarding these items and stated that no intimation had been received by them from the Ministry of Industries though they were

answerable to the Committee. The Public Accounts Committee was not satisfied with the explanation and had directed that the Ministry of Industries and the Ministry of Fuel, Power and Natural Resources should give an explanation as to why action was not taken by them to furnish the requisite information to the Committee.

The Secretary of the Public Accounts Committee stated that in accordance with the directive of the Public Accounts Committee, the matter was referred by him to the Ministry of Industries who had stated that the Ministry of Fuel, Power, and Natural Resources were duly informed by them that they were required to furnish the necessary explanation about the items in question. Copies of the letters issued by the Ministry of Industries in this connection were placed before the Committee. The Chairman desired to know the circumstances under which an incorrect statement was made before the Public Accounts Committee by the representative of the Ministry of Fuel, Power and Natural Resources in the meeting held on the 31st December, 1960. The departmental representative stated that the reference made by the Ministry of Industries had not been received by them and might have been lost in transit. The Chairman pointed out that the non-receipt of the letter in question by the Ministry of Fuel, Power and Natural Resources did not prove that it was not sent by the Ministry of Industries. Apparently there was something wrong somewhere. The Committee directed that both the Ministries should look into this matter at their respective ends.

3. In its meeting held on the 21st December, 1960, the Public Accounts Committee had directed that a list of various items concerning the Ministry of Fuel, Power and Natural Resources appearing in the Accounts or Audit Reports should be drawn up by that Ministry in consultation with the Accountant General, Pakistan Revenues and detailed notes indicating the position with regard to each item should be submitted to the Secretary of the Public Accounts Committee for circulation to the Members. Copies of these notes were supplied by the Ministry of Fuel, Power and Natural Resources with their Office Memorandum No. F. 2(1)|61-APP, dated the 1st February 1961 and were circulated to the Members of the Public Accounts Committee. It was stated in para 4 of this Office Memorandum that the Ministry of Fuel, Power and Natural Resources had not been able to provide adequate answers in some cases, due to the fact that the relevant records had been destroyed in accordance with Government instructions for weeding out the old records. The Comptroller and Auditor General pointed out that in the cases which were still under consideration, the question of destroying the relevant files could not have arisen. The Chairman stated that the rules on the matter did not permit the destruction of such files. The departmental representative stated that the files had been destroyed by the Ministry of Industries from whom the subject had been transferred to the Ministry of Fuel, Power and Natural Resources. The Committee directed that the Ministry of Industries should submit a report in this connection in the next session.

4. The Committee then took up the examination of the compliance report of the Ministry of Fuel, Power and Natural Resources on the recommendations made by the previous Committee in their Report on the Accounts for the year 1953-54.

5. Paragraph 6 on page 78 of the Public Accounts Committee Report on the Accounts for the year 1953-54.—It was reported in paragraph 33(e) of the Audit Report, 1955 that some contracts for purchasing 1,00,000 tons of coal were negotiated by the Commercial Division of an Embassy with a foreign firm without taking any advantage of the declining trend of the market and obtaining competitive rates of coal dealers. No steps were taken to have the loading of ships supervised with the result that out of the five ships that carried coal, one was reported by the Coal Commissioner to be containing mainly dust and slack and the others according to the Coal Commissioner's visual estimates, had from 25 per cent. to 30 per cent. ashes. A rough estimate of the loss suffered by the Government of Pakistan was, therefore, in the neighbourhood of a million rupees. Proper handling of the case would have at least led to the forfeiture of the performance bond for about Rs. 1,50,000 but the Commercial Division did not realise the necessity of the forfeiture of the performance bond. The previous Committee had directed that this irregularity should be explained in their next session.

The Public Accounts Committee were informed that although written quotations were not issued verbal quotations were called for from all suppliers interested in the export of coal to Pakistan. Lowest quotations were accepted barring one as it had been established that the tenderer was not in a position to arrange freight. The loading of the cargo was supervised and checked by an agency stipulated in the Tender Enquiry and their report indicated that the supplies contained high percentage of dust and ash. The supplies were, however, accepted on the basis of the report of another inspecting agency appointed by the suppliers, because it was considered necessary to give an impression to the suppliers that they would not be unnecessarily penalised. The Commercial Counsellor had stated that he obtained the approval of the Ambassador to the departure made in the prescribed procedure. The departmental representative explained that the purchase was made in an emergency when India had cut off the coal supply and it was difficult to adhere to the normal procedure under such conditions. The Chairman enquired what action had been taken against the Commercial Counsellor who had accepted the wrong report of the agency employed by the suppliers. The departmental representative explained that the Embassy took a very lenient view of the thing on the consideration that it was impossible to take representative sample of the cargo and a difference in the two results was bound to be there. The Committee observed that there was no justification for accepting the supplies when it had been certified by the inspecting agency stipulated in the contract that it was not upto the required standard. The Chairman pointed out that full payment should not have been made to the firm as it had been detected that the supplies contained mostly dust.

Sardar Barkat Hyat Khan desired to know whether it had been verified that the action taken by the Commercial Counsellor had the Ambassador's approval. The departmental representative stated that a reference had been made by them in this connection to the Ministry of Industries who took up the matter with the Ambassador but a reply had not been received from the Embassy. The Counsellor had, however, made a statement that he had consulted the Ambassador who agreed in the matter. The Committee felt that the case had not been properly handled and even if the Ambassador had been consulted, he should have exercised his discretion in a better way. The Comptroller and Auditor General pointed out that since inferior quality of coal was

accepted, some reduction in price might have been obtained or it might have been adjusted against the forfeiture clause of the performance bond.

6. *Paragraph 31 on page 122 of the Public Accounts Committee Report on the Accounts for the year 1953-54.*—The Commercial accounts of the Coal Briquetting Plant, Quetta for the year, 1953-54 disclosed considerable shortages. The previous Committee were informed that the plant was 40 years old and was originally installed in Assam and then transferred to Quetta. The plant was most inefficient and pitching was dearer than what it should be. Accordingly there was bound to be loss. The previous Committee had recommended that the position of this old plant and its production should be carefully examined and a report made to them during the next session so that it could be seen if the percentage of shortages was reasonable, whether it could not be reduced and whether the plant should not be replaced by a more modern one.

In their compliance report, the Ministry of Fuel, Power and Natural Resources had stated that the production of the plant was watched for three years suffering losses every year. The major repairs were then carried out during 1955-56 and a marginal profit was obtained. The question of replacement of this old plant or carrying out further repairs did not arise, as it had already been transferred to Pakistan Industrial Development Corporation with effect from the 1st January, 1957. Mr. Ebrahim Khan enquired why the condition of the machine was watched for a period as long as three years incurring losses every year. The departmental representative stated that since the conditions obtaining at the time were not known, it was difficult to say whether it was possible to carry out major repairs during the first year of the operation of the plant. The machine was 40 years old and the amount of breakages of the finished products was more than originally estimated. A good deal of finished products had therefore, to go back to the machine for reprocessing which resulted in shortages. The Committee observed that the time spent in observing the working of the machine was unnecessarily long. The Comptroller and Auditor General pointed out that the losses incurred during the years 1952-53 and 1954-55 were Rs. 77,984 and Rs. 30,091 respectively; and although the plant had not given any profit consecutively for 5 years, yet during 1953-54 it made a profit of Rs. 1,15,221.

Sardar Barkat Hyat Khan enquired whether after transfer to the P.I.D.C. the plant was working properly. The Chairman desired that a report regarding the working of the plant under the P.I.D.C. and showing the comparative position of shortages during its past and present working should be submitted to the Committee by the Comptroller and Auditor General well before the next session of the Committee.

7. The Committee then took up the examination of the Appropriation Accounts and the Commercial Accounts for the year 1954-55 to 1956-57 relating to the Ministry of Fuel, Power, and Natural Resources.

8. *Paragraph 33 on pages 32—34 of the Appropriation Accounts for the year 1954-55.*—This paragraph indicated the following instances of unnecessary or extra expenditure on various contracts for the supply of coal :—

- (i) A contract for the supply of 70,000 tons of coal was placed on a party in June, 1954 without inviting open tenders. The

offer of the party was shillings 125 per ton C&F but the contract for the supply of coal was made on a foreign country at shillings 70 per ton on F.O.B. basis, although that country was not a party to submit quotations and the freight contract with the negotiating party at shillings 55 per ton. The placement of the contract with the foreign country amounted to awarding the contract on "on tender" basis, the F.O.B. cost of which was not comparable with any other quotations. Similarly, the signing of the freight contract was a case of "no tender". The freight rates prevailing at that time were neither verified from the bonafide shipping companies nor inquiries were made from the Shipping Branch of the High Commissioner in the United Kingdom about the space and the rates at which such space could be procured. The freight contractor was paid the entire amount including discharge cost at Chittagong and his element of commission in sterling, though a part of the charges only viz., freight was actually incurred by him in foreign currency. The freight contractor was paid at shillings 55 per ton, but he was able to charter ships at shillings 22-1/2 per ton. Adding another 10 shillings per ton for unloading charges (as agreed upon in a subsequent contract), the overall expenditure incurred by the contractor was 32-1/2 shillings per ton at the most. Thus the freight contractor earned a profit of shillings 22-1/2 per ton or nearly £79,000. This would have been saved if the terms were settled directly with the shipping companies which would have earned rebate too. The terms of the contract were neither precise nor definite, with the result that Government could not enforce their claims either to refund the freight or the discharge cost at least, for the stores lost in transit in one of the ships engaged by the freight contractor. No penalty clause was incorporated in the contract to compel the contractor to adhere to the stipulated period of delivery, which was much behind the schedule.

- (ii) A similarly defective contract was placed with the same party for the supply of 1,25,000 tons of coal in March, 1956 on negotiation basis, at shillings 150 per ton C. & F. Chittagong. The contract for the supply of coal was, however, placed on a foreign country, at shillings 65 per ton on F.O.B. basis and the freight contract with the negotiating party at shillings 75 per ton, plus the discharge cost equivalent to shillings 10 to be paid in Pakistan currency. Besides this, the condition for payment of the discharge cost equivalent to shillings 10 which was to be paid in Pakistan currency, was later on relaxed and the amount was paid in sterling; the reasons advanced being increase in freight rates. Since there was no variation clause in the original contract, the relaxation was not covered by the terms of the contract. The freight contractor was thus paid the entire amount including the discharge cost and the element of his commission in foreign currency.
- (iii) World wide tenders were invited for the supply of 3 lacs tons of coal from countries other than India. The quotations were not opened in public as required under the rules. The lowest offer of shillings 140 was ignored considering it as ridiculously low and not genuine and the next higher offer of shillings 165 per ton C. & F. Chittagong|Karachi was accepted. This meant

a loss of £ 3,75,000 out of which £ 30,000 were to be paid in Pakistan currency. But the contract for the supply of coal was placed on a foreign country in May, 1956 at shillings 65 per ton F.O.B. though that country did not submit any quotations and the freight contract was placed with the tendering party mentioned earlier at shillings 100 per ton Chittagong| Karachi, without verifying the prevailing rates from the recognised shipping companies or agents or without making inquiries from the Shipping Branch of the Pakistan High Commission in the United Kingdom about the space and the rate at which such space could be procured. There was a difference of at least shillings 8 between the freight for Karachi and Chittagong, but for both the destinations a fixed rate of shillings 100 was accepted. The overcharge on this account amounted to £ 40,000. In this case, too, the freight contractor was paid the entire amount including the discharge cost, and his commission in sterling, though only a part of it was actually incurred by him in sterling for chartering the ships. A contract for the shipping tonnage of 1,25,000 tons of coal from the same source was placed with this party at shillings 85 per ton only two months back. No efforts were made to make a counter offer in this deal. No penalty clause was incorporated in this contract too, to compel the freight contractor to adhere to the delivery period, which was always much behind the schedule.

The departmental representative stated that he was unable to explain the position of the cases as the relevant files had been taken away by the Special Police Establishment. The Committee directed that the relevant files should be obtained by the Ministry of Fuel, Power and Natural Resources, and replies to the Audit objections furnished to the Comptroller and Auditor General who should make a further report to the Committee in this connection in the next session.

9. Paragraph 38(ii) on page 39 of the Appropriation Accounts, 1954-55.—A contract was placed in 1952 on a firm for the supply of two dredgers to East Pakistan. The demand of one dredger was later on cancelled and the Government paid a sum of £ 53,000 as compensation to the suppliers in lieu of the cancellation of the said demand. A sum of £ 53,000 was thus lost to Government.

The Public Accounts Committee were informed that the order was cancelled at the instance of East Pakistan Government after a high level meeting between the then Prime Minister and the then Provincial Chief Minister. The Chairman desired to know whether the minutes of the said meeting had been recorded. The departmental representative stated that a note had been recorded by the Director of Navigation that such a meeting was held in the then Governor General's House and no minutes were recorded. Mr. Ebrahim Khan desired to know whether it had been brought to the notice of the Minister concerned that the cancellation would result in payment of compensation amounting to £ 53,000. The departmental representative could not furnish this information. The Chairman pointed out that the matter should have been brought to the notice of the Minister concerned. He however, added that the Committee need not go into this matter further.

10. Paragraph 71 on page 59 of the Commercial Appendix to the Appropriation Accounts, 1954-55.—It was stated that recoveries amounting

to Rs. 73,665 in respect of Makerwal Collieries were outstanding against various Government departments and offices etc. Early action for recoveries was called for. The Committee were informed that efforts were made in 1958 to effect these recoveries but the same could not be made in some cases due to several reasons including transfer of Government officials and formation of One Unit in West Pakistan etc. The latest amount of outstandings was stated to be Rs. 19,000. The Committee directed that efforts should be intensified to realise the outstanding amounts and the result reported to them.

11. *Grant No. 42-Geological Survey (Note 4 on page 213 of the Appropriation Accounts for the year 1954-55).*—A Government Sulphur Mine started in 1941 was closed down in 1945. The assets as on 14th August, 1947 with a book value of Rs. 8,80,415 were disposed of for amounts aggregating Rs. 1,10,371 during the period from 1947-48 to 1954-55. The sulphur was sold to different parties at a total price of Rs. 82,942. The buildings were auctioned for as little as Rs. 500 in April, 1949 and so also with regard to other assets. The difference of Rs. 7,70,044 between the book value of the assets on 14th August, 1947 and the total realisation represented loss to Government. The department concerned had not yet stated that there had been a prior advertisement of the sale, auction, etc., and whether any minimum price was fixed for the auction of the buildings and stocks etc.

Mr. Ebrahim Khan desired to know whether the buildings including the land were sold by open auction. The departmental representative stated that only the material of the buildings was auctioned after demolishing the same. As regards prior advertisement for the auction, the departmental representative explained that auction was advertised in newspapers.

12. *Grant No. 84.—Capital Outlay on Schemes of State Trading—Note 5(i) on page 489 of the Appropriation Accounts for the year 1954-55.*—In July, 1951, the Coal Commissioner entered into negotiation with an Indonesian firm for the supply of 15,000 tons of Indonesian coal in 3 consecutive voyages and the offer of the firm was accepted provisionally by the Coal Commissioner. The confirmation of the provisional acceptance, was, however, not made so as to reach the Indonesian firm in time with the result that the coal was sold out and the ship "S. S. Pakistan Pioneer" chartered for bringing coal from Indonesia could not be utilised. The ship was utilised in carrying coal from Calcutta to Karachi and salt from Karachi to Chalna on very unfavourable terms. This resulted in a loss of about Rs. 4,00,000 to Government. The Committee were informed that the confirmation letter to the supplier was despatched late on account of negligence of the despatcher and his services had been terminated. The Chairman observed that in a situation like this a telegram should have been sent and that the mere sending of a letter was not sufficient.

13. *Paragraph 89 on page 79 of the Commercial Appendix to the Appropriation Accounts, 1954-55.*—The working of the Coal Briquetting Plant, Quetta disclosed a net loss of Rs. 77,984 during 1952-53 against a net loss of Rs. 30,293 in the previous year. The Committee were informed that the plant remained closed for want of necessary repairs which were carried out in 1954. There was, therefore, no production of briquets during the year which resulted in this loss. Mr. Ebrahim Khan desired to know the extent of expenditure which would have been incurred on repairs. The Chairman pointed out that according to the

accounts, the extent of expenditure was Rs. 2,888. This did not seem to be correct as no major repairs could be carried out at so small a cost. It, therefore, appeared that the commercial accounting system was not followed properly. The Comptroller and Auditor General stated that it appeared that expenditure relating to a particular year was not necessarily booked in the same year's account and this was responsible for incorrect working result every year.

