

**PUBLIC ACCOUNTS COMMITTEE
(1967-68)**

NINETEENTH REPORT

(FOURTH LOK SABHA)

[Appropriation Accounts (Defence Services), 1965-66
and Audit Report (Defence Services), 1967]



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17-10-1967 (AN)	
19-10-1967 (FN)	
19-10-1967 (AN)	
21-2-1968 (AN)	

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PUBLIC ACCOUNTS COMMITTEE

(1967-68)

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Shri Avtar Singh Rikhy—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

*Declared elected on 30th November, 1967 *vice* Shri [Mohammed Yunus Saleem
ceased to be a Member of the Committee on his appointment as Deputy Minister.

INTRODUCTION

1. I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf, this Nineteenth Report (Fourth Lok Sabha) on the Appropriation Accounts (Defence Services), 1965-66 and Audit Report (Defence Services), 1967.

2. The Appropriation Accounts (Defence Services), 1965-66, together with the Audit Report (Defence Services), 1967, was laid on the Table of the House on 25th July, 1967. Paras of the Audit Report (Defence Services), 1967 dealt with in this Report were examined by the Committee at their sittings held on 17th October, 1967 (AN), 19th October, 1967 (FN) and 19th October, 1967 (AN). The Committee considered and finalised this Report at their sitting held on 21st February, 1968. Minutes of the sittings of the Committee form Part II* of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix III). For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of these Accounts by the Comptroller and Auditor General of India.

5. They would also like to express their thanks to the officers of the Ministry of Defence for the co-operation extended by them in giving information to the Committee.

NEW DELHI;
February 21, 1968.
Phalgun 2, 1889 (S).

M. R. MASANI,
Chairman,
Public Accounts Committee.

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I

**BUDGETING, CONTROL OVER EXPENDITURE AND
GENERAL**

Budget and actuals, Para 1—Page 1.

The table below compares the expenditure incurred by the **Defence Services** in the year ended March, 1966, with the amounts authorised by the **Parliament** to be spent during the year:—

	Voted	Charged	Total
(Crores of rupees)			
Authorised to be spent—			
Original	921·28	0·21	921·49
Supplementary	27·78	..	27·78
Total	949·06	0·21	949·27
Actual expenditure	948·57	0·08	948·65
Net shortfall	—0·49	—0·13	—0·62
(Percentages)			
Net shortfall as percentage of—			
Supplementary provision	1·8	..	2·2
Total provision	0·1	61·9	0·1

1.2. The net shortfall of Rs. 0·49 crore in the voted grants was made up of—

- (i) Unutilised provision, totalling Rs. 10·92 crores, in two grants—'Air Force' (Rs. 10·48 crores) and 'Non-Effective' services (Rs. 0·44 crore); the authorisation for the expenditure of these amounts lapsed at the end of the year.
- (ii) Excess expenditure, adding up to Rs. 10·43 crores, in three grants—'Army' (Rs. 4·82 crores), 'Navy' (Rs. 1·33 crores) and 'Capital Outlay' (Rs. 4·28 crores); this expenditure, over the amounts authorised by the Parliament to be spent during the year, requires regularisation under Article 115 of the Constitution.

Control over expenditure, Para 2—pages 2-3.

1.3. (a) Within each grant there was shortfall in respect of some items and excess expenditure in respect of others; there were particularly large variations in the following instances:—

Sl. No.	Nature of expenditure	Total (Original and Supple- mentary) provision	Actual Expenditure	Unutilised provision (—)/excess expenditure (+)	
		Rs. crores	Rs. crores	Rs. crores	Per cent
1	2	3	4	5	6
11.—Army					
1.	Purchase of material for Ordnance Factories in (i) India and (ii) abroad except in U.K.	74.80	60.14	—14.66	—20
2.	Expenditure on stores (other than for Manufacturing and Research Establishments and Military Engineer Services) except in U.K.	160.86	169.18	+8.32	+5
3.	Expenditure on procurement of stores for Parks and Divisional stocks and their maintenance.	5.50	10.32	+4.82	+88
4.	Expenditure on Major Works other than Central Projects	4.00	7.75	+3.75	+94
12.—Navy					
5.	Expenditure on stores (i) India and (ii) abroad except in U.K.	7.09	8.53	+1.44	+20
6.	Expenditure on stores in U.K.	3.25	2.48	—0.77	—24
13.—Air Force.					
7.	Expenditure on Airframes and engines except in U.K.	48.41	39.63	—8.78	—18

