
**Report by Mr. W. Roche, I.S.E., on the alleged
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New Delhi.**

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(1) In accordance with Resolution No. 1109 of the New Delhi Capital Committee, I have enquired into the irregularities brought to notice by the Audit Office in respect to stores in the custody of the Public Works Department, New Delhi. The enquiry was held at New Delhi from 21st to 28th August. The Audit Department was represented by Mr. Harris, Deputy Accountant General, Central Revenues, and Mr. Gursaran Dass Mehta, Assistant Accounts Officer, Central Revenues. Mr. Grindal, Central Accounts Officer, also attended throughout the enquiry. The Public Works Department was represented by Mr. Sale, Officiating Chief Engineer, Mr. Donkin, Superintending Engineer (Electrical and Mechanical) and Mr. Wemyss, Stores and Traffic Officer.

The enquiry dealt generally with the whole question of stores and in particular with the irregularities referred to in paragraphs 194 to 200 of the Audit and Appropriation Report of 1924-25. The results of the enquiry can in my opinion be best placed before the New Capital Committee by first examining in detail the irregularities referred to in the Audit and Appropriation Accounts and then giving my conclusions regarding the general question of stores. Paragraphs 2—41 of this report deal in detail with the irregularities while paragraph 42 *et seq.* deal with the general question. The marginal references indicate the paragraphs and subparagraphs of the Audit and Appropriation Report under consideration.

(2) Paragraph 194 (i), page 136.—These stores were purchased for camps, etc., during the Royal Visit. They were then taken over as ordinary Public Works Department stores to avoid a heavy loss to Government which would have resulted had they been sold by auction which was the only alternative. Stores worth Rs. 87,000 were reported surplus by the particular Division in which they were on stock, they were not, however, surplus to the requirements of New Delhi as a whole as is shown by the fact that the balance of these stores now remaining in this Division is only Rs. 8,800.

(3) Paragraph 194 (ii), page 136.—The figure Rs. 65,000 represents the value of the materials at Site Account in 1925 for the construction of Gazetted Officers' bungalows, a project costing over a crore of rupees. The project is not yet complete, five more bungalows remaining to be built. The value of the materials at site is now Rs. 18,600. Materials must be collected in advance if building work is not to be delayed and Rs. 65,000 cannot be regarded as in any way excessive for a work costing over a crore of rupees.

The brass hinges costing Rs. 24,000 formed part of a consignment of fittings etc., purchased from England. For the sake of economy it was decided to use cheaper hinges for the Gazetted Officers' bungalows and the brass hinges have been utilized on more important buildings. The balance now remaining in hand is under Rs. 1,500.

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(4) Paragraph 194 (iii), page 137.—The excessive purchases only of the stores mentioned is dealt with in this paragraph, the question of excessive cost being dealt with under paragraph 196 of Audit and Appropriation Report. The late Stores and Traffic Officer (Mr. Posth) was responsible for these purchases and as he has left Government service it is now impossible to question him in detail, his written explanations are, however, on record.

Shellac.—Mr. Posth has explained that he was given to understand by the storekeeper (since dismissed) that large indents for shellac would soon be coming in in connection with woodwork and he placed the orders accordingly. This is to a certain extent corroborated by the fact that the proposed arrangement for woodwork was actually altered from a departmental one to a contract under which the contractors supplied their own materials. The orders were undoubtedly in excess of requirements and Mr. Posth who placed nine separate orders should have seen much earlier that the consumption of shellac did not warrant the orders he was placing.

Buffalo hides.—Mr. Posth has explained that he understood large indents were coming in for leather for making *chursas*. There is no doubt that the orders were very much in excess of requirements. There is, now, however, considerable doubt if Mr. Posth actually did sign the orders as they now stand. Cases of interpolations in orders after signature have been proved as far as they can be proved under the system of orders then in force. From an examination of the orders, I agree, that there are good grounds to believe that a considerable amount of the orders for hides were placed by the storekeeper adding items to orders after signature by Mr. Posth.

Leather laces.—Here again the orders placed were considerably in excess of requirements and the case is similar to that of the buffalo hides referred to above.

Linseed Oil.—Out of the 1,400 gallons purchased, 700 gallons have been consumed and the balance will eventually be consumed. The order was undoubtedly in excess of requirements. Mr. Posth explained that he anticipated heavy demands on account of woodwork as in the case of shellac.

Country Soap.—In this case, tenders were called for and a very favourable offer was received. Advantage was taken of the low quotation to place a fairly large order. The loss by evaporation valued on paper at Rs. 350 does not represent an actual loss to Government of this amount. Only the moisture had evaporated and the remainder, though lighter, still possessed its active qualities as soap and weight for weight would go further in use.

(5) Paragraph 194 (iv), page 137.—These lead sheets were purchased for joints in the stone columns at Government House. Work did not progress as rapidly as anticipated and they have been on stock for some time but are all required for the completion of the works. The sheets were purchased at the low rate of Rs. 37-8-0 per cwt., while the rate in 1925 is reckoned at Rs. 55 per cwt. There has thus been a considerable saving on the transaction.