14. *Paragraph 125 on page 108 of the Commercial Appendix of the Appropriation Accounts for the year 1954-55.*—The working of Government Sharigh Mines during the year 1951-52 disclosed a net loss of Rs. 10,709 against a net loss of Rs. 5,612 during the year 1950-51. The Committee were informed that the loss was due to low production of coal for want of labour and that the position had improved afterwards. They were also informed that the leave and pension contributions had not been included in these accounts as the rates at which these should be charged had not been intimated by the Accountant General, Pakistan Revenues in spite of repeated reminders.

Sardar Barkat Hyat Khan desired to know whether the coal output was now going up. The departmental representative stated that the production was increasing and that next year it was hoped that it would raise to 1.5 million tons against 6 to 7 lakhs tons in the current year.

Mr. Yaqub Shah enquired why information regarding leave and pension contributions was not being furnished by the Accountant General, Pakistan Revenues. The Comptroller and Auditor General promised to look into this matter. He, however, pointed out that in the case of these Mines, the Coal Commissioner had himself pointed out that the rates of contributions were to be fixed by Government of Pakistan and not by the Accountant General, Pakistan Revenues. The question of furnishing any information by the Accountant General, Pakistan Revenues did not, therefore, seem to arise.

15. *Paragraph 57 on page 32 of the Appropriation Accounts for the year 1956-57.*—It was noticed in a Divisional Office that demurrage charges amounting to Rs. 43,250 had been paid to the Railway authorities without fixing responsibility for the delay on the part of the officials concerned in taking delivery of stores etc. This unnecessary expenditure could have been avoided if action to take delivery had been taken promptly. The Committee were informed that the amount of Rs. 43,250 was paid over a period of one year in respect of about 60 credit notes covering several consignments. All possible efforts had been made to clear the consignments from the Railway Station, as expeditiously as possible. But some times it was not possible to clear them within the specified time allowed by Railways, for several reasons. A request had been made to the Divisional Superintendent, North Western Railway to forego demurrage charges in such cases but this was not accepted. The position had also been brought to the notice of the Financial Adviser and Audit. The Financial Adviser had approved the expenditure involved and the question regarding issue of a Government sanction was under consideration.

16. *Paragraph 60 on page 33 of the Appropriation Accounts for the year 1956-57.*—The test check of the accounts of two Divisional Offices revealed that some officers and staff had been employed as work-charged establishment although their duties were of a different nature. The

procedure appeared to have been adopted to avoid the sanction of the competent authority for the creation of temporary posts on the regular establishment. The Committee desired to know the circumstances under which the officers holding duties of the nature of general supervision as distinct from actual execution of work had been employed as work-charged establishment. The departmental representative explained that the temporary and permanent establishments had a defined jurisdiction within which they had to act. There were certain types of work where officers holding supervisory posts had to be employed as work charged establishment. In some cases, even Assistant Engineers could be appointed as work charged establishment. The Chairman pointed out that the main question involved in this case was that what expenditure on establishment should be regarded as work charged. The Committee desired that the matter should be examined in consultation with the Comptroller and Auditor General and the decision reported to them in the next session.

17. Paragraph 62 on page 34 of the Appropriation Accounts, 1956-57.— It was noticed in a Division that the tender of a contractor for the supply of 40,00,000 Ist class 9" pacca bricks at Rs. 31-15-0 per thousand was accepted by the Superintending Engineer and the agreement approved. The contractor who had undertaken to complete the total supply by July, 1956 could deliver only 15,00,000 bricks, when the Superintending Engineer ordered the Divisional Officer to cancel this contract and settle the claims of the contractor finally without the forfeiture of the security money and to make further payments against another contract of the same contractor for the supply of 70,00,000 bricks at Rs. 38-12-0 per thousand and also to supply slack coal to the contractor at Rs. 70 per ton from Government stock at the site kiln (25 tons for 1,00,000 accepted bricks) as against the market rate of Rs. 90 per ton. This supply was to be completed by December, 1956 but this time also the contractor did not honour his commitment to complete the supply of bricks within the stipulated time. In April, 1957 the Deputy Chief Engineer ordered the Divisional Officer that at the request of the contractor the contract for the supply of 70,00,000 pacca bricks at Rs. 38-12-0 per thousand be cancelled and the supply of bricks made by him from 13th April, 1957 onwards considered against a third contract for the supply of 40,00,000 bricks at Rs. 48-4-0 per thousand on compassionate grounds. Thus the contractor managed twice to get his previous contract cancelled when another of his tenders at a higher rate was accepted by the Department. Besides delay in the completion of the construction work these peculiar transactions resulted in an extra expenditure of Rs. 45,643 which was needed to be recovered or justified. The Committee were informed that this was a complicated case and a detailed enquiry was being arranged. The Committee directed that a detailed report should be submitted to them in the next session. *Prima facie* this appeared to them to be a very bad case and they desired that the disciplinary aspect of the matter should also be examined.

18. Paragraph 63 on page 34 of the Appropriation Accounts for the year 1956-57.—This paragraph related to the grant of higher initial rates of pay to certain officers of work charged establishment in contravention of the rules laid down by Government. The Committee were informed that the higher rates of pay had been sanctioned in view of the special nature of the work entrusted to them and copies of relevant Government orders were being supplied to Audit.

19. *Paragraph 64 on pages 34-35 of the Appropriation Accounts for the year 1956-57.*—It was noticed in a Division that travelling expenses amounting to Rs. 51,619 were paid during September, 1958 to January, 1959 to certain officers going abroad out of the Government chest and placed under a Suspense Head as recoverable from the officials concerned. The procedure adopted was irregular. The Committee were informed that the officials concerned were required to report for duty in Washington and London on the 3rd December, 1958 when the orders of their appointment at those places were issued on the 26th November, 1958. As a travelling allowance advance could not be drawn from the Accountant General, Pakistan Revenues within five days allowed to them to take up the new posts, it was paid out of the cash in hand. Out of the total advance of Rs. 51,619 a sum of Rs. 8,908|6|- had been recovered so far and the balance amount was still to be adjusted. The Committee observed that the procedure adopted was irregular and that immediate action should be taken for the recovery of the outstanding balance. They however, directed that all Ministries|Divisions should ensure in future that Government orders posting officers abroad were not issued at a short notice and arrangements should be made by all Ministries|Divisions whereby such officers could get necessary travelling allowance advances and irregular payments of this kind avoided in future.

20. *Paragraph 59 on page 34 of the Commercial Accounts, 1956-57.*—It was stated in this paragraph that the Coal Briquetting Plant, Quetta was handed over to the P.I.D.C. with effect from the 1st January, 1957 and its Proforma Accounts had been compiled upto the 31st December 1956. Consequent upon this change over, some other accounts including statement of affairs as on 31st March, 1957, Realisation Accounts from 1st January, 1957 to 31st March, 1957, Profit and Loss on Realisation Account and Debtors and Creditors list as on 31st March 1957 were also required to be prepared. The Coal Commissioner could not compile these accounts.

The Committee desired to know why the accounts had not been compiled. The departmental representative stated that the staff required for the work was either declared surplus or transferred to other departments due to re-organisation of the Department. Steps were however, being taken to compile the Accounts which were expected to be finalised by the end of the financial year 1960-61.

21. The representatives of the Ministry of Fuel, Power and Natural Resources then withdrew and the Public Accounts Committee proceeded with other items on the agenda for the day's meeting.

22. The Committee confirmed the proceedings of their twelve meetings held in the first session from the 12th December, 1960 to the 24th December, 1960.

23. The next item on the agenda for the day's meeting was the consideration of lines on which the Report of the Public Accounts Committee was to be drafted. Mr. Jasimuddin Ahmad stated that some time should be given to enable the Members to study the previous year's Report and to make suggestions in this regard. It was decided to consider this item in the meeting fixed for the 3rd February, 1961.

24. The Committee then considered the question of holding their next session for examining the Accounts for the years 1957-58 onwards. It

was decided that the Accounts for 1957-58 may be examined some time in the month of August, 1961. The final programme in this connection was, however, left to be decided by the Chairman of the Committee.

25. The Committee also decided that it was not necessary for them to meet again to sign their Report. They directed that the Secretary of the Committee should circulate the draft Report to all Members of the Public Accounts Committee. Thereafter copies should be sent to them for signature.

26. The Committee then adjourned to meet again on Friday the 3rd February, 1961 at 3-00 P.M.

Proceedings of the seventeenth meeting of the Public Accounts Committee held on Friday the 3rd February, 1961 at 3.00 P.M.

The Public Accounts Committee met at 3.00 P.M. on Friday, the 3rd February, 1961 with Mr. Mohammad Shoaib in the Chair.

The following were present :—

1. Mr. Yaqub Shah, Member.
2. Sardar Barkat Hyat Khan, Member.
3. Mr. Ebrahim Khan, Member.
4. Mr. Jasimuddin Ahmad, Member.
5. Mr. Ghulam Abbas, Comptroller and Auditor General.
6. Mr. A. I. Osmany, P.A. & A.S., Director of Railway Audit.
7. Mr. F. M. Aziz, P.A. & A.S., Assistant Comptroller and Auditor General.
8. Mr. Nazir Ahmad Nain, Section Officer, Ministry of Finance.

Departmental Representatives

(Railway Board)

MINISTRY OF RAILWAYS AND COMMUNICATIONS

9. Mr. S. A. Suhrawardy, S.Pk., Chairman.
10. Mr. Mushtaq Ahmad, Financial Commissioner.
11. Mr. S. B. Azid, Member.
12. Mr. Aslam Salim, Director, Finance.
13. Mr. A. H. Ghani, Director of Mechanical Engineering and Stores.
14. Mr. M. A. W. Siddiqui, Director, P. & D.
15. Mr. Riyaz H. Bokhari, Joint Director, Finance.

Secretary of the Public Accounts Committee

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

2. The Railway Board had circulated a memorandum (Annexure X) regarding the revision of the form of Appropriation Accounts (Railways) for the orders of the Public Accounts Committee. The departmental representative stated that in view of the establishment of the Railway Board and the decision to separate the Railway Budget from the General Revenues, it was considered necessary to re-examine the questions. The present memorandum on this subject therefore, need not be considered. The Chairman pointed out that as the separation convention would come into force with effect from the 1st of July, 1961, the Accounts for 1958-59, 1959-60 and 1960-61 would have to be prepared as before. In view of this position, the proposals made in paragraphs 6 and 8 of the memorandum circulated by the Railway Board were approved by the Public Accounts Committee in regard to the preparation of the Appropriation Accounts (Railways) for the years 1958-59, 1959-60 and 1960-61.

3. During the course of the examination of the compliance report of the Railway Board on the recommendations made by the previous Committee in paragraph 18 on page 51 of their Report on the Accounts for the year 1953-54; the Public Accounts Committee in their meeting held on the 31st January, 1961 had asked the Railway Board (para. 24 of the proceedings) to furnish the following documents|information etc., regarding the case relating to irregularities in the purchase of wagons reported in paragraphs 14(a) of Railway Audit Report, 1955 :—

- (i) Data regarding the ruling prices of bessemer steel and open hearth steel.
- (ii) Particulars of some major contracts containing similar conditions placed by the Director General, Supply and Development.
- (iii) The relevant file wherein the Ministry of Law had advised that the liquidated damages were not admissible.
- (iv) Letter to the local firm wherein it had been made clear to them that inspite of the extension granted for the delivery of the wagons, liquidated damages would be claimed by the Railway Board.

4. The necessary documents and information were furnished to the Public Accounts Committee by the departmental representative. The evidence indicated that it was difficult to hold, keeping in view the circumstances in which action was taken by the Railway Division at various stages, that any individual was at fault. The Public Accounts Committee, however, observed that it was quite unfortunate that the full facts of the case which were placed before them during the course of discussion were not furnished by the Railway Board to the Comptroller and Auditor General for incorporation in the Audit Report. It would have saved considerable time of the Public Accounts Committee, if sufficient data had been made available earlier. The Committee also noticed that complete information had not been given even in the note circulated to the Public Accounts Committee.

5. The Committee observed that in view of the explanation now furnished to them, it was not necessary to pursue further the departmental enquiry aspect of the case. Mr. Jasimuddin Ahmad, however, remarked that he was not fully convinced that the case had been handled in the best possible manner.

6. The Committee further directed that the arbitration proceedings should not be allowed to drag on unnecessarily and the matter should be finalised without much delay.

7. The Chairman suggested that a draft of the Report of the Committee may be prepared and circulated to the Members as early as possible.

8. The Committee then adjourned *sine die*.

ANNEXURES

ANNEXURE I

Statement comparing expenditure with Grants and Appropriations, 1954-55

(See paragraph 11 of the Report)

No. and Name of Grant or Appropriation	2		3		4		5		6	
	Original Grant or Appropriation	Rs.	Final Grant or Appropriation	Rs.	Expenditure	Rs.	Expenditure compared with Original Grant or Appropriation More + Less -	Rs.	Expenditure compared with Final Grant or Appropriation More + Less -	Rs.
1.—Customs	1,08,43,000	1,08,43,000	88,80,576	88,80,576	-19,62,424	-19,62,424	-19,62,424	-19,62,424	-19,62,424
2.—Central Excise and Salt—										
<i>Charged</i>	1,66,000	1,66,000	1,37,347	1,37,347	-28,653	-28,653	-28,653	-28,653	-28,653
<i>Voted</i>	1,01,61,000	1,01,61,000	1,00,19,848	1,00,19,848	-1,41,152	-1,41,152	-1,41,152	-1,41,152	-1,41,152
3.—Taxes on Income, Corporation Tax and Sales Tax										
4.—Opium	8,47,000	8,47,000	6,04,947	6,04,947	-2,42,053	-2,42,053	-2,42,053	-2,42,053	-2,42,053
5.—Provincial Excise	20,000	20,000	20,168	20,168	+168	+168	+168	+168	+168 (c)
6.—Stamps	25,000	25,000	6,25,968	6,25,968	+6,00,968	+6,00,968	+6,00,968	+6,00,968	+6,00,968 (c)
7.—Forest	3,80,000	3,80,000	2,94,804	2,94,804	-85,196	-85,196	-85,196	-85,196	-85,196
8.—Estate Duty	48,000	48,000	45,174	45,174	-2,826	-2,826	-2,826	-2,826	-2,826

No. and Name of Grant or Appropriation	2		3		4		5		6	
	Original Grant or Appropriation	Rs.	Final Grant or Appropriation	Rs.	Expenditure	Rs.	Expenditure compared with Original Grant or Appropriation More + Less -	Rs.	Expenditure compared with Final Grant or Appropriation More + Less -	Rs.
10.—Irrigation (including working expenses), Navigation, Embankment and Drainage Works met from Revenue—										
<i>Charged</i>	4,75,000	4,75,000	4,38,320	4,38,320	—36,680	—36,680			
<i>Voted</i>	9,46,000	9,46,000	11,21,518	11,21,518	+1,75,518	+1,75,518 (a)			
12.—Cabinet—										
<i>Charged</i>	8,51,000	10,89,000	10,61,964	10,61,964	+2,10,964	+2,10,964			—27,036
<i>Voted</i>	33,72,000	33,72,000	36,05,931	36,05,931	+2,33,931	+2,33,931 (a)			
13.—Ministry of Parliamentary Affairs	77,000	77,000	59,476	59,476	—17,524	—17,524			
14.—Ministry of the Interior	5,25,000	5,25,000	5,29,404	5,29,404	+3,404	+3,404 (c)			
15.—Ministry of Information and Broadcasting	43,76,000	43,76,000	47,13,595	47,13,595	+3,37,595	+3,37,595 (a)			
16.—Ministry of Labour	8,01,000	8,01,000	7,58,128	7,58,128	—42,872	—42,872			
17.—Ministry of Law	4,45,000	4,45,000	5,02,401	5,02,401	+57,401	+57,401 (a)			
18.—Ministry of Foreign Affairs and Commonwealth Relations	28,44,000	28,44,000	27,97,966	27,97,966	—46,034	—46,034			
19.—Ministry of Kashmir Affairs	10,57,000	10,57,000	11,02,429	11,02,429	+45,429	+45,429 (a)			

20.—Ministry of Food and Agriculture	25,39,000	25,39,000	23,99,299	—1,39,701	—1,39,701
21.—Ministry of Finance	37,81,000	37,81,000	40,58,573	+2,77,573	+2,77,573 (b)
22.—Ministry of Commerce	39,56,000	39,56,000	38,36,022	—1,19,978	—1,19,978
23.—Ministry of Education	11,03,000	11,03,000	9,80,662	—1,22,338	—1,22,338
24.—Ministry of Industries	60,45,000	60,45,000	49,10,315	—11,34,685	—11,34,685
25.—Ministry of Health and Works	4,90,000	4,90,000	4,01,321	—88,679	—88,679
26.—Ministry of Communications	3,01,000	3,01,000	3,01,588	+588	+588 (c)
27.—Ministry of Defence	9,22,000	9,22,000	9,61,449	+39,449	+39,449 (a)
28.—Ministry of States and Frontier Regions	4,76,000	4,76,000	4,52,589	—23,411	—23,411
29.—Ministry of Refugees and Rehabilitation	7,23,000	7,23,000	6,64,278	—58,722	—58,722
30.—Ministry of Economic Affairs	27,65,000	27,65,000	20,78,091	—6,86,909	—6,86,909
31.—Payments to Other Governments, Departments, etc. on account of the Administration of Agency Subjects and Management of Treasuries	30,000	30,000	..	—30,000	—30,000
32.—Audit—					
Charged	72,000	72,000	71,382	—618	—618
Voted	95,08,000	95,08,000	82,20,267	—12,87,733	—12,87,733
33.—Administration of Justice—					
Charged	5,17,000	7,88,000	6,45,701	+1,28,701	—1,42,299
Voted	48,000	48,000	71,376	+23,376	+23,376 (a)
34.—Police	1,20,02,000	1,20,02,000	1,18,78,597	—1,23,403	—1,23,403

(a) Stands covered by the supplementary grant. See also paragraph 12 (i) of the Audit Report.