1	2	3	4	5	6
8. Pay and Allowances of Airmen etc.		20.78	17.88	-2.90	-14
9. Expenditure on Aviation stores in U.K.		8.07	5.78	-2.29	-28
10. Expenditure on Ordnance stores except in U. K.		4.06	6.18	+2.12	+52
<i>117.—Capital outlay</i>					
11. Outlay on Industrial and other Organisations		11.84	23.18	+11.34	+96
12. Plant and machinery for Factories		16.00	22.45	+6.45	+40
13. Expenditure on Capital Works :—					
Army		45.71	36.87	-8.84	-19
Air Force		31.00	27.02	-3.98	-13
Navy		4.50	3.18	-1.32	-29

In the case of items 1, 3, 4, 5, 9, 11 and 13 large variations occurred in the preceding year also.

(b) In the following two cases, a total amount of Rs. 22.85 crores was surrendered on 30th March, 1966, although there was excess over the grant in one case (and no amount was, therefore, available for surrender), while the shortfall in the other was substantially less:—

Grant	Total Grant (Rs. crores)	Excess(+)/ Shortall(-) (Rs. crores)	Amount surrendered (Rs. crores)
Army	608.80	+4.82	7.69
Air Force	157.38	-10.43	15.16

Unutilised provisions

1.4. As regards the unutilised provision of Rs. 14·66 crores under the head Army relating to purchase of material for Ordnance Factories, the representative of the Ministry of Defence stated that the original budget estimate of Rs. 74·80 crores was brought down to Rs. 52·66 crores in the revised estimates which was modified to Rs. 56·13 crores in March, 1966. The witness stated that the reasons for the variation of Rs. 14·66 crores was partly due to the fact that the expected supplies of raw materials did not materialise, and partly due to over-budgeting. As a result of the past experience, steps had been taken to avoid over-budgeting.

1.5. The Committee have been informed in a written note that it has been decided that the D.G.O.F. should take the following steps to improve the standard of budgeting:—

- (i) The DGOF should make use of the most up-to-date compilations of expenditure figures instead of the figures compiled two months prior to the date of estimates as was being done till then.
- (ii) Budgeting should be based, as far as possible on materialisation of supplies and trend budgeting should be done taking into account the above factor.
- (iii) An attempt should be made to analyse indents of over Rs. 1 lakh each and for this purpose the individual Factories should pay adequate attention to the preparation of budget estimates furnished by them.
- (iv) The DGOF and Factories should in respect of the indents placed by them, keep in touch with the DGS&D's organisation in the case of orders placed through DGS&D or with the suppliers in the case of other indents with a view to keeping a close watch on prospects of materialisation for budget purposes and arrive at a fair estimate of the demand for funds.

1.6. Explaining the reasons for variations in the Budget Estimates and the actual expenditure in regard to the expenditure on Air Frames and Engines, the representative of the Ministry stated that a provision of Rs. 48·41 crores was made in the Budget Estimates which was later revised to Rs. 41·44 crores. A provision of Rs. 39·32 crores was made at the time of modified appropriations in March, 1966 while the actual expenditure under that item turned out to be Rs. 39·63 crores. The provision of Rs. 48·41 crores related to certain

aircraft which were acquired. The Government took a decision at the time of preparation of Budget Estimates that the Air Force would pay for the entire material delivered to Hindustan Aircraft Ltd. Later on in November 1965, Government decided to change the method of payment and the amount required to be provided was Rs. 4 crores less. The amount of Rs. 39.32 crores was arrived at on that basis.

1.7. In reply to a question, the witness stated that another reason for variation under this sub-head was that a provision of Rs. 86.40 lakhs was made in the Budget for 1965-66 towards payment to Hawkers Siddeley Limited in respect of the supplies already received. There were certain differences with them in regard to the interpretation of the clauses in the licence agreement on prices of components. The settlement was expected to be reached in 1965-66 but it was settled only in May, 1966. Therefore the provision made in the Budget of 1965-66 had remained unutilised.

1.8. In regard to the unutilised provision of Rs. 2.29 crores relating to Aviation Stores, the witness stated that the supplies to the extent of Rs. 2.29 crores from U.K. did not materialise due to the stoppage of supplies on account of Indo-Pakistan conflict.