(6) Paragraph 194, page 137.—At the foot of page 137 of the Audit and Appropriation Report general remarks are made regarding the amount

of surplus stock. These remarks are based on the Annual Certificates of Balances (Form 91). In this return the Divisional Officer enters the total of stock in excess of the requirements of the Division for the next twelve months but a foot-note shows that "any other period that the Local Government may have prescribed" may be substituted for twelve months. While a limit of 12 months' requirements might be suitable in an ordinary Public Works Department Division from a practical point of view, for a large work such as the New Capital, the limit is one which it would be practically impossible and certainly uneconomical to work up to. The varied nature of the work necessitates a very large amount of miscellaneous stores being in hand if work is not to be interrupted. The limit of reserve stock fixed for the New Capital is Rs. 50 lakhs, the actual balance was Rs. 39½ lakhs which is well within the reserve limit and certainly cannot be regarded as excessive for a work of this magnitude. The figure Rs. 3,59,000 for stores available for sale or transfer does not mean that this amount of stores is surplus and available for sale or transfer outside New Delhi. The figure is the aggregate of items reported by all divisions as surplus to the immediate requirements of the individual division reporting and available for transfer to other divisions where they can be utilized. I have examined the details of the figure Rs. 49,000 for unserviceable stores. Of this amount Rs. 20,000 represents the value of conservancy appliances which were in constant use and were unserviceable from fair wear and tear. The articles in my opinion should have been treated as Tools and Plant and not as stock. (A further Rs. 8,000 represents the value of stone excavated for the foundations of a building which was taken on stock and credited to the estimate for the building concerned as it was expected the stone could be used in other buildings. The stone was subsequently found unsuitable and was written off stock and its value debited to the estimate which originally received the credit.) There was no actual loss in the transaction. Deducting these two items the balance Rs. 21,000 represents the actual value of stores which have become unserviceable. I do not consider this loss an unduly large one.

(7) Paragraph 194 (i), page 138.—When the cement was received some of the casks were found damaged and instructions were issued that the contents of the damaged casks being of doubtful quality were not to be used on important works. This was used up on works of minor importance and as a result could not be consumed immediately. Of the 2,400 tons received all has been utilized except 61 tons which have perished. The total wastage is, therefore, 2.5 per cent. which is a very small loss on an article like Portland Cement.

The figures of Rs. 52,000 loss due to perishing and Rs. 32,000 loss due to revaluation are incorrect. As this case is a typical example of the difficulty of accounting for stores under the Public Works Department system with a fluctuating market and as it also tends to show the erroneous impression which may arise from an examination of the stores account for one particular year, I will give the history of this cement in full. It must be borne in mind that the market price of Indian cement fell from about Rs. 120 per ton to about Rs. 30 per ton between 1920 and 1924. In 1920, 2,400 tons of Portland Cement were purchased from England and cost Rs. 105 per ton. The issue rate was fixed at Rs. 130 per ton. All the cement except 500 tons was consumed and issued at this rate. On the 1,900 tons consumed in this period there was a stock profit of

Rs. 47,500 owing to the difference between issue rate and cost price. In February 1924, the issue rate of English Portland Cement was reduced to Rs. 78-12-0 per ton and in April 1924 it was further reduced to Rs. 35 per ton to agree with the then current issue rates of Indian cement. The figure Rs. 32,000 given in the Audit and Appropriation Accounts as loss due to the revaluation of English Portland Cement appears to represent the loss on both English and Indian cement owing to revaluation. The actual loss on account of revaluation of English cement owing to the reduction of the issue rate to Rs. 35 per ton was Rs. 13,737. The total loss by perishing was 61 tons at Rs. 35 or Rs. 2,135. The total loss due to revaluation and perishing, therefore, amounts to Rs. 15,872 against a profit of Rs. 47,500 due to high issue rate previously referred to. The figure of Rs. 52,000 said to be loss due to perishing appears to be an item of loss on exchange. I may remark that both the items of Rs. 52,000 and Rs. 32,000 are included in the item of Rs. 94,000 shown as losses on Building materials in the statement on page 150 of Audit and Appropriation Report and this latter figure will be dealt with in its proper place.

(8) Paragraph 194 (ii), page 138.—These closets were purchased in 1920. Advantage was taken of the high rate of exchange to place a large order. It was then intended to fit these closets in clerks and servants' quarters. It was subsequently decided to omit these closets in quarters and replace them by pail depots a scheme for which has recently been sanctioned. The closets will all be utilized in connection with the pail depot scheme.

(9) Paragraph 194 (iii), page 138.—The pig lead was purchased for plumbing work in connection with the closets referred to in last paragraph. It has since been all used up on other plumbing work.

(10) Paragraph 194 (iv), page 138.—This steel work was purchased for the reinforced concrete foundations of the War Memorial. A detailed estimate of the foundation had been prepared but the plans of the proposed superstructure were subsequently altered. The alteration in design allowed a cheaper class of foundation to be employed. Although there was a loss of some Rs. 7,500 owing to the fall in price of steelwork the change in design effected a saving of some Rs. 3 lakhs.

(11) Paragraph 194 (v), page 138.—This is part of the case dealt with in paragraph 3 of this report. Pipes were used for the distribution of water to the works during construction and on completion the pipes were transferred to other works. Depreciation on the pipes while in use, estimated at Rs. 9,000 was charged to the works. The procedure was quite correct, and no question of purchase in advance or in excess arises.

A certain amount of glass purchased for Gazetted Officers' bungalows was in excess of requirements and was used up in Orthodox Clerks' quarters. A sum of Rs. 1,275 representing the fall in market price was correctly charged against the former estimate. The amount is a very trivial one in estimate costing over Rs. one crore.

(12) Paragraph 194 (vi), page 139.—Spun yarn was purchased in September 1920 for pipe laying which was in progress in 1921. Owing to a transfer of divisional charge the existence of this material was overlooked when the pipelaying was in full swing so it was not all used up. As regards the shortage this spun yarn was used as a bed to unload stone-ware pipes on at the railway siding. Some cables caught fire at the siding

and some yarn was also burnt but the writing off of the yarn burnt was overlooked at the time.

(13) Paragraph 194 (vii), page 139.—These iron trusses were used in the roof of the mortar mill shed during the construction of Indian Clerks' Quarters. On the completion of the work the trusses were transferred to other works and the depreciation charged against the estimate for Clerks' Quarters. The procedure was quite correct and there is no question of excessive purchase or purchase in advance of requirements.