(b) A part of the excess is covered by the supplementary grant. See also paragraph 12 (ii) of the Audit Report.

(c) Requires to be regularised. See also paragraph 12 (ii) of the Audit Report.

No. and Name of Grant or Appropriation	Original Grant or Appropriation		Final Grant or Appropriation		Expenditure		Expenditure compared with Original Grant or Appropriation		Expenditure compared with Final Grant or Appropriation	
	1	2	3	4	5	6	Rs.	Rs.	Rs.	Rs.
35.—Ports and Pilotage	19,11,000	19,11,000	13,84,495	—5,26,505	—5,26,505				
36.—Light-houses and Light-ships	2,82,000	2,82,000	2,33,120	—48,880	—48,880				
37.—Frontier Regions	7,05,02,000	7,05,02,000	6,81,10,949	—23,91,051	—23,91,051				
38. Foreign Affairs	2,13,00,000	2,13,00,000	1,87,34,551	—25,65,449	—25,65,449				
39.—Survey of Pakistan	18,65,000	18,65,000	11,69,868	—6,95,132	—6,95,132				
40.—Botanical Survey	72,000	72,000	44,718	—27,282	—27,282				
41.—Zoological Survey	97,000	97,000	99,254	+2,254	+2,254 (c)				
42.—Geological Survey	6,19,000	6,19,000	6,06,007	—12,993	—12,993				
43.—Mines	80,000	80,000	81,313	+1,313	+1,313 (c)				
44.—Archaeology and Museums	9,08,000	9,08,000	6,82,093	—2,25,907	—2,25,907				
45.—Meteorology	40,00,000	40,00,000	37,86,304	—2,13,696	—2,13,696				
46.—Education	1,01,60,000	1,01,60,000	1,03,75,514	+2,15,514	+2,15,514 (c)				
47.—Medical Services	78,09,000	78,09,000	60,82,578	—17,26,422	—17,26,422				
48.—Public Health	18,08,000	18,08,000	12,80,912	—5,27,088	—5,27,088				
49.—Agriculture	46,54,000	46,54,000	53,59,804	+7,05,804	+7,05,804 (c)				

50.—Civil Veterinary Services	..	..	5,76,000	4,89,980	5,76,000	4,89,980	—86,020	—86,020
51.—Co-operation	..	..	84,000	27,925	84,000	27,925	—56,075	—56,075
52.—Industries	..	..	32,80,000	10,43,898	32,80,000	10,43,898	—22,36,102	—22,36,102
53.—Aviation	..	..	85,15,000	70,35,217	85,15,000	70,35,217	—14,79,783	—14,79,783
54.—Pakistan Broadcasting Service	..	..	61,46,000	61,72,571	61,46,000	61,72,571	+26,571	+26,571 (a)
55.—Department of Supply and Development	..	..	76,50,000	71,22,455	76,50,000	71,22,455	—5,27,545	—5,27,545
56.—Commercial Intelligence	..	..	2,83,000	2,29,424	2,83,000	2,29,424	—53,576	—53,576
57.—Census	..	..	58,000	55,735	58,000	55,735	—2,265	—2,265
58.—Miscellaneous Departments	..	..	30,47,000	26,18,506	30,47,000	26,18,506	—4,28,494	—4,28,494
59.—Currency	..	..	13,20,000	12,99,814	13,20,000	12,99,814	—20,186	—20,186
60.—Mint	..	..	21,38,000	20,51,247	21,38,000	20,51,247	—86,753	—86,753
61.—Central Road Fund	..	..	80,00,000	1,63,14,000	80,00,000	1,63,14,000	+83,14,000	+83,14,000 (a)
62.—Civil Works—								
Charged	..	..	1,00,000	3,33,687	1,85,000	3,33,687	+2,33,687	+1,48,687
Voted	..	..	1,27,00,000	15,17,244	1,27,00,000	15,17,244	—1,11,82,756	—1,11,82,756
63.—Superannuation Allowances and Pensions	..	..	43,09,000	51,02,626	43,09,000	51,02,626	+7,93,626	+7,93,626 (b)
64.—Stationery and Printing	..	..	31,60,000	55,53,704	31,60,000	55,53,704	+23,93,704	+23,93,704 (c)
65.—Technical Assistance Schemes and Economic Aid	..	..	50,13,000	14,30,373	50,13,000	14,30,373	—35,82,627	—35,82,627
66.—Expenditure connected with Refugees	..	..	73,53,000	39,82,714	73,53,000	39,82,714	—33,70,286	—33,70,286

(a) Stands covered by supplementary grant. See also paragraph 12 (i) of the Audit Report.
 (b) A part of the amount is covered by the supplementary grant. See also paragraph 12(ii) of the Audit Report.
 (c) Requires to be regularised. See also paragraph 12 (ii) of the Audit Report.

—Staff Household and Allowances of the Governor-General	7,61,000	14,58,000	9,30,231	+1,69,231	-5,27,769
— Constituent Assembly of Pakistan	13,15,000	13,15,000	10,97,250	-2,17,750	-2,17,750
— Pakistan Public Service Commission	5,49,000	5,49,000	5,05,866	-43,134	-43,134
74-A.—Capital Outlay on Salt .. .. .	..	..	-1,721	-1,721	-1,721
75.—Capital Outlay on Civil Aviation	78,62,000	78,62,000	67,90,568	-10,71,432	-10,71,432
76.—Capital Outlay on Broadcasting Service	42,43,000	42,43,000	13,87,117	-28,55,883	-28,55,883
77.—Capital Outlay on Ports	40,00,000	40,00,000	9,06,489	-30,93,511	-30,93,511
77-A.—Capital Outlay on Currency .. .. .	..	..	-40,34,764	-40,34,764	-40,34,764
78.—Capital Outlay on Mint	71,000	71,000	48,234	-22,766	-22,766
79.—Capital Outlay on New Federal Capital	53,00,000	53,00,000	26,70,422	-26,29,578	-26,29,578
80.—Capital Outlay on Civil Works	4,54,00,000	4,54,00,000	2,50,35,153	-2,03,64,847	-2,03,64,847
81.—Capital Outlay on Pensions	1,000	1,000	-2,27,346	-2,28,346	-2,28,346
82.—Capital Outlay on Printing Presses	25,87,000	25,87,000	9,94,025	-15,92,975	-15,92,975
84.—Capital Outlay on Schemes of State Trading	1,000	1,000	-1,54,06,041	-1,54,07,041	-1,54,07,041
85.—Capital Outlay on Development	15,83,82,000	15,83,82,000	9,00,67,409	-6,83,14,591	-6,83,14,591
86.—Interest-free and Interest-bearing Advances—					
Charged	30,57,44,000	30,57,44,000	22,08,50,806	-8,48,93,194	-8,48,93,194
Voted	6,94,95,000	6,94,95,000	6,18,44,565	-76,50,435	-76,50,435
Charged	41,27,23,000	41,40,14,000	33,23,69,865	-8,03,53,135	+43,03,982
Voted	66,41,95,000	66,41,95,000	59,67,28,683	-6,74,66,317	-8,59,48,117
Totals					+10,94,27,671
					-17,68,93,988

(a) Stands covered by the supplementary grant. See also paragraph 12 (i) of the Audit Report.

(c) Requires to be regularised. See also paragraph 12 (ii) of the Audit Report.

No. and Name of Grant or Appropriation.	2		3		4		5		6	
	Original Grant or Appropriation.	Rs.	Final Grant or Appropriation.	Rs.	Expenditure	Rs.	Expenditure compared with Original Grant or Appropriation. More + Less -	Rs.	Expenditure compared with Final Grant or Appropriation. More + Less -	Rs.
Expenditure met from Revenue—										
<i>Charged</i>	10,69,79,000	..	10,82,70,000	..	11,15,19,059	..	—46,40,059	..	+43,03,982	..
<i>Voted</i>	36,68,53,000	..	36,68,53,000	..	42,66,54,573	..	+5,98,01,573	..	+10,94,27,671	..
Expenditure met from Capital—										
<i>Voted</i>	22,78,47,000	..	22,78,47,000	..	10,82,29,545	..	—11,96,17,455	..	—11,96,17,455	..
Disbursements of Loans and Advances—										
<i>Charged</i>	30,57,44,000	..	30,57,44,000	..	22,08,50,806	..	—8,48,93,194	..	—8,48,93,194	..
<i>Voted</i>	6,94,95,000	..	6,91,95,000	..	6,18,44,565	..	—76,50,435	..	—76,50,435	..
Amount of excess to be covered by excess Grants or Appropriations—										
<i>Charged</i>									+43,03,982	
<i>Voted</i>									+2,10,33,479	
Voted (The amount has been worked out after taking into account the supplementary grants wherever necessary)										

PART II.—POSTS AND TELEGRAPHS

11. Pakistan Posts and Telegraphs Department—

A.—Expenditure met from Revenue :					
<i>Charged</i>	..	..	26,90,000	21,48,267	— 5,41,733
<i>Voted</i>	..	..	6,08,09,000	6,22,56,261	+ 14,47,261
B.—Expenditure met from Capital :					
74. Capital Outlay on Posts and Telegraphs Department (outside the Revenue Account)	..	..	3,00,00,000	2,39,72,088	— 60,27,912
Total—Posts and Telegraphs			9,34,99,000	8,83,76,616	— 51,22,384
Total					
Total			26,90,000	21,48,267	— 5,41,733
Total			9,08,09,000	8,62,28,349	{ + 14,47,261 — 60,27,912 }

PART III.—RAILWAYS.

A.—Expenditure met from Revenue—

9. Pakistan Railways—					
<i>Charged</i>	..	..	5,10,31,000	4,41,07,888	— 69,23,112
<i>Voted</i>	..	..	34,72,17,000	36,79,31,464	+ 2,07,14,464
Total Expenditure met from Revenue			39,82,48,000	41,20,39,352	+ 1,37,91,352

No. and Name of Grant or Appropriation.	1	2	3	4	5	6
	Original Grant or Appropriation.	Final Grant or Appropriation.	Expenditure	Expenditure compared with Original Grant or Appropriation. More + Less -	Expenditure compared with Original Grant or Appropriation. More + Less -	
	Rs.	Rs.	Rs.	Rs.	Rs.	
B.—Expenditure met from Capital—						
73. Capital Outlay on Pakistan Railways—						
Voted	14,00,00,000	14,00,00,000	8,58,03,992	—5,41,96,008	—5,41,96,008	
Total—Railways	53,82,48,000	53,82,48,000	49,78,43,344	—4,04,04,656	—4,04,04,656	
Charged	5,10,31,000	5,10,31,000	4,41,07,888	—69,23,112	—69,23,112	
Voted	48,72,17,000	48,72,17,000	45,37,35,456	—3,34,81,544	—3,34,81,544	
PART IV.—DEFENCE SERVICES						
A.—Expenditure met from Revenue—						
68. Defence Services	64,05,00,000	64,05,00,000	63,51,17,644	—53,82,354	—53,82,354	
B.—Expenditure met from Capital—						
83. Capital Outlay on Defence Services	15,95,00,000	15,95,00,000	7,82,69,657	—8,12,30,343	—8,12,30,343	
Total—Defence Services	80,00,00,000	80,00,00,000	71,33,87,303	—8,66,12,697	—8,66,12,697	

ANNEXURE II

Statement comparing expenditure with Grants and Appropriations 1955-56

(See paragraph 11 of the Report)

1	2	3	4	5	6	7
No. and Name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure compared with Final Grant or Appropriation. More + Less -	Estimated Recovery.	Actual Recovery.	Recovery compared with Estimate. More + Less - (Cols. 5 and 6).
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1.—Ministry of Agriculture	11,43,000	11,38,582	-4,418	56,000	45,999	-10,001
2.—Forest	4,12,000	3,36,745	-75,255	..	..	..
3.—Survey of Pakistan	45,52,000	48,39,358	+2,87,358	28,59,000	24,21,094	-4,37,906
4.—Botanical & Zoological Survey Department	1,77,000	1,68,710	-8,290	..	..	..
5.—Agriculture and Veterinary	72,67,000	68,84,367	-3,82,633	19,94,000	7,40,239	-12,53,761
6.—Fisheries	9,44,000	3,36,213	-6,07,787	6,29,000	1,09,941	-5,19,059
7.—Cabinet—						
Charged	24,33,000	25,57,484	+1,24,484	..	..	..
Voted	50,12,000	46,30,837	-3,81,163	1,56,000	1,09,229	-46,771
8.—Other Expenditure of the Cabinet	5,77,000	2,27,716	-3,49,284	5,67,000	2,17,716	-3,49,284
9.—Ministry of Commerce	50,52,000	46,81,254	-3,70,746	6,000	5,074	-926
10.—Ports and Pilotage	6,22,000	5,98,491	-23,509	51,000	29,500	-21,500

1	2	3	4		5	6	7
			Rs.	Rs.			
	Final Grant or Appropriation.	Expenditure.	Expenditure compared with Final Grant or Appropriation. More + Less -		Estimated Recovery.	Actual Recovery.	Recovery compared with Estimate More + Less - (Cols. 5 and 6).
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
11.—	Light-houses and Light-ships	3,41,531	-2,89,469	85,000	98,624	+13,624	
12.—	Commercial Intelligence	3,17,979	-82,021	..	..	..
13.—	Other Expenditure of the Ministry of Commerce.	8,99,000	+88,227	4,000	3,159	-841	
14.—	Ministry of Communications	3,20,000	+36,735	..	..	..
17.—	Central Road Fund	1,23,40,000	+6,23,140	33,40,000	9,84,140	-23,55,860	
18.—	Other Expenditure of the Ministry of Communications.	12,70,000	-66,286	..	..	..
	<i>Constituent Assembly of Pakistan</i>	<i>17,52,000</i>	<i>-40,957</i>	..	..	..
19.—	Ministry of Defence	10,02,000	+42,513	..	..	..
20.	Meteorology	45,59,000	-4,238	5,00,000	..	5,00,000	
21.—	Aviation	2,10,12,000	-43,61,483	..	..	..
23.—	Ministry of Economic Affairs	28,92,000	+44,133	..	33,000	+33,000	
24.—	Technical Assistance Schemes and Village AID Programme.	49,41,000	-20,90,387	92,300	..	-92,300	
25.—	Ministry of Education	13,44,000	-1,82,428	65,000	64,880	-120	
26.—	Archaeology and Museums	10,88,000	-1,78,443	..	..	..