1.9. The Committee had asked for a detailed note on the original, revised, modified appropriations/savings/excesses in respect of the capital works, (Army, Air Force and Navy) under Grant No. 117 together with the reasons for variations between the budget estimates and actuals. The note has been furnished which *inter alia* gives the following position of the total provision and the actual expenditure:

13. CAPITAL OUTLAY—WORKS

(In crores of Rupees)

Service	Original Estimates	Revised Estimates	Modified Apprns.	Actuals 1965-66	Excess + Savings—	
					between 2&5	between 4&5
1	2	3	4	5	6	7
ARMY . . .	45.71	37.78	37.96	36.87	(—)8.84	(—)1.09
NAVY . . .	4.50	3.50	3.26	3.18	(—)1.32	(—)0.08
AIR FORCE	31.00	27.50	27.38	27.02	(—)3.98	(—)0.36

1.10. The Committee find from the Ministry's note that one of the most important reasons for the short-fall in capital outlay for the three Armed Services is a time-lag in the sanction of work at Government level. Another important reason for the short-fall is the non-receipt/non-payment of bills/debits of stores. The Committee would like Government to take suitable action to reduce the time-lag in the processing and sanction of projects as also to speed up the receipt and payment of stores so that debits are settled in time.

1.11. Explaining broadly the procedure in regard to the preparation of Budget, the representative of the Ministry of Defence stated that after the amounts under the different heads were sanctioned by Parliament, it was open to Government during the course of the year to make reappropriation having regard to the progress of expenditure under the various heads. The short-fall or excess brought out in the Audit Report was with reference to the original estimates that were sanctioned plus the supplementary provision which was also obtained from Parliament. The witness submitted that the correct method would be to compare the actual expenditure with the revised estimate and the modified appropriation which was done in March. The data available at the time of preparation of the Budget were not sufficient to enable meticulous budgeting.

1.12. The Committee asked whether, after taking into consideration all the above factors, it would be justifiable to have a variation of (+)88% in the case of expenditure on purchase of stores for Parks and Divisional Stores and their maintenance or +96% in the case of outlay on Industrial and other organisations under Grant No. 117—Capital Outlay. The Secretary, Ministry of Defence added that it would be more realistic to approach the question from the point of view of whether the initial Budget estimates based on factors which were known to the Ministry were realistically prepared. It was not possible to forecast with any degree of accuracy, the events which might take place during the course of the year particularly when the budget for the year was framed when the actuals for the current year were not available.

1.13. He added "I think ultimately the test of budgeting would be whether at the time of revised estimates when the Department is able to deal with the totality of expenditure and income in a more realistic manner it has been reasonably accurate."

1.14. Explaining the reasons for the variations in the Budget Estimates and the actual expenditure the representative of the Ministry of Defence stated that the Budget Estimates for the fol-

lowing year was made practically one and a half years in advance. If any surplus amount was found in the revised estimates it was surrendered. Supplementary Grants were obtained, if there was a short-fall. Explaining further, the Secretary, Ministry of Defence stated that it was not possible to forecast many things with any degree of accuracy at the time of preparation of the Budget Estimates. The factors such as the receipt of stores from abroad, the adjustments that were made after the close of the year and the actual progress of expenditure all had an effect on the budget.

1.15. The Committee are glad to note that the net short-fall of expenditure incurred by the Defence Services in relation to the total amount authorised by Parliament in 1965-66 worked out to a percentage of only 0.1. The Committee, however, find that there continued to be wide variations between the actual expenditure and the budget estimates (original and supplementary provision) under some sub-heads in Grants Nos. 11, 12, 13 and 117. Under the sub-head 'Purchase of Material for Ordnance Factories in (i) India and (ii) abroad except in U.K.', there was a saving of Rs. 14.66 crores which worked out to 20 per cent of the total provision. In the case of 'Expenditure on procurement of Stores for Parks and Divisional stocks and their maintenance' and 'Expenditure on Major Works other than Capital Projects', the excess expenditure over the total provision was 88 per cent and 91 per cent respectively.

1.16. In the case of Grant No. 13, there was a saving of 18 per cent under the sub-head 'Expenditure on Airframes and engines except in U.K.', and 28 per cent on 'Expenditure on Aviation Stores in U.K.'. There was excess expenditure to the extent of 52 per cent as compared to the total provision under the sub-head 'Expenditure on Ordnance stores except in U.K.'