(14) Page 139.—The question of stores in connection with the Royal Visit referred to on page 139 of Audit and Appropriation Report is dealt with in paragraph (2) of this report. The item of Rs. 5,000 referred to represents the value of stores taken over by the Health Officer (principally 13 sullage carts). The representatives of Audit hold that these stores left over from the Royal Visit should have been kept in store as a charge to the Royal Visit until required by the Public Works Department. From an accounts point of view this is no doubt correct but I consider that the practical difficulty of the storage and custody of the stores in the meanwhile and the probability of their being entirely overlooked when required made this course most undesirable. The course adopted was that the Public Works Department took over such stores as were likely to be of use and this appears on the whole to have been the best solution.

(15) Pages 136 and 139.—The question of the responsibility of the Superintending Engineer referred to in the opening and closing paragraphs of paragraph 194 of the Audit and Appropriation Report is dealt with in connection with paragraph 196.

(16) Paragraph 195 (a) and (b), pages 139—140.—The figures quoted were taken from a report by the Central Accounts Officer which was admittedly incomplete at the time. Complete figures for the Barakhamba Stores were put before me. This store depot contains practically all the valuable stores and is the depot referred to in paragraph 195 (b) of the Audit and Appropriation Report. For the five years 1920 to 1925 the total shortage and surplus were as follows :—

	Rs.
Shortage	73,572
Surplus	43,228
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Nett shortage	30,444
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This amounts to a nett shortage of about Rs. 6,000 per annum. The issues during this period amounted to Rs. 85 lakhs so the gross percentage of shortage (neglecting surpluses) on the issues was 0.87 per cent. while the nett percentage of shortage (including surpluses) was 0.36 per cent. A nett shortage of 0.36 per cent. over 5 years or 0.07 per cent. per annum is, I consider, a most satisfactory state of affairs and one on which the officers responsible are to be congratulated.

(17) Paragraph 195 (c) (i), page 140.—In 1921 and 1922 a total of 53,000 bulbs were purchased to meet the requirements of New Delhi and for the Royal Visits. Those required for the latter purpose were issued

after the boxes had been opened and only undamaged bulbs were issued. The total breakages thus fell on New Delhi and amounted to 7,400 or 14 per cent. of the total. In view of the fact that these bulbs had to be removed on several occasions owing to lack of proper storage accommodation the breakage was not unduly high for such a fragile article. The loss of 7,400 bulbs is solely due to breakage and does not include any bulbs taken back after the Royal Visit.

As regards the justification of purchasing so many bulbs I have examined the ordinary issues of bulbs in New Delhi and find that the average for the past three years was 15,000 per annum. In one of these years the consumption was as high as 24,000. The purchase of 53,000 bulbs in two years to meet the requirements of the Royal Visit in addition to ordinary requirements cannot be regarded as excessive.

(18) Paragraph 195 (c) (ii), page 140.—As a result of Royal Visits and other public functions a quantity of coloured bulbs, flags, etc., had accumulated in the Public Works Department stores. These were surplus stores not borne on the books of the Department and in most cases were of no intrinsic value. No separate account was kept of these stores as should have been done and the storekeeper submitted a survey report erroneously assuming that they were on the books of the Department. The write off was sanctioned but not against the Royal Visit head as stated. On the stores being verified the error was discovered and the write off cancelled. These bulbs had no connection with the 7,400 bulbs referred to in the previous paragraph. These surplus stores were hired for public and quasi public entertainments. All the coloured bulbs (9,000) have since been sold for 10 per cent. in excess of their issue value.

(19) Paragraph 195 (d), pages 140—141.—The suggestion made that coal should be verified on receipt is most desirable in theory but most difficult to carry out in practice during construction. Coal was received at six separate points and verification would have involved the purchase of several large weigh bridges capable of weighing full truck loads. This would have involved a very large expenditure for very little tangible result as the value of any deficit found on delivery could neither be recovered from the Railway nor from the supplier. The representatives of Audit agreed that the only practical result of such weighing would be to enable loss in transit to be separated from wastage after receipt. This appears a very small gain for the expenditure which would be involved. The actual shortage of 1,000 tons of coal in over 1½ years represented a loss of 3 per cent. on the quantity purchased. As this figure includes loss in transit it must be regarded as unusually small. Where coal will be supplied permanently, as at the power house, bins have been constructed so that the quantity of coal received can be verified.

(20) Paragraph 195 (e), page 141.—In 1919, steel conduits for electric wiring could not be procured in India or in England. It was thought that porcelain conduits could be successfully substituted and some Rs. 50,000 worth were specially manufactured in India. These were a complete failure as they proved porous and did not protect the wires from damp. They are being utilized as far as possible in unimportant sites where there is no danger of damp. There was no room available for the storage of these articles in any regular stores godown, so they had to be stored in unoccupied buildings. This involved several removals as buildings were required for occupation. These removals and moving the conduits for verification resulted in a considerable amount of breakage of

these fragile articles. No one can be held responsible for the breakages and the more frequent verification suggested would have resulted in more extensive breakages.

(21) Paragraph 195 (f), page 141.—Under Article 227 (d) Civil Account Code, Volume I, all sanctions to write off should be communicated to the Accountant General. As far as can be traced no write off was communicated to Audit from the start of the Delhi works until 1924 with the exception of a write off for Rs. 37,000 in 1922, which was forwarded with the proceedings which led up to it. If the local Administration is to blame for not having communicated these sanctions I am of opinion that the Audit Officer is equally to blame for not having noticed the omission for twelve years.