27.—Education	1,10,90,000	93,61,981	—17,28,019	3,98,000	2,47,686	—1,50,314
28.—Ministry of Finance	50,82,000	53,07,378	+ 2,25,378	2,88,000	2,43,468	—44,532
29.—Customs	1,18,12,000	1,04,70,277	—13,41,723	..	..	..
30.—Central Excise and Salt—						
<i>Charged</i>	1,52,000	1,38,782	—13,218	..	..	..
<i>Voted</i>	1,24,69,000	1,15,13,587	—9,55,413	7,05,000	5,49,410	—1,55,590
31.—Taxes on Income, Corporation Tax and Sales Tax.	50,28,000	49,64,274	—63,726	..	..	..
32.—Other Expenditure on Collection of Revenues	21,70,000	20,42,381	—1,27,619	13,39,000	7,83,375	—5,55,625
— <i>Debt Services</i>	9,51,25,000	9,39,22,638	—12,02,362	2,20,000	2,06,385	—13,615
33.—Audit—						
<i>Charged</i>	86,000	55,875	—125	..	..	..
<i>Voted</i>	1,44,96,000	1,38,00,036	—6,95,964	35,57,000	34,53,549	—1,03,451
34.—Currency and Mint	38,11,000	37,30,250	—80,750	..	..	..
35.—Superannuation Allowances and Pensions—						
<i>Charged</i> .. .. .	..	6,379	+ 6,379	..	6,379	+ 6,379
<i>Voted</i>	57,49,000	54,92,918	—2,56,082	3,37,000	40,521	—2,96,479
36.—Grants-in-Aid and Miscellaneous Adjustments between the Central and Provincial Governments—						
<i>Charged</i>	1,72,00,000	1,72,00,000	..	..	..	..
<i>Voted</i>	3,18,25,000	3,17,16,461	—1,08,539	1,70,00,000	..	—1,70,00,000
37.—Other Expenditure of the Ministry of Finance	12,80,000	6,15,022	—6,64,978	..	..	..
38.—Ministry of Food	18,04,000	21,33,907	+ 3,29,907	3,73,000	6,94,241	+ 3,21,241

No. and Name of Grant or Appropriation.	Final Grant or Appropriation.		Expenditure.		Expenditure compared with Final Grant or Appropriation. More + Less —		Estimated Recovery.		Actual Recovery.		Recovery compared with Estimate. More + Less — (Cols. 5 and 6).	
	1	2	3	4	5	6	7	8	9	10	11	12
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
39.—Ministry of Foreign Affairs and Commonwealth Relations.	..	29,89,000	30,04,755	+15,755	..	..	..	..	..	..	..	..
40.—Foreign Affairs	..	2,75,69,000	2,64,01,005	-11,67,995	1,86,000	2,07,653	1,86,000	2,07,653	2,07,653	2,07,653	2,07,653	+21,653
41.—Other Expenditure of the Ministry of Foreign Affairs and Commonwealth Relations.	..	21,56,000	21,25,310	-30,690	..	..	..	..	..	..	..	..
<i>Staff, Household and Allowances of the Governor-General</i>	..	40,70,000	15,55,834	-25,14,166	..	..	..	..	..	..	..	..
43.—Medical Services	..	85,28,000	69,13,053	-16,14,947	..	..	..	..	..	..	..	..
44.—Public Health	..	15,00,000	15,04,086	+4,086	1,77,000	60,244	1,77,000	1,77,000	60,244	60,244	60,244	-1,16,756
45.—Other Expenditure of the Ministry of Health	..	1,56,000	1,22,116	-33,884	..	..	..	..	..	..	..	..
46.—Ministry of Industries	..	62,13,000	55,93,589	-6,19,411	..	..	..	..	..	..	..	..
47.—Irrigation, Navigation, Embankment and Drainage Works met from Revenue—												
<i>Charged</i>	1,75,772	+1,75,772	..	..	..	..	..	..	..	..
<i>Voted</i>	..	2,35,000	7,74,674	+5,39,674	..	..	..	..	..	..	..	..
48.—Geological Survey	..	6,99,000	6,68,729	-30,271	..	..	..	..	..	..	..	..
49.—Industries	..	45,23,000	47,39,223	+2,16,223	35,50,000	35,00,000	35,50,000	35,50,000	35,00,000	35,00,000	35,00,000	-50,000

50.—Department of Supply and Development ..	91,51,000	89,48,044	-2,02,956	..	..	..	..	..
51.—Stationery and Printing	1,60,19,000	1,91,32,850	+31,13,850	1,07,75,000	97,40,625	1,07,75,000	97,40,625	-10,34,375
52.—Other Expenditure of the Ministry of Industries.	4,46,000	4,47,628	+1,628	1,000	..	1,000	..	-1,000
53.—Ministry of Information and Broadcasting	55,32,000	55,33,329	+1,329	..	..	..	..	..
54.—Pakistan Broadcasting Service	70,23,000	67,11,715	-3,11,285	2,000	2,000	2,000	2,000	..
55.—Other Expenditure of the Ministry of Information and Broadcasting.	1,51,000	1,50,913	-87	..	..	..	..	..
56.—Ministry of the Interior	10,03,000	9,77,687	-25,313	..	..	..	..	..
57.—Police	1,14,40,000	1,26,28,314	+11,88,314	..	..	..	..	..
58.—Civil Defence	3,03,000	2,55,325	-47,675	..	..	..	..	..
59.—Karachi—								
<i>Charged</i>	48,000	48,000	..	..	..	..	..	..
Voted	2,89,15,000	2,40,64,538	-48,50,462	34,000	..	34,000	..	-34,000
60.—Other Expenditure of the Ministry of the Interior.	1,32,000	1,09,589	-22,411	..	..	..	..	..
61.—Ministry of Kashmir Affairs	10,66,000	10,59,802	-6,198	..	..	..	..	..
62.—Expenditure connected with Kashmir Refugees.	71,81,000	69,96,815	-1,84,185	..	..	..	..	..
63.—Ministry of Labour	8,89,000	8,62,408	-26,592	..	..	..	..	..
64.—Other Expenditure of the Ministry of Labour—								
<i>Charged</i> .. ..	..	2,992	+2,922	..	..	..	..	..
Voted	34,77,000	30,70,404	-4,06,596	10,29,000	5,25,159	10,29,000	5,25,159	-5,03,841

No. and Name of Grant or Appropriation.	Final Grant or Appropriation.		Expenditure.		Expenditure compared with Final Grant or Appropriation.		Estimated Recovery.		Actual Recovery.		Recovery compared with Estimate.	
	1	2	3	3	4	4	5	5	6	6	7	7
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
65.—Ministry of Law		5,56,000	5,79,757		+ 23,757							
66.—Administration of Justice—												
<i>Charged</i>		9,50,000	10,50,413		+ 1,00,413							
<i>Voted</i>		1,02,000	82,011		- 19,989							
67.—Other Expenditure of the Ministry of Law		65,000	65,813		+ 813							
68.—Ministry of Parliamentary Affairs		61,000	59,794		- 1,206							
<i>Pakistan Public Service Commission</i>		6,70,000	6,83,805		+ 13,805							
69.—Ministry of Refugees and Rehabilitation		8,27,000	8,24,998		- 2,002							
70.—Rehabilitation of Refugees and Protection of Evacuee Property.		2,45,72,000	2,73,24,576		+ 27,52,576				3,86,234			+ 3,86,234
71.—Ministry of States and Frontier Regions		4,52,000	4,67,962		+ 15,962							
72.—Frontier Regions		6,66,58,000	6,75,46,902		+ 8,88,902			2,06,000	2,05,187			- 813
73.—Privy Purses and Subsidies		17,98,000	8,78,061		- 9,19,939			17,98,000	8,78,061			- 9,19,939
74.—Baluchistan—												
<i>Charged</i>		26,000	6,762		- 19,238							
<i>Voted</i>		81,07,000	86,11,639		+ 5,04,639			62,000	90,926			+ 28,926

75.—Ministry of Works	4,771,000	4,62,299	-14,701	..	..	..	..
76.—Civil Works—							
<i>Charged</i>	2,46,000	2,99,874	+53,874	..	..	..	..
<i>Voted</i>	4,76,97,000	4,98,72,804	+21,75,804	3,68,73,000	4,76,26,219	+1,07,53,219	..
77.—Other Expenditure of Ministry of Works	2,03,000	2,36,403	+33,403	..	..	..	..
78.—Capital Outlay on Forests, Agriculture and Fisheries.	2,38,52,000	2,19,51,200	-19,00,800	78,000	195	-77,805	..
79.—Capital Outlay on Purchase of Fertilizers	1,64,99,000	..	-1,64,99,000	1,64,99,000	..	-1,64,99,000	..
80.—Capital Outlay on Jute and Cotton Purchases.	16,83,000	13,78,307	-3,04,693	58,65,000	28,87,849	-29,77,151	..
83.—Capital Outlay on Ports	20,56,000	9,72,131	-10,83,869	..	..	..	..
84.—Capital Outlay on Civil Aviation	64,57,000	35,26,986	-29,30,014	..	..	..	..
86.—Capital Outlay on Currency and Mint	16,64,16,000	16,64,70,794	+54,794	34,45,57,000	34,47,60,000	+2,03,000	..
87.—Capital Outlay on Pensions	35,77,000	36,56,271	+79,271	35,17,000	29,48,995	-5,68,005	..
88.—Capital Outlay on Miscellaneous Development Projects.	2,23,00,000	2,01,83,497	-21,16,503	23,00,000	2,100	-22,97,900	..
88-A.—Capital Outlay on Salt .. .. .	..	6	+6	..	6,500	+6,500	..
89.—Capital Outlay on Food Purchases	28,96,24,000	28,53,64,157	-42,59,843	29,34,38,000	38,61,76,556	+9,27,38,556	..
90.—Capital Outlay on Medical Stores	89,29,000	92,42,684	+3,13,684	90,75,000	34,21,523	-56,53,477	..
91.—Capital Outlay on Industrial Development.	10,88,89,000	10,97,71,728	+8,82,728	3,59,59,000	1,39,65,811	-2,19,93,189	..
92.—Capital Outlay on Irrigation, Fuel and Power.	3,80,04,000	3,55,61,678	-24,42,322	..	..	..	..
93.—Capital Outlay on Printing Presses	22,98,000	10,91,785	-12,06,215	..	..	..	..

No. and Name of Grant or Appropriation	Final Grant or Appropriation		Expenditure		Expenditure compared with Final Grant or Appropriation		Estimated Recovery	Actual Recovery	Recovery compared with Estimate More + Less - (Cols. 5 and 6)
	2	3	4	5	6	7			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
94.—Capital Outlay on Miscellaneous Stores	6,60,76,000	3,18,90,013	3,41,85,987	7,05,11,000	7,20,89,752	+15,78,752			
95.—Capital Outlay on Broadcasting Service	12,67,000	13,50,895	+83,895	..	..	..
96.—Capital Outlay on New Federal Capital	20,60,000	18,03,308	-2,56,692	..	..	..
97.—Capital Outlay on Civil Works	3,80,24,000	1,98,60,833	-1,81,63,167	51,67,000	9,14,582	-42,52,418			
98.—Interest-free and Interest-bearing Advances—									
<i>Charged</i>	36,35,91,000	33,48,74,537	-2,87,16,463	..	..	..
<i>Voted</i>	7,33,83,000	5,43,49,935	-1,90,33,065	..	..	..
<i>Charged</i>	48,62,19,000	45,41,89,490	+4,77,019	2,20,000	2,12,764	-7,236			
<i>Voted</i>	1,35,54,47,000	1,23,96,13,866	+1,45,68,484	87,60,60,300	90,12,71,016	+2,52,10,716			
Totals			-3,25,06,529						
			+1,45,68,484						
			-13,04,01,618						
Expenditure met from Revenue—									
<i>Charged</i>	12,26,28,000	11,93,14,953	+4,77,019	2,20,000	2,12,764	-7,236			
<i>Voted</i>			-37,90,066						

Voted	..	..	48,40,53,000	47,11,87,658	+1,31,54,106 -2,60,19,448	8,90,94,300	7,40,97,153	-1,49,97,147
Expenditure met from Capital—								
Voted	..	..	79,80,11,000	71,40,76,273	+14,14,378 -8,53,49,105	78,69,66,000	82,71,73,863	+4,02,07,863
Disbursements of Loans and Advances—								
Charged	..	..	36,35,91,000	33,48,74,537	-2,87,16,463	..	..	..
Voted	..	..	7,33,83,000	5,43,49,935	-1,90,33,065	..	..	..
Amount of excess to be covered by excess Grants or Appropriations—								
Charged	..	..	..	..	+4,77,019	..	..	..
Voted	..	..	..	..	+1,45,68,484	..	..	..

PART II.—POSTS AND TELEGRAPHS

10.—Pakistan Posts and Telegraphs Department—

A.—Expenditure met from Revenue—

Charged	..	..	29,48,000	27,81,709	-1,66,291	..	..	..
Voted	..	..	7,45,10,000	7,44,19,372	-90,628	79,93,300	89,24,941	+9,31,641

B.—Expenditure met from Capital—

75.—Capital Outlay on Posts and Telegraphs Department (Outside the Revenue Account)

Total—Posts and Telegraphs	..	..	11,48,17,000	11,51,39,832	+3,22,832	1,22,95,300	1,29,30,135	+6,34,835
	..	..	29,48,000	27,81,709	+1,66,291	..	..	..
Total	..	..	11,18,69,000	11,23,58,123	+4,89,123	1,22,95,300	1,29,30,135	+6,34,835

1 No. and Name of Grant or Appropriation	2 Final Grant or Appropriation	3 Expenditure	4 Expenditure compared with Final Grant or Appropriation More+ Less—	5 Estimated Recovery	6 Actual Recovery	7 Recovery compared with Estimate More+ Less— (Cols. 5 and 6)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS						
A.—Expenditure met from Revenue—						
9.—Pakistan Railways—						
Charged	4,55,98,000	4,55,99,820	+ 1,820	..	..	..
Voted	36,42,77,000	37,77,38,332	+ 1,34,61,332	..	..	..
Total—Expenditure met from Revenue ..	40,98,75,000	42,33,38,152	+ 1,34,63,152	..	..	..
B.—Expenditure met from Capital—						
74.—Capital Outlay on Pakistan Railways—						
Voted	10,53,11,000	11,54,76,180	+ 1,01,65,180	..	..	..
Total—Railways ..	51,51,86,000	53,88,14,332	+ 2,36,28,332	..	..	..
Charged	4,55,98,000	4,55,99,820	+ 1,820	..	..	..
Voted	46,95,88,000	49,32,14,512	+ 2,36,26,512	..	..	..

PART IV.—DEFENCE SERVICES

A.—Expenditure met from Revenue—							
16.—Defence Services	..	82,55,71,000	92,35,45,790	+ 9,79,74,790	6,66,71,000	58,96,635	—6,07,74,365
B.—Expenditure met from Capital—							
78.—Capital Outlay on Defence Services		11,57,00,000	12,66,35,049	+ 1,09,35,049	5,53,00,000	23,00,00,000	+ 17,47,00,000
Total—Defence Services	..	94,12,71,000	1,05,01,80,839	+ 10,89,09,839	12,19,71,000	23,58,96,635	+ 11,39,25,635

ANNEXURE III

Statement comparing expenditure with Grants and Appropriations, 1956-57

(See paragraph 11 of the Report)

1	2	3	4	5	6	7	8	9
1. Ministry of Agriculture	15,14,000	16,95,000	14,24,217	-89,783	-2,70,783	..	..	..
2. Forest	6,23,000	6,23,000	3,63,130	-2,59,870	-2,59,870	..	..	..
3. Survey of Pakistan ..	50,95,000	50,95,000	47,40,981	-3,54,019	-3,54,019	22,28,000	10,32,564	-11,95,436
4. Botanical and Zoological Survey.	2,16,000	3,69,000	1,85,794	-30,206	-1,83,206	1,70,000	9,563	-1,60,437
5. Agriculture and Veterinary.	93,61,000	1,72,03,000	64,55,154	-29,05,846	-1,07,47,846	35,88,000	11,16,816	-24,71,184
6. Fisheries	9,78,000	9,79,000	5,34,081	-4,43,919	-4,44,919	11,36,000	3,03,393	-8,32,607
7. Cabinet { Charged ..	11,31,000	23,79,000	17,64,181	+6,33,181	-6,14,819	..	..	..
{ Voted	49,01,000	55,61,000	53,30,831	+4,29,831	-2,30,169	1,36,000	1,17,185	-18,815
8. Other Expenditure of Cabinet Secretariat.	8,50,000	8,50,000	1,36,912	-7,13,088	-7,13,088	8,00,000	86,912	-7,13,088
9. Ministry of Commerce	52,14,000	55,06,000	48,78,490	-3,35,510	-6,27,510	6,000	3,624	-2,376

10.—Ports and Pilotage ..	6,82,000	6,95,000	6,75,547	-6,453	-19,453	4,000	1,300	+7,300
11.—Light-houses and Light-ships.	3,47,000	3,47,000	2,60,998	-86,002	-86,002	97,000	66,665	-30,335
12.—Commercial Intelligence	4,83,000	4,83,000	4,03,393	-79,607	-79,607	..	..	-1,007
13.—Other Expenditure of the Ministry of Commerce.	10,26,000	10,26,000	7,05,375	-3,20,625	-3,20,625	4,000	2,993	..
14.—Ministry of Communications.	3,44,000	4,43,000	4,41,403	+97,403	-1,597	..	..	..
17.—Central Road Fund ..	1,12,62,000	1,12,62,000	1,44,50,713	+31,88,713	+31,88,713	22,53,000	4,50,713	-18,02,287
18.—Other Expenditure of the Ministry of Communications.	15,00,000	18,87,000	13,30,806	-1,69,194	-5,56,194	..	..	..
<i>National Assembly of Pakistan.</i>	14,92,000	22,08,000	20,97,780	+6,05,780	-1,10,220	..	..	..
19. Ministry of Defence ..	9,87,000	10,77,000	10,23,235	+36,235	-53,765	..	..	..
20.—Metecorology ..	53,52,000	53,52,000	43,71,079	-9,80,921	-9,80,921	5,00,000	5,00,000	..
21. Aviation ..	1,73,38,000	1,73,38,000	2,07,02,943	+33,64,943	+33,64,943	..	..	..
23.—Ministry of Economic Affairs.	35,79,000	38,79,000	36,74,575	+95,575	-2,04,425	33,000	..	-30,000
24.—Technical Assistance Schemes and Village AID Programme.	1,16,62,000	1,16,62,000	16,09,328	-1,00,52,672	-1,00,52,672	..	..	..
25.—Ministry of Education and	19,62,000	19,62,000	15,78,531	-3,83,469	-3,83,469	64,000	64,000	..
26.—Archaeology and Museums.	15,09,000	19,54,000	17,89,412	+2,80,412	-1,64,588	..	..	..
27.—Education ..	1,44,72,000	1,65,30,000	1,40,34,561	-4,37,439	-24,95,439	8,00,000	3,99,211	-4,00,789
28.—Ministry of Finance ..	61,62,000	68,12,000	65,38,894	+3,76,894	-2,73,106	3,38,000	1,73,323	-1,64,677

No. and Name of Grant or Appropriation	2	3	4	5	6	7	8	9
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
29.—Customs	1,25,87,000	1,30,94,000	1,15,23,282	-10,63,718	-15,70,718	..	1,276	+1,276
30.—Central Excise and Salt—								
{ Charged	1,59,000	1,59,000	..	-1,59,000	-1,59,000	..	..	..
{ Voted	1,31,11,000	1,31,11,000	93,40,882	-37,70,118	-37,70,118	5,80,000	-4,76,938	1,03,062
31.—Taxes on income, Corporation Tax and Sales Tax.	53,19,000	53,93,000	53,05,910	-13,090	-87,090	..	..	..
32.—Other Expenditure on Collection of Revenues.	28,26,000	30,56,000	14,96,612	-13,29,388	-15,59,388	12,50,000	4,35,206	-8,14,794
— Debt Services	10,07,12,000	11,22,72,000	12,58,21,367	+2,51,09,367	+1,95,49,367	2,96,000	3,06,885	+10,885
33.—Audit { Charged	53,000	55,000	54,950	1,050	-100	..	..	..
{ Voted	1,51,42,000	1,61,47,000	1,53,43,726	+2,01,726	-8,03,274	37,92,000	33,76,818	-4,15,182
34.—Currency and Mint	39,76,000	59,07,000	74,00,547	+34,24,547	+14,93,547	..	..	..
35.—Superannuation Allowances and Pensions—								
{ Charged .. ..	..	..	9,749	+9,749	+9,749	10,000	9,749	-251
{ Voted	60,85,000	60,85,000	53,16,897	-7,68,103	-7,68,103	..	..	..

No. and Name of Grant or Appropriation.	Original Grant or Appropriation.		Final Grant or Appropriation.		Expenditure compared with Original Grant or Appropriation.		Expenditure compared with Final Grant or Appropriation.		Estimated Recovery.		Actual Recovery.		More+ Less— (Columns 7 and 8).	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
49.—Industries	54,54,000	54,54,000	52,49,761	-2,04,239	-2,04,239	33,00,000	33,00,000	..	..	33,00,000	..	..	..	..
50.—Department of Supply and Development	97,92,000	1,07,59,000	90,69,283	-7,22,717	-16,89,717	..	..	..	..	..	..	..	..	..
51.—Stationery and Printing	1,50,32,000	1,50,32,000	1,58,72,153	+8,40,153	+8,40,153	1,11,13,000	1,06,52,140	-4,60,860	..	..	..	..	..	..
52.—Other Expenditure of the Ministry of Industries	5,43,000	5,43,000	4,37,105	-1,05,895	-1,05,895	..	..	..	..	..	..	..	..	..
53.—Ministry of Information and Broadcasting ..	62,01,000	64,63,000	63,99,784	+1,98,784	-63,216	..	..	..	..	..	..	..	..	..
54.—Pakistan Broadcasting Service	79,71,000	79,71,000	73,65,776	-6,05,224	-6,05,224	..	2,000	+2,000	..	..	..	..	..	..
55.—Other Expenditure of the Ministry of Information and Broadcasting	1,64,000	1,64,000	1,62,457	-1,543	-1,543	..	..	..	..	..	..	..	..	..
56.—Ministry of the Interior	10,81,000	10,81,000	10,78,772	-2,228	-2,228	..	..	..	..	..	..	..	..	..
57.—Police	1,13,26,000	1,14,91,000	1,11,22,940	-2,03,060	-3,68,060	1,79,000	1,79,000	-1,79,000	..	..	..	..	..	..
58.—Civil Defence ..	2,98,000	2,98,000	2,72,975	-25,025	-25,025	..	..	..	..	..	..	..	..	..
59.—Karachi	48,000	48,000	48,000	..	..	..	..	..	..	..	..	..	..	..
{ Charged .. ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
{ Voted .. ..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
		2,81,02,000	2,35,14,973	-45,87,027	-45,87,027	35,000	35,000	-35,000	..	..	..	..	..	..

60.—Other Expenditure of the Ministry of the Interior	69,000	77,000	60,276	-8,724	-16,724	..	..	..
61.—Ministry of Kashmir Affairs	11,34,000	11,80,000	10,64,683	-69,317	-1,15,317	..	..	..
62.—Expenditure connected with the Kashmir Refugees	52,88,000	61,95,000	47,90,308	-4,97,692	-14,04,692	40,000	..	-40,000
63.—Ministry of Labour ..	12,84,000	13,37,000	12,83,234	-766	-53,766	..	..	..
64.—Other Expenditure of the Ministry of Labour	37,49,000	38,71,000	31,88,254	-5,60,746	-6,82,746	10,50,000	5,02,007	-5,47,993
65.—Ministry of Law ..	5,84,000	6,29,000	6,20,778	+36,778	-8,222	..	..	..
65-A.—Elections ..	..	5,50,000	3,53,372	+3,53,372	-1,96,628	..	..	..
66.—Administration of Justice—								
{ Charged ..	5,99,000	6,53,000	6,68,408	+69,408	+15,408	..	..	..
{ Voted ..	75,000	2,10,000	1,64,016	+89,016	-45,016	-45,984	..	..
67.—Other Expenditure of the Ministry of Law	..	14,000	6,238	+6,238	-7,762	..	..	..
68.—Ministry of Parliamentary Affairs	65,000	1,71,000	85,954	+20,954	-85,046	..	..	..
<i>Pakistan Public Service Commission</i>	5,89,000	5,89,000	5,66,355	-22,645	-22,645	..	..	..
69.—Ministry of Refugees and Rehabilitation	9,05,000	10,29,000	10,39,761	+1,34,761	+10,761	..	..	..
70.—Rehabilitation of Refugees and Protection of Evacuee Property	2,37,93,000	2,37,93,000	2,34,83,253	-3,09,747	-3,09,747	..	5,16,191	+5,16,191
71.—Ministry of States and Frontier Regions	3,83,000	4,59,000	4,87,939	+1,04,939	+28,939	..	..	..

1	2	3	4	5		6		7	8	9
				Rs.	Rs.	Rs.	Rs.			
No. and Name of Grant or Appropriation.	Original Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure compared with Original Grant or Appropriation. More+ Less—	Expenditure compared with Final Grant or Appropriation. More+ Less—	Estimated Recovery.	Actual Recovery.	More+ Less— (Columns 7 and 8).		
72.—Frontier Regions ..	6,30,17,000	6,32,84,000	5,66,12,633	-64,04,367	-66,71,367	7,90,000	3,43,687	-4,46,313		
73. —Privy Purses and Subsidies ..	56,00,000	56,00,000	48,09,398	-7,90,602	-7,90,602	56,00,000	48,09,398	-7,90,602		
75. —Ministry of Works ..	5,16,000	5,16,000	5,16,606	+606	+606	..	..	..
76. —Civil Works—										
{ Charged ..	1,27,000	1,27,000	2,83,794	+1,56,794	+1,56,794	..	..	..
{ Voted ..	4,51,84,000	4,51,84,000	5,78,12,757	+1,26,28,757	+1,26,28,757	3,76,18,000	5,83,06,268	+2,06,88,268		
77.—Other Expenditure of the Ministry of Works	2,35,000	2,35,000	1,87,736	-47,264	-47,264	..	..	..
78. —Capital Outlay on Forests, Agriculture and Fisheries	2,43,29,000	2,43,30,000	10,24,119	-2,33,04,881	-2,33,05,881	6,30,000	88,169	-5,41,831		
79.—Capital Outlay on Purchase of Fertilisers	1,90,68,000	5,80,50,000	71,73,594	-1,18,94,406	-5,08,76,406	4,13,21,000	73,02,671	-3,40,18,329		
79-A.—Capital Outlay on Purchase of Fishing Materials	..	8,26,000	..	..	-8,26,000	63,000	..	-63,000
79-B.—Grants to Provincial Governments for Agricultural Development	..	2,09,21,000	71,65,754	+71,65,754	-1,37,55,246	2,00,00,000	71,65,754	-1,28,34,246		

80.—Capital Outlay on Jute and Cotton Purchases	..	4,86,000	11,49,569	+ 11,49,569	+ 6,63,569	3,00,000	6,54,805	+ 3,54,805
83.—Capital Outlay on Foris	34,28,000	34,28,000	15,56,873	-18,71,127	-18,71,127	..	..	..
84.—Capital Outlay on Civil Aviation	85,00,000	85,00,000	98,23,909	+ 13,23,909	+ 13,23,909	..	..	..
85-A.—Capital Outlay on Village-AID Programme	..	65,00,000	34,98,837	+ 34,98,837	-30,01,163	93,000	..	-93,000
86.—Capital Outlay on Currency and Mint	..	24,46,000	24,46,000	+ 24,46,000	..	..	34,00,000	+ 34,00,000
87.—Capital Outlay on Pensions	18,12,000	25,96,000	30,76,828	+ 12,64,828	+ 4,80,828	40,20,000	49,11,373	+ 8,91,373
87-A.—Capital Outlay on Purchase of Salt	..	28,17,000	18,85,356	+ 18,85,356	-9,31,644	28,17,000	..	-28,17,000
88.—Capital Outlay on Miscellaneous Development Projects	1,93,26,000	1,93,26,000	1,57,75,610	- 35,50,390	-35,50,390	27,46,000	5,96,430	-21,49,570
89.—Capital Outlay on Food Purchases	29,78,12,000	89,05,36,000	77,82,02,872	+ 48,03,90,872	-11,23,33,128	67,85,21,000	62,79,19,917	-5,06,01,083
90.—Capital Outlay on Medical Stores	1,14,77,000	1,14,77,000	82,68,222	-32,08,778	-32,08,778	1,07,88,000	44,08,310	-63,79,690
91.—Capital Outlay on Industrial Development	12,64,49,000	12,64,49,000	13,95,08,217	+ 1,30,59,217	+ 1,30,59,217	3,23,05,000	1,59,00,144	-1,64,04,856
92.—Capital Outlay on Irrigation, Fuel and Power	7,22,15,000	8,04,83,000	5,06,33,690	-2,15,81,310	-2,98,49,310	..	..	..
93.—Capital Outlay on Printing Presses	21,86,000	21,86,000	11,55,638	-10,30,362	-10,30,362	..	..	..
94.—Capital Outlay on Miscellaneous Stores	6,59,49,000	10,90,04,000	8,89,91,488	+ 2,30,42,488	-2,00,12,512	11,27,38,000	7,28,28,085	-3,99,09,915

No. and Name of Grant or Appropriation.	2	3	4	Expenditure compared with Original Grant or Appropriation.		7	8	9
				Rs.	Rs.			
95.—Capital Outlay on Broadcasting Services.	Rs. 18,00,000	18,00,000	19,69,783	+1,69,783	+1,69,783	..	..	..
96.—Capital Outlay on New Federal Capital.	33,29,000	33,29,000	5,05,444	-28,23,556	-28,23,556	..	..	..
97.—Capital Outlay on Civil Works—	..	..	1,14,194	+1,14,194	+1,14,194	..	..	..
{ Charged ..	..	..	..	..	..	..	..	..
{ Voted ..	6,14,19,000	6,14,19,000	3,25,41,113	-2,88,77,887	-2,88,77,887	30,87,000	10,22,766	-20,64,234
98.—Interest-free and Interest-bearing Advances—	..	..	..	..	..	..	..	..
{ Charged ..	45,88,70,000	45,88,70,000	28,48,44,806	-17,40,25,194	-17,40,25,194	..	..	..
{ Voted ..	8,53,59,000	8,75,55,000	7,26,67,529	-1,26,91,471	-1,48,87,471	..	..	..
				+1,38,58,537		3,06,000	3,16,634	-10,634
Total	58,73,24,000	60,11,09,000	44,00,35,559	-14,72,88,441	-17,49,32,028	1,05,64,46,000	90,94,49,314	-14,69,96,686
{ Charged ..	..	..	..	..	..	..	..	..
{ Voted ..	1,26,59,69,000	2,09,40,81,000	1,76,73,01,223	+50,13,32,223	-38,17,42,609	1,05,64,46,000	90,94,49,314	-14,69,96,686

B.—Expenditure met from Capital—

81.—Capital Outlay on Pakistan Railways—

Voted ..	13,99,22,000	13,99,22,000	9,44,34,221	—4,54,87,779	—4,54,87,779	10,70,01,000	6,61,73,000	—4,08,28,000
Total—Railways ..	55,10,03,000	59,14,62,000	57,03,61,483	+1,93,58,483	—2,11,00,517	..	..	..
{ Charged ..	4,68,91,000	4,72,08,000	4,69,89,791	+98,791	—2,18,209	..	..	..
{ Voted ..	50,41,12,000	54,42,54,000	52,33,71,692	+1,92,59,692	—2,08,82,308	10,70,01,000	6,61,73,000	—4,08,28,000

PART IV.—DEFENCE SERVICES

A.—Expenditure met from Revenue—

22.—Defence Services ..	86,35,96,000	86,35,96,000	80,53,65,224	—5,82,30,776	—5,82,30,776	6,81,96,000	44,80,681	—6,37,15,319
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B.—Expenditure met from Capital—

85.—Capital Outlay on Defence Services ..	22,65,00,000	22,65,00,000	6,21,23,147	—16,43,76,853	—16,43,76,853	6,88,00,000	8,53,67,543	+1,65,67,543
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Total—Defence Services	1,09,00,96,000	1,09,00,96,000	86,74,88,371	—22,26,07,629	—22,26,07,629	13,69,96,000	8,98,48,224	—4,71,47,776
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ANNEXURE IV

Memorandum of the Ministry of Finance regarding proposal to exhibit the Secret Service Expenditure in the Audit Report in one place.

(See paragraph 59 of the Report and paragraph 11 of the proceedings of the third meeting held on the 14th December, 1960).

The budget provision for Secret Service is made separately by different Ministries in their respective Demands. Accordingly the Comptroller and Auditor General also gives his comments in the Audit Reports separately on each provision. The Public Accounts Committee in para 20 of their report on the Accounts of 1951-52 and para 17 of the Report on the Accounts of 1952-53 recommended that in order to achieve greater control over it the provision for expenditure on Secret Service should be pooled under a single Grant.

2. In the compliance report relating to the Public Accounts Committee's two Reports above, it was pointed out that secret service expenditure is incurred not only by various Ministries but also by subordinate authorities at various places and as such centralisation of the provision in one Grant would make the control of the Grant and reconciliation of expenditure figures by the controlling officers most difficult, apart from involving considerable extra work. It was further stated that correspondence with various authorities in connection with the formulation of budget proposals, distribution of allotments, securing of figures of expenditure for purposes of reconciliation may result in secrecy being violated. It was, however, promised that a further report will be submitted to the Public Accounts Committee after examining certain suggestions made by the Comptroller and Auditor General in this connection.