As regards the general question of balancing shortage and surplus referred to at the bottom of page 141 and top of page 142 it must be borne in mind that the stores at New Delhi are most complicated and some are of such a nature as to require an expert to distinguish between them. Unless a much more highly paid staff were employed mistakes in classification are certain to occur. The representatives of Audit stated that the principal Audit objection was to shortage of one article being balanced against a surplus of a totally different article. With this I entirely agree. We examined a survey report which was under preparation for submission to the New Capital Committee and it was agreed that the detailed information there given would enable Audit to make all necessary check.

(22) Paragraph 195 (g), page 142.—Paragraph 208 Public Works Accounts Code lays down that as soon as a discrepancy in stock is noticed the book balance must be set right, but a reference to paragraph 211 of the same code will show that the procedure laid down may be altered in the case of construction divisions where there may be a large concentration of stores. Rules relating to revised system of stock accounts for the Public Works Department, Delhi Province, were issued in 1922 with the concurrence of Audit. Paragraph 8 of these rules reads as follows:—It will be the duty of the Stock Verifying Officer, who will be attached to the Central Office to actually count, weigh or measure all articles in stock, and to record the result of such count in the Tally Card, and in the Stock Ledger form in the columns provided for the purpose. The procedure followed in the case under reference was in accordance with the rule quoted above. I cannot understand why this objection was brought forward in the Audit and Appropriation Report when the procedure adopted was in accordance with the special rules laid down for stock accounts in Delhi Province.

(23) Paragraph 196 I (i), page 143.—The Stores and Traffic Officer (Mr. Posth) who made this purchase has explained that he had previously called for tenders and tried some samples of know wood handles from Peshawar offered at rates more or less similar to those quoted in the Indian Trade Journal, but they were found unreliable and that he purchased locally so as to have a hold on the contractor should the handles prove unsatisfactory. The figures from the Indian Trade Journal of 1st May 1924 are incorrectly quoted in the Audit and Appropriation Accounts and the representatives of Audit were unable to say if these rates were "ex godown", "F. O. R." or delivered at site. I personally examined the handles and am of opinion that they could not have been delivered at Delhi at anything like the prices quoted by Audit. I am, however, convinced that the rates paid were excessive for these classes of handles.

(24) Paragraph 196 I (ii), page 143.—The excessive quantity is already dealt with in paragraph (4) of this report. The rate of 10 to 13 annas per pound quoted from the Indian Trade Journal is a Madras quotation and there is no indication of the quality. The quotation is probably for hides in bulk for export. I have ascertained that the Indian Stores Department purchased hides in Cawnpore in 1924 at Rs. 1-8-0 per pound. To this must be added the freight to Delhi. It is probable that as the hides were intended for *charsas* selected hides only were purchased. Freight and the special selection would probably account for a rate of about Rs. 2 per pound, against Rs. 2-12-0 paid.

I consider that the rate paid was excessive but not as wildly extravagant as would appear from the Audit and Appropriation Report.

(25) Paragraph 196 I (iii), page 144.—Mr. Posth has stated that when tenders were called for shellac in 1922 the lowest received was Rs. 5 per pound. I am, however, satisfied that the rate of Rs. 3 per pound paid in 1923 and 1924 was excessive.

(26) Paragraph 196 I (iv), page 144.—The leather laces purchased by the Indian Stores Department in 1924 at Rs. 2-6-6 per pound were "Oak tanned" and not crome laces. I am unable to find a reliable quotation for crome leather laces as purchased so cannot decide definitely if the rate paid Rs. 3 per pound was excessive. I am inclined to agree that the rate was somewhat too high.

(27) Paragraph 196 I (v), page 145.—Rivets of a certain size were urgently required for the construction of the stoneyard roof which had to be completed before the Rains, the size required was not in stock and the Superintending Engineer (Electrical and Mechanical) told the Stores and Transport Officer to procure them locally so that the work would not be delayed. Another size of rivet had to be cut down by hand to obtain the required size and Rs. 35 per cwt. was paid for these cut down rivets. The Superintending Engineer also approved of the purchase of 2 tons of the required rivets from Calcutta at a rate of Rs. 17 per cwt. The order for Calcutta was never issued and the Stores and Traffic Officer continued to purchase rivets locally at Rs. 35. The quantity purchased was very much in excess of requirements. In the absence of Mr. Posth I was unable to ascertain why he continued to purchase locally at a high rate and in excess of requirements and why he did not issue an order for these rivets from Calcutta as approved by the Superintending Engineer.

(28) Paragraph 196 I (vi), page 145.—Mr. Posth has stated that when tenders were called for previously Rs. 80 per cwt. was the lowest offer received and that the rate of Rs. 75 paid for red lead was not excessive. The Indian Stores Department made no purchases in 1924 but purchased in 1925 at varying rates up to Rs. 47-8-0. I consider that red lead delivered in Delhi should have cost about Rs. 50 per cwt. in 1924 and that the rate paid was excessive.

In June, the Assistant Storekeeper reported that red lead was required. Mr. Posth refused to purchase and noted that the existing stock was ample for 6 months. It is difficult to understand in these circumstances how Mr. Posth made this purchase in August.

(29) Paragraph 196 I (vii), page 146.—No figures could be produced to show how the alleged loss of Rs. 1,000 was arrived at. It is stated that there would have been a delay of some months in obtaining delivery if

purchased through the Stores Department which would have seriously dislocated work.

(30) Paragraph 196 I (viii), page 146.—

- (a) These rivets are said to have been required urgently and indented for late. The price was high.
- (b) This is the same case as is dealt with in paragraph 28 of this report.
- (c) The correct rate for these bolts and rivets delivered in Delhi would be somewhere about Rs. 22 per cwt. There is nothing on record to show why Rs. 35 per cwt. was paid. The quantity is small.