3. The suggestions of the Comptroller and Auditor General were as follows :—

- (i) A new Major head "47-A. Secret Service Expenditure" may be opened with suitable minor heads like "Ministry of Finance", "Ministry of Foreign Affairs" etc., to accommodate charges relating to each Ministry separately; and
- (ii) for submission of the Demand, the expenditure relating to each Administrative Ministry may be included in the general demand "Other Expenditure of the Ministry concerned under a distinct sub-head Secret Service".

These suggestions were examined but were found to have the following draw backs :—

- (i) In effect the proposal amounted to the shifting of the budget provision from one demand to another with no other consequential advantages.
- (ii) The arrangements for keeping a vigilance over the growth of expenditure on certain services like Foreign Affairs will be vitiated as such expenditure will not be wholly accounted for under their respective Demands.

- (iii) The expenditure on Secret Service was not always for a uniform purpose ; for example the Secret Service expenditure under " Customs " is for purposes entirely different from those under " Foreign Affairs ", " Cabinet " and " Frontier Regions ", etc.
- (iv) It will not be possible to ascertain readily the total expenditure of a department which incurs Secret Service expenditure. For example expenditure incurred by the Customs and Central Excise Departments will not be accounted for under their respective major heads but under one common major head thus leading to a defective presentation of the budget and accounts ; and finally,
- (v) the consolidation would give undue prominence and publicity to this expenditure. In view of these considerations it was not considered advisable to provide this expenditure under a single Major head and the Comptroller and Auditor General was informed accordingly.

4. As, however, the Public Accounts Committee is mainly interested in reviewing the total expenditure on Secret Service, it has been proposed by the Comptroller and Auditor General that the total provision and expenditure on this account may be collected and shown in the Audit report on the Appropriation Accounts at one place in the following form :—

<u>No. and Name of the Demand</u>	<u>Sub-heads</u>	<u>Final modified</u> <u>grant.</u>	<u>Total</u> <u>expenditure</u>
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Under the existing procedure the Administrative Ministries furnish an annual certificate of check to the Audit Officer in a prescribed form and the comments of Audit with regard to the receipt of these certificates are incorporated in a separate paragraph in the Audit Report. The statement mentioned above will be followed by such comments. This system will thus meet the requirements of Public Accounts Committee.

5. The Ministry of Finance agreed to the alternative above proposed by the Comptroller and Auditor General.

6. Approval of the Public Accounts Committee is solicited to the proposal made in paragraph 4.

ANNEXURE V

Memorandum of the Ministry of Finance regarding Detailed Statement of expenditure on important new works incorporated in the Appropriation Accounts—Raising of limits thereof.

(See paragraph 60 of the Report and paragraph 12 of the proceedings of the third meeting held on the 14th December, 1960).

In accordance with instructions contained in para 629 of the Audit Manual, details of expenditure on all major works exceeding the monetary limit prescribed by Government, are required to be shown in the detailed statements of expenditure on important new works incorporated in the Appropriation Accounts. The existing monetary limit in this regard so far as the Civil works are concerned is Rs. 50,000. This limit was fixed by Government in pre-Independence period. The Accountant General, Pakistan Revenues has pointed out that with the general rise in the prices of material and labour, the cost of construction has gone up by four to five times with the result that the details of very minor works, which are neither of much interest to the Public Accounts Committee nor to Government, are also incorporated in the detailed statements. Accordingly he has proposed that the existing monetary limit of Rs. 50,000 may be raised to Rs. 2 lacs so that the detailed statements may contain only substantially important works. The proposal has been supported by the Ministry of Works and Rehabilitation, who control the Civil Works Grants and has also been agreed to by the Comptroller and Auditor General of Pakistan.

2. The arguments given above apply equally to works of the Posts and Telegraphs Department as well. The existing limits in the case of works of that Department are Rs. 20,000 in the case of Buildings and Rs. 1,00,000 in respect of other works. The Comptroller, P. & T., has proposed that these limits may be raised to Rs. 2 lakhs for buildings and Rs. 5 lakhs for other works. The Director General, P. & T., has supported this proposal and the Comptroller and Auditor General has also agreed.

3. Approval of the Public Accounts Committee is solicited to the raising of the limits as proposed above.

ANNEXURE VI

Public Investments (Financial Safeguards) Ordinance, 1960—Ordinance No. XLVI of 1960 issued in the Gazette of Pakistan (Extraordinary), dated the 2nd November, 1960.

(See paragraph 17 of the Report and paragraph 3 of the proceedings of the fourth meeting held on 15th December, 1960).

AN

ORDINANCE

to provide for financial safeguards in respect of certain investments out of public revenues

WHEREAS it is expedient to provide for financial safeguards in respect of certain investments made out of public revenues ;

NOW, THEREFORE, in pursuance of the Proclamation of the seventh day of October, 1958, and in exercise of all powers enabling him in that behalf, the President is pleased to make and promulgate the following Ordinance :—

1. *Short title and commencement.*—(1) This Ordinance may be called the Public Investments (Financial Safeguards) Ordinance, 1960.

(2) It shall come into force at once.

2. In this Ordinance, unless there is anything repugnant in the subject or context, “appropriate Government” means :—

(a) in relation to a corporation, institution or undertaking established with the aid of the revenues of the Federation but not with the aid of the revenues of a Province, the Central Government ;

(b) in relation to a corporation, institution or undertaking established with the aid of the revenues of a Province but not with the aid of the revenues of the Federation or of the other Province, the Provincial Government concerned ; and

(c) in relation to a corporation, institution or undertaking established with the aid of the revenues of the Federation and those of one or both of the Provinces, or with the aid of the revenues of both the provinces but not with the aid of the revenues of the Federation, the Central or one of the two Provincial Governments as may be agreed between the Governments concerned, and in default of such agreement—

(i) the Central Government, where the revenues of the Federation are contributed, or where the revenues of the Provinces are contributed in equal shares, and

(ii) the Provincial Government holding the larger share, where the revenues of two Provinces are contributed in unequal shares without there being any contribution from the revenues of the Federation.

3. *Power to appropriate Government to prescribe procedures, etc., in certain cases.*—(1) Where any corporation, institution or undertaking, whether incorporated in pursuance of a Central or Provincial law or not so incorporated, has been established by Government with the aid of Public revenues, the appropriate Government shall, notwithstanding anything in any law, or in any instrument, deed or other document relating to such corporation, institution or undertaking, have power—

- (a) to prescribe financial procedures, including procedures for internal financial control, in respect of matters relating to the receipt and expenditure of moneys and sanctions thereto;
- (b) to give general or special financial directions to such corporations, institutions and undertakings; and
- (c) to depute such of its officer or officers to scrutinize their financial procedures and transactions as it may think necessary.

(2) Where any procedure is prescribed under clause (a) of subsection (1), or any financial direction is given, or officer deputed, under clause (b) or clause (c) thereof, it shall be the duty of the Corporation, institution or undertaking concerned to comply with the procedure or direction, or, as the case may be, to receive the officer and afford him every convenient means of fulfilling the purpose of his deputation.

4. *Power to appropriate Government to give directions in certain other cases.*—Where any corporation has been established otherwise than by Government, but Government, or any such corporation, institution or undertaking as is referred to in section 3, has provided a portion of the capital or funds thereof, and is thereby entitled to appoint one or more Directors, the appropriate Government may, notwithstanding anything in the Companies Act, 1913 (VII of 1913), or in any other law, or in any instrument, deed or other document relating thereto, give the director or directors so appointed such general or special financial directions as it may think necessary, and it shall be the duty of every such director to comply with the directions so given.

5. *Power to call for documents, etc.*—The appropriate Government may, in order to ensure proper compliance with the provisions of this Ordinance, call for any information, including any book, account, record or other document, from any such corporation, institution or undertaking as is referred to in section 3, or from any such director as is referred to in section 4.

6. *Penalties.*—Whoever fails to discharge any duty imposed by or under this Ordinance, or to comply with any direction given or any rule or order made or issued thereunder, shall be punishable with simple imprisonment for a term which may extend to three months, or with fine which may extend to ten thousand rupees, or with both.

7. *Offences by Corporations, etc.*—If an offence punishable under this Ordinance is committed by a corporation, institution or undertaking, every director, manager, secretary, agent or other officer or person concerned with the management thereof, shall, unless he proves that the offence was committed without his knowledge or consent, or that he exercised due diligence to prevent its commission, be deemed to be guilty of such offence.

8. *False information, etc.*—Any person who,—

- (a) when required under this Ordinance to furnish any information, furnished any information which is false in any material particular and which he knows or has reasonable cause to believe to be false, or does not believe to be true, or
- (b) knowingly makes any false statement in any book, account, record or other document which he is required under this Ordinance to furnish,

shall be punishable with the same punishment as is provided in section 6.

9. *Cognizance of offence.*—No Court inferior to that of a Magistrate of the First Class shall take cognizance of any offence punishable under this Ordinance, and cognizance shall not be so taken save on a complaint made in writing by or under the authority of the appropriate Government.

10. *Power to make rules.*—The Central Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Ordinance.

ANNEXURE VII

List of unfinalised cases of financial irregularities, losses, etc. concerning the Ministry of Kashmir Affairs, mentioned in the Annexures to the Appropriation Accounts for the years 1953-54 to 1955-56.

(See paragraph 25 of the Report and paragraph 27 of the proceedings of the eighth meeting held on 20th December, 1960).

Sl. No.	Year of Appropriation Accounts	Reference to page and Item No.	Particulars of the case	Amount involved.	Latest position	Remark
1.	1953-54	Item No. 22 at page 567.	3,514 empty gunny bags received by storage office for onward despatch to another storage office were stated to have not been received by the latter.			
2.	"	Item No. 23 at page 567.	Out of 36,006 serviceable gunny bags held by a storage office 12,029 and 7,393 bags were re-classified as unserviceable and repairable respectively. This re-classification resulted in a loss of Rs. 21,650 and Rs. 7,400 (approximately).	Rs. 29,050	An investigation was ordered by the Government but the results of the investigation by the department are still awaited.	The report of finalisation of the investigation by the department is still awaited.
3.	"	Item No. 24 page 567.	Drawal of money under forged signatures of an Officer on a missing cheque. The accused was tried by a Court of Law but he was acquitted.	Rs. 850		As a result of departmental enquiry notices were served by the government on the officials concerned to make good the loss. The loss has not so far been made good nor any action taken against the defaulters so far.
4.	1954-55	Item No. 6 page 548.	The following items of food stuffs are lying in stores since 1951 and may have	Not intimated by the De-		Case regarding the disposal of the stores is stated to have been referred to

5. 1954-55 ..	Item No. 7 pages 549--551	either totally deteriorated or rendered unfit for human consumption :— Lbs.	department.	Government. Final orders are awaited. Reasons for not disposing of the stores have not yet been intimated to audit.
		Ghee		
		Atta		
		Dal		
		Tea		
		Salt		
		Fir wood		
		(i) Shortage of 1,173 maunds occurred during the transit of 1,400 maunds of wheat from one Civil Supply Depot to another.	Not intimated by the Department.	The report regarding finalisation of the investigation by the Department, is still awaited.
		(ii) Shortage of 2,237 maunds of a commodity occurred in a godown.	Do	Orders of Government for the Write off or recovery are awaited.
		(iii) Free ration to the extent of 101 maunds was issued in excess at three Depots on account of duplicate issues or issues of fictitious or suspended cards.	Do.	The circumstances leading to the excess issues and intimation regarding the recoveries are awaited.
		(iv) Shortage of 808 maunds of wheat occurred in transit and storage.	Do.	Orders of Government for the write off or recovery are awaited.
		(v) Shortage of 58 maunds of wheat occurred on account of a discrepancy in the stock register.	Do.	The report regarding finalisation of investigation by the Department is awaited.
		(vi) Free ration to the extent of 30 maunds was issued in excess at a Civil Supplies Depot either on account of duplicate issues or issues on cancelled ration cards or for unauthorised units of ration cards.	Do.	The objections were communicated to the Administrative Authority in July, 1954 but no reply has been received.

1	2	3	4	5	6	7
5. 1954-55.	Item No. 7 pages 549-551	(vii) A Depot was closed in August, 1953. The godown has however, not so far been vacated. A chowkidar has also been continued to be employed. It has resulted in an unnecessary recurring expenditure of Rs. 60 per mensem to Government for the last 2-1/2 years simply because some empty bags are stated to be lying there.	1,800 The sanction of Government for the disposal of the bags is stated to have been called for.			
		(viii) A shortage of 82 maunds of wheat occurred in Stock.	1,101 A copy of the orders for recovery called for scrutiny by audit has not so far been received. An amount of Rs. 827 is stated to have been recovered from the defaulter, but the fact remains to be verified in audit. Balance of Rs. 274 is in the course of recovery.			
		(ix) The entry about the receipt of 42 bags of wheat weighing 108 maunds despatched by one storage Officer was not traceable in the books of the consignee.	Not intimated by the Department.			
		(x) A shortage of 298 maunds of Atta occurred in transit in August, 1954.	4,245 Orders of Government for the write off or recovery are awaited.			
		(xi) 1,186 bags of wheat weighing 3,106 maunds despatched by a Storage Officer could not be traced in the books of the consignee.	33,212 370 bags, weighing 973 maunds are stated by the Administrative Authority to have been received by the consignee. This is yet to be verified in audit. The position of the remaining 816 bags weighing 2,133 maunds has, however, not so far been intimated.			
		(xii) 30 bags of wheat weighing 76 maunds were received in one of the wholesale Depots and entered in the Stock Register.	Not intimated by the Department.			

The quantity, however, was not included in the total. The discrepancy was not noticed even on physical verification of stock during which the ground balance was found to be equal to book balance.

(xiii) A shortage of 8,712 maunds of imported wheat occurred in one Railway Station to another.

(i) Shortage of 86 maunds and 25 bags of wheat was discovered at a Civil Supplies godown.

(ii) A shortage of 700 maunds of wheat and 13 maunds of rice was discovered in a godown on opening its lock. The clerk in charge of the depot had absconded.

8 A sum of Rs. 3,906 was utilized out of the sale proceeds towards Departmental expenditure in an office of the Ministry of Kashmir Affairs.

9 An amount of Rs. 4,698 realised by an office of the Ministry of Kashmir Affairs on account of sale proceeds of packing material was not credited to Government.

10 6,184 Lbs. of milk powder was misappropriated by making bogus entries in the ledger.

Item No. 5 to 11 and 46 to 48, pages 409 to 420.

97,138 Orders of Government for the write off or recovery are awaited.

1,425 The godown supervisor was prosecuted in a Court of Law but was acquitted. His services were, however, terminated. The sanction for the write off of the loss is awaited.

10,782 A report of the action taken in the matter is awaited.

3,906 The matter was reported to the administrative authorities during April, 1956 but an intimation regarding the action taken to regularise the expenditure is awaited.

4,698 The case was reported to the administrative authorities in October, 1955 but no reply has been received so far.

The case is still under correspondence with the Departmental authorities concerned.

A amount not known.

ANNEXURE VIII

List of unfinalised cases of financial irregularities, losses, etc., concerning the Ministry of States and Frontier Regions, mentioned in the Annexures to the Appropriation Accounts for the year 1953-54 to 1955-56.

(See paragraph 23 of the proceedings of the tenth meeting held on 22nd December, 1960).

S.No.	Reference to page and Item No.	Particulars of the case	Amount involved	Latest position
1	2	3	4	5
			Rs.	
1.	Item No. 1 at page 559 1953-54.	While checking the cash on 9th April 1953 it was found that the closing balance as per cash book was Rs. 2,459 but actual cash in the chest was only Rs. 2. The accused was challaned in a court of law and sentenced to one year's R.I. and a fine of Rs. 3,000 or in default a further period of 3 months R.I.	2,457	The sanction to write off of the amount is still awaited.
2.	Item No. 2 at page 568 1953-54.	During the course of audit a sum of Rs. 2,299 was found to have been misappropriated by not crediting the amount of the rent realised in respect of the evacuee property into the Treasury by the clerk concerned.	2,299	The person concerned was convicted by the court of Law. The sanction to write off of the amount is still awaited.
3.	Item No. 27 at page 568 1953-54.	During the course of the audit of an office under the Baluchistan Admin. for the year 1951-52 a short credit of the amount and the loss of connected cash book, expenditure register and other important documents was discovered. The responsibility for loss has been fixed on two officials.	11,905	The case is under correspondence with the authorities. Final report is still awaited.
4.	Item No. 29 at page 569 1953-54.	The accountant misappropriated a total sum of Rs. 5,557 out of which Rs. 5,016 was drawn from the Bank	5,557	The sanction for the write off of the amount is awaited.