(31) Paragraph 196 I (ix), page 147.—I have ascertained from the Indian Stores Department that the lead wool supplied at Sukkur was of Indian manufacture. The correct price for lead wool delivered at Delhi would have been about Rs. 52-8-0. The rate of Rs. 70 paid was excessive. The transaction is a small one amounting to some Rs. 350.

(32) Paragraph 196 I (x), page 147.—Early in 1925 it came to the notice of the Stores and Traffic Officer that certain firms had supplied goods without orders. The matter was reported to the Superintending Engineer (Electrical and Mechanical) who took steps to suspend the Storekeeper close the store godown and check all stores therein. Superintending Engineer then conducted an enquiry into the matter. It was clearly established that some firms had delivered goods in the open yard near the godown no orders having been placed for the goods. Receipts for these goods had been issued by the storekeeper and some of the stores had actually been issued to works, which made settlement of the case a matter of some difficulty. Eventually such stores as had been used or were necessary for Government work were taken over, and the firms were compelled to remove the remainder. The storekeeper was held to be responsible and was dismissed without leave or gratuity. Owing to the timely detection of the irregularities there appears to have been no loss to Government but the irregularities regarding placing orders after receipt etc., referred to in the Audit and Appropriation Report did occur and were necessary to rectify the position brought about by the storekeeper's action.

(33) In paragraph 194 (a), page 139, and (b), page 143, the extent of control applied by the Superintending Engineer in the matter of stores is questioned and in paragraph 196 (b) (page 148) it is suggested that the question of disciplinary action against the same officer be considered. To arrive at a decision in this matter it is necessary to consider the whole system of purchasing stores and of accounting therefor. Barakhamba was the central store depot for the whole work, it contained the main bulk of important stores, which were in charge of a special storekeeper. The storekeeper worked under the Stores and Traffic Officer who in turn was under the Superintending Engineer, Electrical and Mechanical. From the preceding paragraph of this report it will be seen that the main irregularity which has been proved was the purchase in excessive quantities and at excessive rates of certain stores of which shellac, hides, leather laces and rivets may be taken as the most important. Under the rules in force the Stores and Traffic Officer had powers to purchase articles of local manufacture up to a limit of Rs. 2,000 without calling for tenders. Imported stores were purchased with the sanction of the Superintending Engineer.

All the irregularities brought to notice are in connection with articles of local manufacture ordered by the Stores and Traffic Officer and no irregularities are alleged in the case of imported stores purchased by the Superintending Engineer. The system of pre-audit was in force and all contract documents were required to be sent to the Deputy Accountant General, Central Revenue, for check of bills against contracts. Copies of orders placed by the Stores and Traffic Officer do not seem to have been regarded as coming in the category of contract documents, up to 1924 they were never sent to Audit nor apparently were they ever asked for. Departmental control was secured by fixing a limit to the Stores and Traffic Officer's powers of purchase but this control was evaded by splitting up the orders into ones within his powers. This is clearly shown by the quantities of the following stores actually ordered :—

	Rs.
Shellac	10,000
Hides	12,000
Leather laces	13,000
Rivets	3,300

Had copies of the orders been submitted to Audit it must have been apparent that the Stores and Purchase Officer was evading the limits placed on his powers by splitting up orders, and it appears to me strange that this defect in the system of check was not brought to light at Audit inspections during the previous twelve years. Orders within the powers of the Stores and Traffic Officer never came before the Superintending Engineer nor had he any means of knowing that the limit of powers of purchase of that officer was being abused. The Superintending Engineer had a right to expect that the Audit Officer, who was the only person in a position to check, would see that the limits of the Stores and Traffic Officers' powers were observed. Had this been done these excessive purchases could not have occurred but in the absence of copies of the orders placed the Audit Officer could not exercise the necessary control. It has been suggested that under Article 65 Public Works Department Code the Superintending Engineer was responsible that no accumulation of stock occurred in any division beyond its requirements. The position at Barakhamba was in practice a very different one from that visualized in the Code. The stores were not divisional as all other divisions were supplied therefrom. There was no divisional limit of reserve stock as contemplated in Article 360 Public Works Department Code. A limit of Rs. 50 lakhs for reserve stock for the whole Province was laid down, this was not exceeded and had the limit of Rs. 2,000 placed on the Stores and Traffic Officer's powers of purchase been effective no undue accumulation of stores could have occurred.

The Storekeeper was obviously unfit for the responsibility which his position involved. As regards the Stores and Purchase Officer, he was in charge of a very complicated mass of stores and had to supply the miscellaneous requirements of many divisions, he was also in charge of the laying and maintenance of some 50 miles of line and the traffic thereon. His Railway duties involved considerable periods of absence from the stores and I consider that it was most difficult if not impossible for him to have exercised the supervision and control which the stores demanded. I am convinced that an experienced Engineer Officer with no other duty

than the purchase and supervision of stores was necessary to secure efficient control. There are, I consider, reasonable grounds to suspect that in the cases of excessive purchase items were added to orders after Mr. Posth had signed them, but the fact remains that the orders are signed by Mr. Posth. Loath as I am to condemn anyone unheard, I must hold that Mr. Posth failed in his duty in respect to the purchase of stores and that his action in splitting up orders to evade the limits imposed on him was most reprehensible.

As regards the Superintending Engineer I can find no indication that he in any way failed to exercise the supervision which was to be expected from him. The failure to enforce the limit of the Stores and Traffic Officer's powers of purchase was in no way due to any lack of care on his part and for this system of accounts and audit in force must bear the full responsibilities.