1

2

3

4

5

Rs.

- on 13th November 1947 on a forged contingent bill and the balance represented undisbursed amount of cashed bills. The accused was found guilty in a court of law and sentenced for each of the two charges, viz., forgery and embezzlement separately for 2 years' rigorous imprisonment and a fine of Rs. 1,000 or in default 6 month's further R.I.
5. Item No. 30 at page 569 1953-54. During departmental checking of the cash book of the office it was found that the cashier had not paid the amount of pay, allowances and contingent bills drawn from the Treasury to the payees. The case was reported to the police who challan- ed the accused. The cashier was sentenced to one year's R.I. and a fine of Rs. 1,000 or in default to undergo a further period of 6 months R.I. 12,589 The sanction for the write off of the amount is awaited.
6. Item No. 31 at page 569 1953-54. The accountant left for the headquarter for the encashment of pay bills, etc., of the staff as usual in December 1949 but never returned. He deceived his guards as well and his whereabouts are not known. 26,343 Sanction for write off of the amount is still awaited.
7. Item No. 32 page 570 1953-54. In an office under the Baluchistan Admn. the fee collected from the Public on account of driving licences, registration certificates, permits, etc., was not credited into the treasury. The person concerned was convicted by a Court of Law and fined Rs. 1,050. The security deposit of the person concerned has been forfeited to the Govern- ment. 2,740 The sanction for write off of the amount is still awaited.

1	2	3	4	5
			Rs.	
8. Item No. 33 at page 570 1953-54.	Embezzlement of Rs. 4,950 was committed by a Nazir of the Agency by altering figures of the duly passed vouchers. The case was reported to the police who challan- ed the Nazir. The Nazir was dismissed from the Government service.		4,950	The sanction write off of the amount is still awaited.
9. Item No. 1 at page 616 1955-56.	The following fines imposed on private person for damages to Government property were outstanding till the writing of the report :—		3,003	Out of Rs. 3,003 a sum of Rs. 2,803 has since been recovered. Efforts are being made for recovery of the balance of Rs. 200.
	Year in which the fines were imposed.	Outstanding balance Rs.		
	1952-53	211		
	1953-54	537		
	1954-55	2,255		
	Total	3,003		

ANNEXURE IX

List of unfinalised cases of financial irregularities, losses, etc., concerning the Ministry of Finance, mentioned in the Audit Report (Civil) Notes below the Appropriation Accounts for 1947-48 to 1953-54, and Annexures to the Appropriation Accounts for the years 1953-54 to 1955-56.

(See paragraph 30 of the proceedings of the eleventh meeting held on the 23rd December, 1960).

Sl. No.	Reference to para/notes of the Audit Report/ Appropriation Accounts	Particulars of the case	Amount involved	Latest position
1	2	3	4	5
			Rs.	
1.	<i>Appropriation Accounts, 1952-53. Page 22. Para. 20(g) (iii).</i>	Recovery in respect of the excess representing the ascertained weight (the declared weight on the basis of which the Customs duty was originally levied) of the Consignments of dates. The short duty amounted to Rs. 25,000.	25,000	Out of 25,000 short levied as Custom duty, Rs. 1,500 was recovered. The balance amount of Rs. 23,500 still remains to be regularised.
2.	Page 94. Note 5(ii). Grant No. 21—Ministry of Finance.	Fraudulent payments occurred in the Accounts Division of Pakistan High Commission in London.	5,17,717	The Civil proceedings recently concluded in the Court of Law and judgement was given in favour of the Government of Pakistan. The case regarding the realisation of the amount defrauded and of the cost taxed by Government is in the hands of Solicitors.
3.	<i>Appropriation Accounts for 1953-54. Page 36. Paragraph-47.</i>	Abnormal delay in the receipt of bills of entry in respect of Stores imported on Government account.	Exact amount not known.	The case has been taken up with the Collector of Customs, Karachi. It has been reported that some amount (exactly not known) has been recovered. The final report of the Collector of Customs is, however, still awaited.
4.	Page. 37. Para 49.	Erroneous allowance of Concession of lesser rates of customs duty on imported matches.	26,505	A demand has been presented before the party. It has also been decided that failing recovery, the goods imported in future by the party would be impounded against this liability whether this has actually been done, has not so far been intimated.

List of unfinalised cases of financial irregularities, losses, etc., mentioned in the Annexure to the Appropriation Accounts for the years 1953-54 to 1955-56.

Sl. No.	Reference to page and Item No.	Particulars of the case	Amount involved	Latest position
1	2	3	4	5
			Rs.	
1.	<i>Appropriation for 1953-54. Item No. 14. Page 565.</i>	<i>Accounts</i> A clerk of an office of Superintendent, Land Customs mis-appropriated Government money amounting to Rs. 9,491 and absconded to a Foreign Country. The mis-appropriation was mainly due to neglect of rules and laxity in supervision.	9,491	The case was reported to the Special Police Establishment who thoroughly investigated the case and intimated that the actual amount of embezzlement was Rs. 8,345/8/-. The accused was tried departmentally and was dismissed from Government service. Out of Rs. 8,345/8/-, the embezzlement of Rs. 5,134/14/- only could be established against the accused. The matter regarding recovery of Rs. 5,134/14/- from the accused and sanction of the Government to the write off of the remaining amount of Rs. 3,210/10/- is still under correspondence with the Collector, Central Excise and Land Customs, Lahore.
2.	Item No. 15. Page 565.	Loss of Government revenue due to forging of refund vouchers.	50,525	The Public Accounts Committee in paragraph 15 of their report desired to know the further progress of the case. The Public Accounts Committee may like to know further progress from the departmental representative. The position as ascertained from the Revenue Division is, however, as follows :— Action against departmental employees have been finalised and recoveries have been ordered to be made from their salaries. Non-officials involved were prosecuted in a

1	2	3	4	5
			Rs.	Court of Law and some of them have been sentenced to various terms of imprisonment. A few non-official have absconded.
3. <i>Appropriation for 1955-56. Serial No. 5.</i>	<i>Accounts</i>	A sum of Rs. 110 representing an excess levy of custom duty was sanctioned for refund to an importer. A clerk of the Custom House obliterated the refundees name, substituted a fictitious name and altered the figure of refund to Rs. 11,014 and payment obtained from the Custom House treasury.	11,014	The Court ordered the case to be filed as the accused is absconding. The case has now been referred to the Board of Revenue for the write off of the amount.

ANNEXURE X

Memorandum of the Railway Board regarding revision in the form and details of Appropriation Accounts.

(See paragraph 42 of the Report and paragraph 2 of the proceedings of the seventeenth meeting held on the 3rd February, 1961).

It had been felt for some time that the form in which the Railway Appropriation Accounts were being prepared and presented to the Legislature was unsatisfactory because :—

- (a) it was unintelligible to such bodies as the I.B.R.D. and others who may be interested in examining the Railway accounts ;
- (b) it ignored the essential nature of Railway expenditure and did not show (i) how the Railways were performing the service required of them ; (ii) whether their operations were performed at minimum cost compatible with the conditions existing ; (iii) whether they were maintaining the efficiency expected in their operations and (iv) whether they were maintaining the financial solvency expected in a valuable commercial enterprise ;
- (c) it contained meaningless detailed explanations not necessarily true, about variations from budgeted figures. Framing and scrutiny of these explanations consumed a disproportionately large amount of time and energy at all levels ;
- (d) the explanations furnished served no useful purpose because they were neither studied by, nor intelligible to, those concerned with running the Railways.

2. To improve the position the forms in which State-owned Railways in certain other countries presented their Accounts to the Parliaments were collected. It was noticed that in most countries these accounts were presented not to the Public Accounts Committee but to a Special Committee of the Parliament because they involved the activities of a Corporation which did not require to have its budget voted by the legislature. The available information showed that the only country, other than India, where the Railway accounts were presented to the Public Accounts Committee was Canada. The Report of the Canadian National Railways was, therefore, considered to be a reasonable guide for preparing a Report for presenting the accounts of Pakistan Railways to the Public Accounts Committee.

3. It was observed that none of the Reports, including the Canadian Report which was specifically intended for presentation to the Public Accounts Committee, concerned itself with explaining the differences between the budgeted amounts and the amounts actually spent. During discussion with the Comptroller and Auditor General it was gathered that he was anxious that some explanations should continue to be furnished. It was therefore, decided to include in the model prepared for Pakistan Railways broad intelligible causes for major variations from the budgeted amounts both for earnings, which are not touched upon in the present Appropriation Accounts, and for expenditure considered as a whole.

4. No balance sheet for the Pakistan Railways had been prepared since Independence. It was noticed that the prescribed form did not conform to the principles of commercial accountancy and did not make the financial position of the Railways clear. A revised form was, therefore, prepared and a Balance sheet was for the first time compiled and included in the Report mentioned above.

5. The model form together with such modifications as were suggested by the Auditor General together with a Memorandum (Appendix-A) was submitted to the Public Accounts Committee and was discussed in great detail at their meeting in August, 1957 but the Committee did not arrive at any definite decision. The question was further examined. As the conditions had changed and the Public Accounts Committee did not exist a note on the above lines containing the proposal for adoption of revised form of Appropriation Accounts was submitted in April, 1959, to the Finance Minister for his approval.

The following advantages were pointed out:—

- (i) Time wasted at all levels in the Railway Administration would be saved.
- (ii) Audit would be able to concentrate upon its proper function of detecting irregularities and inaccuracies in accounts. At present a great deal of time is consumed in the scrutiny of the explanations furnished by the Administration. This scrutiny is the personal responsibility of the Chief Auditor.
- (iii) The Public Accounts Committee of the future will be placed in a better position to judge whether reasonable care was exercised by the administration in framing its budget. It is pointed out that since the separation of Railway budget in 1924, large variations have been the constant feature of Railway Appropriation Accounts. Year after year the Comptroller and Auditor General has insisted that it was bad budgeting, the Public Accounts Committee has discussed the matter, procedures were revised but it has not been possible to reduce these variations nor was any one held responsible for bad budgeting. The proposed report will lead to better appreciation of the nature of Railway expenditure and enable the expenditure controlling authorities to concentrate on essentials of Railway economy.
- (iv) It will introduce a proper watch on "End Use" of projects.
- (v) It will keep all who may be interested informed about the manner in which the Railways have been functioning both financially and otherwise. Such watch by the Parliament over the Railway activities is for more vital than a watch over explanations under Detailed Heads of Accounts.

6. The matter was further discussed with the Audit Department and following were agreed upon:—

- (a) A suitable glossary of technical terms used in this section would be given.
- (b) The heads of Accounts would be indicated as at present.

- (c) The figures of grants (including residual and supplementary), actual expenditure, etc. would be given by each Railway and in thousands of rupees.
- (d) The explanations for variations will be given by sub-heads and for net variations only and would be furnished in such a manner as :
- (i) would bring out the basic causes which led to the variation, the amount pertaining to each cause being indicated separately as illustrated in the draft of simplified appropriation accounts.
 - (ii) would bring before the Public Accounts Committee the full circumstances and economies of the Railway working.
- (e) The following statements would be included :—
- (i) Statement of expenditure which was not sanctioned by competent authority upto
(Table only).
(Statement showing details of items of unsanctioned expenditure formerly Annexure A (i) will however not be prepared.)
 - (ii) Statement of under-charges detected by the Accounts and Audit.
 - (iii) Statement showing remission and abandonment of claims to Revenue.
 - (iv) Statement of expenditure on important openline works costing not less than rupees twenty lacs each.
- This will however be substituted by a Review of Major Works completed more than 5 years ago, which will cover all works sanctioned by Standing Finance Committee and, therefore, carrying a specific sanction and definite promise to the legislature, when arrangements to prepare the Review were finalised.
- (v) Grand Summary of Appropriation Accounts bearing the signatures of Financial Commissioner and the Chairman, Railway Board, with the Audit Certificate signed by the Comptroller and Auditor General.
 - (vi) Statement showing irregular reappropriations made by Railways.
 - (vii) Statement of important misclassifications.
 - (viii) Statement of losses. These are at present shown below each sub-head in the Appropriation Accounts.
- (f) The following statements would be included in the Railway Audit Report :
- (i) Statement of defects in budgeting.
 - (ii) Statement of changes in forms and classification.
 - (iii) Portion of section IV of F. A. C's. Review dealing with excess over grants and expenditure classified differently in budget from the Accounts.

- (g) The following Accounts and statements which hitherto formed part of the Appropriation Accounts would be included in the Commercial Accounts Section of the Annual Report of the Railways :—

Part II.—Detailed Appropriation Accounts :

- (i) Depreciation Reserve Fund Account.
- (ii) Improvement Fund Account.
- (iii) Stores Account, Stock Adjustment Account.
- (iv) Profit and Loss Account of grain shops, and statement of Suspense Balances.
- (v) Profit and Loss Account and Balance Sheet in revised form.
- (vi) Statement of un-anticipated credits.

- (h) The following portions of Parts I and II of the Appropriation Accounts would be discontinued :—

Part I.—Review :

- (i) Section I.—Introductory remarks.
- (ii) Section II.—Financial Results.
- (iii) Section III.—Detailed Reviews of Receipt and expenditure.
- (iv) Section IV.—*Results of Appropriation Audit.*
 - (1) Irregular Re-appropriations.
 - (2) Wrong booking of expenditure.
- (v) Section V.—Miscellaneous.
- (vi) Section VI.—Changes in forms and classifications.
- (vii) Section VII.—General.
- (viii) Section VIII.—*Annexures :*
 - (i) Annexure C—Operating Ratio (percentage of working expenses to earnings) for the last four years.
 - (ii) Annexure D—Gross Earnings, Working expenses etc. of Pakistan Railways for the last four years.
 - (iii) Annexure F (a)—Depreciation Reserve Fund Account.
Annexure F (b)—Improvement Fund Account.
 - (iv) Annexure G—Principal Statistics of certain selected years.

Part II.—Detailed Appropriation Accounts :

- Annexure A (i)—Statement showing details of items of unsanctioned expenditure.

7. These arrangements were approved by the Finance Minister and have been introduced with effect from the account for 1958-59 as a trial measure.

8. In addition to the above, the Comptroller and Auditor General has also agreed to enhance the following limits subject to the prior approval of the Public Accounts Committee.

<i>Particulars</i>	<i>Existing limit</i>	<i>Enhanced limit</i>
(1) Limit for not explaining variations as prescribed in Para 609/G.	5% of the grant or appropriation or Rs. one lacs whichever is less, or in the case of Capital Grant for New Construction 10% or Rs. 5 lacs whichever is less.	10% of the grant or appropriation or Rs. 2 lacs whichever is less or in the case of Capital Grant for New Construction 20% or Rs. 10 lacs whichever is less.
(2) Limit for listing individual items in :		
(i) Statement showing remission and abandonment of claims to Revenue.	Rs. 5 thousands	Rs. 10 thousands.
(ii) Statement of expenditure on works costing not less than Rs. 20 lacs each.	Not less than Rs. 20 lacs	Not less than Rs. 50 lacs each.
(iii) Statement of Mis-classifications and other mistakes detected.	Rs. 1 thousand.	Rs. 5 thousands.
(iv) Statement of Defects in Budgeting.	Rs. 20 thousands	Rs. 50 thousands.

Approval of the Public Accounts Committee is solicited to the revision in the form and details of the Appropriation Accounts as mentioned under paras. 6 and 8 above.

APPROPRIATION ACCOUNTS OF PAKISTAN RAILWAYS FOR THE YEAR 1953-54.

I. Grant No. 8—Revenue Expenditure :

Ordinary Working Expenses :

(Figures in thousands of rupees).