(34) Paragraph 196-II, page 143.—From an examination of the correspondence regarding the coal contract, it is apparent that the Chief Engineer took all possible steps to obtain approval to the cancellation of the arrears and the reduction in the rate for coal. In fact from 1923 onwards the Chief Engineer was striving in vain to get the whole contract cancelled. The Chief Mining Engineer refused to allow the same revision of the contract to the Public Works Department, Delhi, as was secured by the Railway Board, and in his letter No. 688 of 16th January 1925 ordered that coal should be paid for at each year's rate and that any arrears remaining on 31st March 1925 were to be paid for at the 1924-25 rate. This paragraph appears to have been introduced into the Audit and Appropriation Report without examining the full correspondence on the subject.

(35) Paragraph 197 (a), page 149.—Under paragraph 203 (a) Public Works Account Code the market rates of stock should be filled in under the orders of the Divisional Officer by a person other than a ministerial subordinate, while in the Audit and Appropriation Accounts it is suggested that the works be done by an officer unconnected with the Stores Division. The representatives of Audit were unable to suggest any officer other than the Divisional Officer who could do the work. I can find no valid reason why the provision of the Public Works Accounts Code should be departed from.

The remarks that heavy losses would probably be disclosed by revaluation of stock in accordance with market rate appear to be based on a report dated 28th April 1926 by the Central Accounts Officer on the stock accounts for the year ending 31st March 1925. There would obviously be little use in fixing market rates more than twelve months after the period to which they referred. No action was taken pending receipt of the report for the year ending 31st March 1926. In my opinion this report is based on a misconception of the meaning of "Market Rate" as defined in paragraph 45 of Public Works Accounts Code. The porcelain conduits referred to in paragraph (20) of this report are quoted as a typical case. These conduits were specially manufactured and there is nothing to show, nor does the Central Accounts Officer suggest, that if manufactured to-day they could be procured at a cheaper rate. As the wastage which has occurred through breakage must, under the rules, be included in fixing the "Market Rate", it is obvious that such an item would show no loss on revaluation at Market Rates as defined in the Public Works Accounts Code.

(36) Paragraph 197 (b), pages 149-150.—The figures quoted in this paragraph purport to show the loss to Government owing to the "Issue Rate" of stores in March 1925 being less than their "Book Value" (i.e., purchase price plus all overhead charges). The figures are taken from a report by the Central Accounts Officer but losses only are quoted, corresponding gains under other heads are disregarded. In the actual report from which the figures are taken the nett result is a loss of Rs. 5,722 which means that the total value of all materials at issue rate is for all practical purposes identical with the book value. I enquired from the representatives of audit why the losses only were referred to and was referred to paragraph 104 of the Manual of Instructions for the preparation of Audit and Appropriation Reports under which losses in excess of Rs. 5,000 should be brought to notice. I am, however, of opinion that the figures given in this paragraph of the Audit and Appropriation Report are most misleading and that if it was necessary to refer to the losses some reference should also have been made to gains and the nett result, i.e., the loss of Rs. 5,722 referred to.

It is suggested that the stores in hand should be valued by an expert unconnected with the Delhi Public Works Department. The representatives of Audit were, however, unable to suggest who that expert might be. I can see nothing in the state of the accounts to warrant a departure from the ordinary rules for fixing the "Market Value" of stock.

(37) Paragraph 198, pages 150-151.—The fraud referred to was discovered by the Ledger Verifier and the whole case was investigated by the Superintending Engineer. It was not possible to identify the particular person responsible for the fraud and the loss to Government was recovered from the storekeeper as he was responsible for the stores in his charge. The representatives of Audit requested me to enquire into the following points in connection with this fraud :—

- (a) Why the tally cards for the period were not available ?
- (b) Cause of delay in reporting the fraud.
- (c) If there were any defects in supervision or system which made such fraud possible.

As regards (a) the revised system of accounts under which tally cards were used was introduced with effect from April 1922 but the rules did not specify what should be done with completed tally cards, and old tally cards were destroyed as soon as completed on transfer of the balance to a new tally card. As a result of the discovery of this fraud tally cards on completion are now sent to the Central Accounts Officer.

As regards (b) the matter was first brought to light by the Ledger Verifier and reported to the Superintending Engineer by the Stores and Traffic Officer but neither officer was in a position to report the matter to Audit until the matter had been investigated and fraud proved. The Superintending Engineer submitted a report of his enquiry to Chief Engineer on 29th November but through an oversight a copy was not forwarded to Audit. A copy of Superintending Engineer's report with Chief Engineer's orders thereon was, however, forwarded to Audit on 18th December. A delay of 19 days occurred in reporting the fraud to Audit.

As regards (c) it appears that the fraud could not be readily detected by the Public Works Department Officers or at the Audit Inspection of the

office as under the system of accounts then in force the Stock Ledger could not be checked with any other account as the Register of Stock showed only closing balances and no opening balances. In 1924 the Chief Engineer drew attention to the error of this system and as a result the Stores and Traffic Officer now maintains a register in form No. 11 (in addition to the Stock Ledgers) and reports daily particulars of receipts and issues to the Central Accounts Officer who maintains a Stock Register in form No. 12.

I consider that the system of accounts in force was such as to render detection of this particular fraud most difficult while under the revised system now in force immediate detection would result.

(38) Paragraph 199 (a), pages 151-152.—The material in question was stored outside the godown while the tally card was kept in the godown. On the completion of a tally card no printed form happened to be available so the issue clerk omitted to maintain any tally card. He could easily have kept a tally card on ordinary paper until printed forms were available but did not do so. The mistake arose from the carelessness of the issue clerk (Mr. Mohamed Asan) who was dismissed.

The lack of safeguards referred to at the end of this paragraph of the Audit and Appropriation Report is that discussed under (c) of paragraph (37) of this report. As will be seen there the necessary steps have been taken to put the matter right.