Major head and sub-head	Original grant or Appropriation, re-appropriations, supplementary grant etc.	Final grant or Appropriation	Actual expenditure	Excess or saving	Percentage of actual expenditure to final grant or appropriation
1	2	3	4	5	6
(a) Administration :					
A. E. B. Railway :					
O.	1,92,00				
R.	(—)5,97	1,86,03	1,85,83	(—)20	99·9
B. N. W. Railway :					
O.	2,66,00				
R.	7,27	2,73,27	2,78,33	5,06	101·09
C. Chittagong Port :					
O.	13,00				
R.	29	13,29	13,19	(—)10	99·2
Total					
O.	4,71,00				
R.	1,59	4,72,59	4,77,35	4,76	101·0
B. :—The excess is due to—					
(i) more expenditure incurred in connection with the reorganisation of the Watch and Ward Department (2,39),					
(ii) supply of additional uniforms and at an increased rate to the Watch and Ward staff (1,60) ; and					
(iii) more contingent expenditure on account of purchase of Codes, accounting machines etc. (1,07).					
(b) Repairs and Maintenance :					
D. E. B. Railway :					
O.	3,48,73				
R.	(—)3,51	3,45,22	3,33,13	(—)12,09	96·49
E. N. W. Railway :					
O.	7,10,50				
R.	(—)23,53	6,86,97	6,92,01	5,04	100·7
F. Chittagong Port :					
O.	16,45				
R.	(—)52	15,93	16,53	60	103·7
Total					
O.	10,75,68				
R.	(—)27,56	10,48,12	10,41,67	(—)6,45	99·38

D. :—Saving is due to—

- (i) less expenditure on periodical overhaul of Rolling stock as a result of adoption of various economy measures (3,94);
- (ii) non-payment of bills in connection with the over-hauling of Rolling stock and repairs to steamboats owing to certain discrepancies (3,32);
- (iii) less execution of works in respect of residential buildings, etc. for want of material (2,51);
- (iv) other Misc. variations (2,22).

E. :—The excess is due to increase in the cost of material consumed in works.

	1	2	3	4	5	6
(c) Operating staff :						
G. E. B. Railway :						
O.	..	2,11,88				
R.	..	49	2,12,37	2,14,34	257	101·3
H. N. W. Railway :						
O.	..	3,44,57				
R.	..	3,50	3,48,07	3,49,33	1,26	100·3
I. Chittagong Port :						
O.	..	23,71				
R.	..	(—)14	23,57	23,77	20	100·8
Total						
O.	..	5,80,16				
R.	..	3,85	5,84,01	5,88,04	4,03	100·69

G.H.I. :—The slight increase of expenditure is due to refixation of pay of staff in the prescribed scales of pay and adjustment of dearness and other compensatory allowances.

(d) Operation Fuel :

J. E. B. Railway :						
O.	..	1,92,88				
R.	..	(—)41,30	1,51,58	1,37,80	(—)13,78	90·9
K. N. W. Railway :						
O.	..	6,64,86				
R.	..	(—)90,72	5,74,14	5,75,03	89	100·1
L. Port Railway :						
O.	..	7,82				
R.	..	(—)1,05	6,77	5,82	(—)95	86·8
Total						
O.	..	8,65,56				
R.	..	1,33,07	7,32,49	7,18,65	(—)13,34	98·1

J. :—The saving is mainly due to :—

- (i) non-receipt of bills in respect of river dues, landing charges, etc. on sea borne coal (8,40);
- (ii) non-adjustment of freight bills (3,30); and
- (iii) less receipt of Indian Coal (2,08).

	1	2	3	4	5	6
<i>(e) Operation other than Staff and Fuel :</i>						
M. E. B. Railway :						
O.	..	44,43				
R.	..	(—)6,35	38,08	34,78	(—)3,30	91.3
N. N. W. Railway :						
O.	..	66,00				
R.	..	6,26	72,26	1,00,90	28,64	139.6
O. Chittagong Port Railway :						
O.	..	29,41				
R.	..	7,00	36,41	24,47	(—)11,94	67.2
Total						
O.	..	1,39,84				
R.	..	6,91	1,46,75	1,60,15	13,40	109.1

M. —Saving is due to unexpected receipt of credits on account of hire of Felling Stock from Indian Railways.

N. —Excess is due to :—

- (i) receipt of more debits from stock Adjustment account against credits expected at the time of framing of final estimates (8,47),
- (ii) adjustment of stores debits for which no provision could be made (8,31),
- (iii) non-receipt of expected credits from India on account of hire and penalty charges for interchange of Goods stock (4,52),
- (iv) other misc. variations (7,34),

O. —Saving is due to the non-payment of wagon hire charges to E. B. Railway owing to certain difficulty in finalising the matter.

(f) Misc. Expenses :

P. E. B. Railway :						
O.	..	28,68				
R.	..	12,07	40,75	42,67	1,92	104.7
Q. N. W. Railway :						
O.	..	88,00				
R.	..	5,94	93,94	1,14,13	20,19	121.49
R. Port Railway :						
O.	..	2,66				
R.	..	(—)10,94	(—)8,28	1,28	9,56	215.4
Total						
O.	..	1,19,34				
R.	..	7,07	1,26,41	1,58,08	31,67	125.05

P. & Q. :—The excess are due to :—

- (i) Increase in the contribution to Provident Fund of the staff of both the railways as a result of their confirmation with retrospective effect (4,07).
- (ii) Finalization of more cases of gratuities than anticipated (2,45).
- (iii) More items having been placed under suspense for want of particulars, acceptance etc. (15,59).

R. :—The excess is due to the cost of Tea Shed recoverable from the Commerce Department having not been adjusted for want of a final decision in the matter.

Statement showing the recommendations and suggestions made and directions given by the Public Accounts Committee on the Accounts for 1951-52.

Sl. No.	Paragraph of the report and proceedings	Recommendations and suggestions	Ministry concerned	Report of the Ministry concerned indicating the action taken
1	2	3	4	5
1.	Item No. 63 of Public Accounts Committee's Report on the Accounts for 1951-52 and proceedings of 22nd November 1956 at page 91 of the Report on the Accounts of 1952-53.	Auditor General proposed in Audit Report, 1949 to 1954 the desirability of splitting up the present one Demand of Revenue Expenditure into 5 separate Grants on the pattern of Indian Railways.	Ministry of Finance (Communication Division).	It has been recommended that :— (i) the present arrangement of "One Demand" may continue. A memorandum has been drawn out separately for the consideration of the Public Accounts Committee; (ii) the present form of Railway's Appropriation Accounts may be substituted by a revised form as per specimen attached. A memorandum has been drawn out for the consideration of the Public Accounts Committee.

APPENDIX A

Memorandum regarding Adoption of revised form of Appropriation Accounts.

(See paragraph 5 of Annexure X)

The Director of Railway Audit in paragraphs 5 and 6 of the Railway Audit Report, 1949 pointed out that in pre-partitioned India the estimates of Ordinary Working Expenses of the Railways comprised of six Demands and the estimates of Works Expenditure comprised of three Demands, while in Pakistan only one Demand was being presented for each of the above items of expenditure. It was suggested that this had resulted in relaxation of Parliamentary control over Railway expenditure. A similar proposal is contained in paragraph 18 of the Railway Audit Report, 1954 and paragraph 19 of the Audit Report, 1955, which has still to be examined by the Public Accounts Committee.

2. The confusion prevailing on the eve of Independence resulted in hurried changes in the administration of the Railways, the far reaching consequences of which could not be foreseen at the time. The object of the Auditor General appears to be that the representatives of the ultimate owners of the Railways, and of these whose very existence depends upon its efficiency and economic working should be placed in a position to exercise better control and take greater interest in its working. With this object there can be no difference of opinion. But in view of the nature and character of Railway expenditure, splitting up the present one Revenue Grant into five separate Grants and prohibiting re-appropriations between them is not the best method of ensuring efficient and smooth operation of the Railways and of securing better Parliamentary control over the Railway expenditure and activities. It can also be considered whether the Railway Appropriation Accounts presented to the Public Accounts Committee give a true picture of the state of affairs on the Railways ; whether they were a suitable instrument for exercising the necessary control ; whether in examining them the Committee are discharging their statutory duty under the Rules of Procedure of the National Assembly ; and if not, whether a better system of control could be devised.

3. The system in undivided India was the result of a historical accident. The bulk of the Railways in India were originally Company-owned and Company-managed. The question of obtaining supplies for their expenditure from such legislature, as the country had, did not arise. The only State-owned and State-managed Railways were those on the north-west. These were built for strategic reasons and had to be maintained in good condition regardless of the income derived from them. Their expenditure was, therefore, treated more or less at par with that of other service departments. The easiest course therefore was to fit the finances of the newly acquired commercial lines into the pattern of the system evolved for the strategic lines. It is also possible that the alien Government was not too anxious that the representatives of the people should look deeply into the essential of Railway working.

4. Before a proper system of control can be devised it is necessary to have a clear conception about the nature of expenditure on the Railway and how it differs from that of ordinary service departments. In the case of a service department, say, for example, the Education Department, it is easy to determine in advance what expenditure would have

to be incurred. The standing charges on account of the salaries of teachers and inspecting staff, rent of buildings and other miscellaneous expenditure are capable of being assessed with a reasonable degree of accuracy. It is also possible to plan out in detail, well in advance of the financial year, the number of new schools to be started and the additional expenditure which would have to be incurred on that account. Where unavoidable variations occur they are simple to explain. This, however, does not apply to the Railways. A comparatively small part of the Railway expenditure consisting of salaries of permanent staff and other fixed items of expenditure can certainly be foreseen with a reasonable degree of accuracy. This in technical terms is called "Independent Expenditure" which means that this expenditure must be incurred regardless of the amount of traffic carried by the Railways. The bulk of the expenditure is, however, what is called "Dependent Expenditure". "Dependent Expenditure" is that which varies with the amount of work done by the Railway and the circumstances under which it is performed. The proposal mentioned in paragraph 1 would mean that regardless of the amount earned by the Railways or the quantity of work performed by them, the Railways should stick meticulously under detailed heads, to the expenditure forecast by them well before the year began.

5. The Railways are the producers and vendors of transport. If the country is faced with a famine and extraordinary quantities of grain have to be transported over long distances, the Railways can hardly say that since they did not foresee this and had not provided for the necessary expenditure on employment of additional staff, overtime for the existing staff and increased repairs to the vehicles and track etc., they will not run the additional trains necessary to transport the grain. Again, if there is a flood, they cannot say that since the necessary funds under the head "Repairs and Maintenance" had not been obtained in advance, the track would not be repaired and no traffic would move, or again, if during the course of the year the cost of the fuel goes up, as for example happened this year when the Chinese coal had to be substituted for the Indian coal, they cannot curtail their existing services. The Railways are "Common Carriers" under the law and have a statutory obligation to carry whatever traffic is offering.

6. The expenditure on the Railways differs in another important respect from that of the service departments of Government. In the latter case it has little or no connection with income. In the beginning of the year the expenditure of service departments is carefully assessed and taxes are levied to meet it. On the Railways, as in any other commercial organisation the expenditure finances itself from the earnings and if the principles of commercial prudence are observed, should within certain limits, increase or decrease automatically with increase or decrease in earnings. Meticulous watch over expenditure under detailed heads of Grants for expenditure is neither practicable nor necessary.

7. The necessary control by Parliament can be exercised not by watching that there is no variation in expenditure under detailed heads of accounts but by scrutinizing the efficiency of Railway operations and making sure that the cost of transport per unit is not more than what the circumstances would justify. If a further improvement is desired, the possibility of preparing a 'Performance Budget' can be examined

A 'Performance Budget' has been defined by the Hoover Commission as follows :—

“A budget based upon functions, activities and project..... which would focus attention upon the general character and relative importance of the work to be done, or upon the service to be rendered rather than on the things to be acquired, such as personal services, supplies, equipment and so on..... The all important things in budgeting is the work or the services to be accomplished, and what that work or service will cost.”

This system is being increasingly adopted by various Government Departments in the U.S.A. and is used on most modern Railways as well as other commercial concerns. Under this system instead of averaging the expenditure for the last few years and providing for such items as may be foreseen, the Railways would first assess the services they would be required to perform. The cost of these services would then be assessed on the basis of the information available. Should subsequent events show that they were actually required to perform more services, they should be expected automatically to incur a proportionate increase in expenditure. Should their expectation, however, not materialise because of development they could not foresee, than a proportionate decrease in expenditure should be demanded.

8. Under the present arrangements the Parliament has no means of exercising effective control over the efficient and economic management of the Railways. The only document presented to them for examination is the Railway Appropriation Accounts which claims to furnish reasons for variation in expenditure under detailed heads of accounts. The preparation of these accounts and of the Summary contained in the Review by the Financial Adviser (Communications) consumes a disproportionately large portion of time and energy of the Executive and Accounts as well as the Audit Officers. The multifarious nature and quickly shifting scene of Railway activities makes it difficult to explain the variations in expenditure in simple terms of detailed pluses and minuses. Our present accounting system, which allows large amounts to remain lying in suspense and the debits for several years past to be suddenly adjusted in the accounts of the current year, makes confusion worse confounded. In any case it contains no data which can help in assessing either the achievement or the economic management of the Railway. Probably no country other than India and Pakistan prepares Appropriation Accounts for the Railways. In advanced countries the Parliament exercises the necessary control by examining the profit or loss account and the balance sheet by making sure that the principles of financial propriety and business prudence are observed while incurring expenditure, that a high degree of efficiency is maintained and that the Railways actually perform the service expected by the country.

9. The Rules of Procedure of the National Assembly define the functions of the Public Accounts Committee as follows :—

- (1) In scrutinising the Appropriation Accounts of the Central Government and the Report of the Auditor General thereon, it shall be the duty of the Public Accounts Committee to satisfy itself :—

- (a) that the moneys shown in the Accounts as having been disbursed were legally available for and applicable to the

service or purpose to which they have been applied or charged ;

- (b) that the expenditure conforms to the authority which governs it ; and
- (c) that every re-appropriation has been made in accordance with such rules as may have been prescribed by the Finance Department.

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

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

So far as the functions laid down in sub-paragraph (1) above are concerned, they do not appear to require the explanations in the detail in which they are now shown in the Railway Appropriation Account. The function defined in Sub-paragraph 2 (a) would require the examination of the profit and loss accounts and balance sheets of Railways from a commercial angle to see whether the principles of commercial prudence are being observed in incurring expenditure ; whether the assets of the Railways are being maintained in a proper condition ; whether the necessary provision is being made for replacement of assets and such contingencies are likely to arise in future and whether the profits paid to the shareholders actually represent divisible profits of the enterprise. The Railway Appropriation Accounts contain no information which is likely to be helpful in examining these matters nor is any other document presented to the Committee to enable it to discharge its duties in this respect.

10. To rectify the position it is proposed to substitute the Railway Appropriation Accounts by an Annual Report presenting the Balance Sheet, which while explaining the variations in income and expenditure in broad intelligible terms should discuss such matters as the shareholders of a Company would expect their Directors to bring to their notice. A sample Report on these lines has been prepared for the year 1953-54 and is placed before Public Accounts Committee for examination at a comparison with the present form of Railway Appropriation Accounts.

11. In most countries of the world the Railways enjoy financial autonomy and are not required to submit their accounts to the Legislature. In Canada, however, the Public Accounts Committee does examine the Railway Accounts. The sample Report prepared here follows the Canadian model but in addition contains broad and intelligible explanations of variations between the Budgeted, Revised and Actual expenditure.

This addition, though unnecessary for the control of expenditure of a commercial organisation, has been included to enable the Public Accounts Committee to continue the control as at present.

12. It would be observed that under the present accounting system it has only now been possible to prepare the Appropriation Accounts for the year 1954-55. This is obviously too late even for purposes of post mortem. Major changes in the accounting system have been made which would enable the Accounts and the Report to be compiled much earlier, so that the events of the years would be fresh in mind and realistic discussion on the performance of the Railways will be possible.

13. Briefly, the proposal is :

“abolition of the present form of Rly. Appropriation Accounts and its substitution by an Annual Report presenting the Balance Sheet.”

14. The above proposal was sent to the Comptroller and Auditor General who has agreed to the revised form with the following modifications :—

- (1) The table at page six of the proposed form giving details of the Revenue Expenditure should be amplified so as to indicate clearly the extent of variations from the grant as well as the information under ‘O’, ‘M’ and ‘R’.
- (2) A grand summary of the Appropriation Accounts by grants and Appropriations indicating also the appropriations to and from the sub-heads of the grant should be included in the revised form.
- (3) Important variations in respect of each sub-head of the grant under “Revenue” and “Capital” should be explained in separate and distinct paragraphs as has already been done in certain cases in the revised form.
- (4) The various Annexures to the Appropriation Accounts and other ancillary statements (mentioned at items 5 to 9 and 11 to 13 in the Table of contents of the Detailed Accounts, Part II) should be retained in the revised form of the account as these contain important information and that Public Accounts Committee have often shown keen interest in them. The details of the items of unsanctioned and objectionable expenditure given in Annexure A (i) may be omitted in the revised form.
- (5) Section VI of the F.A. (C) review indicating “changes in forms and classifications” contains important and essential information and should be retained in the revised form.

Approval of Public Accounts Committee is solicited to the adoption of the revised form of the Appropriation Accounts with effect from the Accounts for 1957-58. The modifications proposed by the Auditor General will also be incorporated in the revised form.