(39) Paragraph 199 (b), pages 152-154.—This paragraph refers to the Stoneyard which is I understand the biggest of its kind in the world. The stores (oil etc.), intended for use in the stoneyard were charged direct to the work and treated as materials at site, a materials at site account being kept in the central office. Under paragraph 322 Public Works Accounts Code, no further accounts of these stores were necessary and it was only necessary to verify the unused balances annually. The registers in which alterations have been made were, therefore, registers which were not prescribed by the rules in force and which need not have been kept up. In the stoneyard itself the system of controlling the issue of stores and of accounting therefor was as follows :—The stores were in the charge of a stores clerk (work charge) who had under him two stores munshies and two chowkidars. Stores were issued on the written indent of the particular foreman who required them and a manuscript register was maintained in which was entered the quantity of each article and the name of the indenting foreman. The total of daily issues were transferred to a register in Form No. 11. The more important stores were checked monthly by the stores clerk with the balances in the register maintained by him and the Officer in charge of the Stone Yard (Mr. Cairns) examined the stores and store account occasionally. There was thus in practice a monthly verification of stores and a record of the daily receipts and issues was maintained while under the Public Works Accounts Code no register of daily receipts and issues was necessary and verification was only necessary once a year. Mr. Cairns informed me that from his previous knowledge of workshops he was adverse to having such stores as oil, petrol etc., lying round in the different branches of the stone yard and that he devised the system in force including the manuscript register to ensure that stores were only drawn to meet immediate requirements and under the authority of a foreman. The system appears one which was well calculated to obtain efficient control of the stores but it broke down in two respects. Firstly, only one stores clerk was employed and he could

not be present at night when stores were issued and secondly the register of issues maintained in the stone yard was never checked with the materials at site account maintained by Audit. This system of accounts was in force from 1915 to 1924 and no objection was raised to it even at the Audit Inspection of the Stone yard in 1923.

In the months in which the figures in the register were altered some new machines had been installed and night work was in progress. The consumption of oils and petrol was heavier than usual and issues made at night were not entered in the manuscript register as the store clerk was not present. The night indents appear to have been mislaid or overlooked and as a result the daily totals brought forward into the register of issues were incorrect. At the end of the month on checking his balances the store clerk found his book balances wrong as compared with his actual balances and very foolishly altered the figures in his register to make the balances agree. There does not appear to have been any intention of actual fraud.

In the case of such a large concern as the Stone Yard, I consider, that a special system of stores accounts should have been laid down as is contemplated in paragraph 431 Public Works Accounts Code for large workshops. The following action has been taken to rectify matters :—

A permanent overseer has been put in charge of the stores at the stone yard, a revised form of register has been introduced which is now checked with the materials at Site Account in the Central Accounts Office. This should ensure the stores being properly accounted for.

(40) Paragraph 200 (i), page 154.—In paragraph 373 Public Works Department Code it is laid down that a storekeeper will have nothing to do with the disbursement of cash, the supply of materials, or the preparation of Bills, but this rule seems to be to a certain extent contradicted by paragraph 10 (4) of the Rules relating to revised system of Stock Accounts for the Public Works Department, Delhi Province, under which the storekeeper is required to submit monthly to the Divisional Office a statement of stock received in the godown but not paid for. It had always been the custom that the storekeeper filled in the orders for the Stores and Traffic Officer's signature and the practice does not seem to have been previously objected to. It was difficult to avoid this when urgent orders were placed by telephone by the storekeeper with previous approval and these orders had to be confirmed in writing by the Stores and Traffic Officer. The fact that the storekeeper wrote out the orders certainly facilitated the inter-polation of items in orders which is suspected to have occurred. In my opinion the more important point is that copies of orders when signed should be sent to the Central Accounts Officer as is now done. As long as proper steps are taken to ensure that the copies sent to Audit cannot be tampered with any danger of fraud should be eliminated. If, however, it is still considered desirable that the storekeeper should not write the orders there should be no difficulty in entrusting the work to another clerk.

I have examined the thirty instances referred to of the issue of orders after receipt of goods. The explanations in most cases were that goods were ordered to be sent for inspection before acceptance, or delay in receipt of formal sanction after acceptance of tender, or urgent telephone orders confirmed in writing. The explanations show that the irregularity was in most cases unavoidable.

(41) Paragraph 200 (ii), (iii) and (iv), pages 154-156. These relate to the same case as is discussed in paragraph (32) of this report. As already stated the matter was fully investigated by the Superintending Engineer and the storekeeper was dismissed. The alteration in rate referred to in (iii) (a) arose through the difficulty in settling the suppliers' claims. The Government Pleader recommended an amicable settlement if possible. A supplier claimed rates of Rs. 56 and Rs. 35 per cwt. for two different classes of bolts and nuts. It was overlooked that two different classes had been supplied and an offer of Rs. 25 all round was made and an order was prepared accordingly. The supplier refused to accept these rates and Mr. Posth arranged a settlement at Rs. 40 and Rs. 25. The Superintending Engineer refused to accept the proposed settlement and eventually settled for Rs. 30 and Rs. 25. The rate in the order was altered in accordance with each settlement proposed.

(42) In the preceding paragraphs I have had occasion to observe at times that the system of accounts made irregularities in some cases possible. I now propose to give a brief summary of the various systems of accounts which have been in force in the Delhi Province. The system of accounts for New Delhi was from the start one of pre-audit. In the instructions issued in 1913 regarding the system of pre-audit, stores were not specially dealt with except that it was laid down generally that the usual initial accounts and monthly returns of the Public Works Department will be maintained as far as necessary.

In 1915 instructions for a system of Stock Accounts were issued by the Audit Officer, Delhi Province. These came into force from 1st April 1916. The principal points of interest of these rules as regards stores are :—

- (a) Bills for stores had to be endorsed by the storekeeper before payment. This appears opposed to the spirit of Article 373 Public Works Department Code.
- (b) The amounts only and not the quantities were to be posted into forms Nos. 11 and 12.
- (c) The extract from Stock Abstract Book showing receipts, issues and balances submitted to Audit was posted in lump sums.

In 1918 the Audit Officer introduced a new form for "Accounts of monthly receipts and daily issues and balances of stock for the half-year". This form took the place of forms Nos. 9, (for issues only) 12, 13 and 42-A. In this new form quantities only were shown and money values were only shown half-yearly.

In 1922 "Rules relating to Revised System of Stock Accounts for the Public Works Department, Delhi Province" were issued. This revised system introduced ledgers for each article of stock and dispensed with the necessity of striking monthly totals of receipts and issues and posting them in ordinary half-yearly forms; stock verifiers and ledger verifiers were also introduced.

In September 1924 Audit and accounts were separated and a Central Accounts Officer was created.

In November 1924 the Chief Engineer addressed the Deputy Accountant General, Central Revenues, and stated that he was dissatisfied with the system of accounts and suggested *inter alia* that accounts of the

quantities and monetary values for detailed items of stock be kept. As a result of the discussion following this letter a new system of stock accounts was introduced with effect from March 1926. Under this system the provisions of the Public Works Accounts Code are fully adhered to and some extra accounts kept, such as store ledgers and tally cards. The Central Accounts Officer maintains details of the quantity and monetary values of all stock by sub-heads. All orders for stores go to the Central Accounts Officer for scrutiny before the order is issued.

It will be seen that various systems of accounting for stores have been introduced during the progress of the work. This, I consider, was only to be expected in the case of a work of the magnitude of the New Capital. The provisions of the Public Works Department Code and Public Works Accounts Code have been framed for normal conditions and it is obviously unreasonable to expect that such rules could cover all the abnormal conditions which must arise in such a large work. Revised rules are necessary in such cases if the time of the Engineer staff is to be fully concentrated on their legitimate duties of getting the work done. Such revised rules can only be based on experience and as will be seen from the numerous changes made the rules were revised when experience showed the necessity for revision.

(43) In like manner the Chief Engineer has taken steps to control purchases as experience has indicated the necessity therefor. Under the present orders of the Chief Engineer the Stores and Traffic Officer is only authorized to enter into running contracts for the following articles:— cotton waste, kerosine oil, lime, sand, ashes and petrol. He is not allowed to enter into petty contracts for these items nor to purchase other stores except with the previous sanction of the Superintending Engineer. All contracts are sent through the Superintending Engineer to the Central Accounts Officer for scrutiny before the order is placed. Important items of stores such as cement, coal etc., are purchased through the central office. A list of stores on hand in the Delhi Province is circulated to all Divisional Officers and no purchase is permitted of articles on this list. For articles not on stock Divisional Officers have full Code powers of purchase but all orders are sent to the Central Accounts Officer for pre-scrutiny. The Stores Verifying Officer now maintains an up-to-date register of market prices.

(44) My general conclusions regarding stores at New Delhi may be summarized as follows. In the first place I am of opinion that the question of economy played too important a part as regards the staff entrusted with the custody and purchase of stores at Barakhamba. I consider that it was impossible to obtain at the salary paid a storekeeper capable of exercising efficient control over the valuable and complicated mass of stores dealt with, assisted, as he was, by a weak and inexperienced staff. A much more highly paid storekeeper was necessary.

For economical purchase of stores, I consider that, a whole-time officer of the status of an Executive Engineer was necessary. The combination of Railway work with the duties of purchase and scrutiny of stores made it impossible for the Stores and Traffic Officer to exercise the necessary control over stores or to be in proper touch with the market. Were it not that work at New Delhi is nearing completion and work on the Railway diminishing, I would strongly recommend that the Barakhamba stores

should form a separate Division in charge of a really experienced Executive Engineer. As matters stand it is I fear too late to lock the stable door. The ledger verifiers and stock verifiers now employed, should provide sufficient check over stores. In the case of the Barakhamba storeyard itself, I consider that undue economy was exercised in its construction. The full area necessary for heavy stores was not properly enclosed. Had this been done and a reliable gatekeeper employed the irregularities referred to in paragraph 200 (i) to (iv) of the Audit and Appropriation Report could not well have occurred. If the avoidable losses on stores could be balanced against the saving in construction of the storeyard and in establishment for the past thirteen years I have little doubt that a substantial saving to Government would be shown. I have examined the Barakhamba Storeyard and am satisfied that on the whole the stores are well looked after. I was particularly struck with the absence of "Junk" after so many years of a big construction project.

I am of opinion that with the exception noted below the irregularities referred to in the Audit and Appropriation Report disclose no serious losses to Government. The exceptions are the excessive purchase at excessive rates of shellac, hides and leather laces. In the case of these articles a substantial loss was sustained. The Stores and Traffic Officer (Mr. Posth) is primarily responsible for these losses. Had, however, the system been such as to render effective the restrictions placed on this officer's powers of purchase by the Delhi Administration these losses could not have occurred. The system of accounts and audit then in force must, therefore, bear an equal share of the responsibility for these losses.

I am of opinion that the system of accounts and audit recently introduced together with the Chief Engineer's orders regarding purchase of stores are well calculated to prevent a repetition of the irregularities mentioned in the Audit and Appropriation Report.

(45) In conclusion, I desire to place on record my sincere thanks to all officers concerned with the enquiry for the frank and ready assistance given to me.

W. ROCHE,
Officer on Special Duty.

7th September 1926.