1.17. In Grant No. 117—Capital Outlay, the excess expenditure was 96 per cent and 40 per cent respectively on the sub-heads 'Outlay on Industrial and other Organisations' and 'Plant and machinery for Factories'. The Committee agree that, while there might be some unforeseen circumstances which upset the estimates of expenditure, wide variations ranging from (—)29 per cent on the one side and (+) 96 per cent on the other indicate that the estimates could be more realistic and accurate. The Committee hope that the Ministry of Defence will devise suitable measures to ensure that their budget estimates are prepared with a greater degree of precision to avoid wide variations.

Excesses over grants requiring regularisation

1.18. The Ministry of Defence have submitted notes explaining the reasons for the excesses under (i) Grant No. 11—Defence Services, Effective Army, (ii) Grant No. 12—Defence Services, Effective Navy and (iii) Grant No. 117—Defence Capital Outlay, which are at Appendix I.

Grant No. 11—Defence Services—Effective Army

1.19. The Ministry have stated in their note that the excess of Rs. 4.82 crores, under Grant No. 11, which is 0.8% of the Final Grant (Rs. 609 crores) has occurred mainly under Sub-Head 'E' due to larger materialisation of supplies than anticipated at the time of final estimates framed in March, 1966, in respect of Ordnance Factories. The excess under this Head is Rs. 5.32 crores. Under this Sub-head a sum of Rs. 19.11 crores was surrendered at the time of preparation of final estimates mainly due to (i) less expenditure having been anticipated on purchase of materials for Ordnance Factories (Rs. 1866 lakhs), due to less materialisation of supplies partly attributable to suspension of supplies by some foreign countries and (ii) anticipated less expenditure on transportation charges (Rs. 45 lakhs) as a result of (i) above.

1.20. The excess of Rs. 532 lakhs over the Final Grant relating to Sub-head 'E' was mainly due to larger expenditure than anticipated on Ordnance Factories, due to larger materialisation of supplies (Rs. 401 lakhs), heavier adjustment than anticipated on account of Customs Duty (Rs. 73 lakhs), Pay and Allowances (Rs. 33 lakhs) and miscellaneous expenditure (Rs. 16 lakhs) and on Military Farms (Rs. 9 lakhs). The surrender of Rs. 1866 lakhs at the Final Estimate stage in respect of Ordnance Factories was due to a general fall in the materialisation prospects from original anticipation and also a set-back on account of restrictions on supplies from abroad for defence requirements and stoppage of shipment from foreign countries for about three months during the period under review. On the other hand there was larger materialisation of indigenous supplies due to speedier procurement.

1.21. It has been stated in the Ministry's note that Rs. 370 lakhs were incurred more on railway charges than anticipated on account of movement of personnel and stores due to operations. It has also been stated that Rs. 271 lakhs were spent more than anticipated on operational works (Rs. 125 lakhs) and purchase of stores (Rs. 146

lakhs). The Ministry of Defence have summed up the position as follows:—

“In a large organisation where provision of funds has to depend on a variety of factors, not the least of which are the postures of the neighbours and the attitudes of the supplying countries, the budgeting has to be based upon the material and facts available at the time of preparation review. The revised surrenders were made on the best estimates possible on 30th March, 1966. This Ministry conducts periodical budget review to minimise such variations and to effect timely surrender. If despite all these efforts the estimates have slightly gone off the mark, it is due, essentially, to those variables whose trend it is not possible to forecast.”

Grant No. 12—Defence Services, Effective—Navy

1.22. In regard to the excess of Rs. 133.62 lakhs, under Grant No. 12, which is approximately 4.6% of the Final Grant, the Ministry of Defence have stated in their note that the excess has occurred mainly under sub-Head ‘E’ (Rs. 112.88 lakhs). The excess under this sub-head is mainly on Provisions of Water (Rs. 24.48 lakhs), Oil & Fuel (Rs. 30.26 lakhs) and Customs Duty (Rs. 51.27 lakhs). The excess under ‘Provisions and Water’ and ‘Oil and Fuel’ is due to increased requirements consequent on the conflict with Pakistan.

1.23. As regards excess expenditure of Rs. 51.27 lakhs on Customs Duty, the Ministry’s note *inter alia* stated:—

“.....the procedure regarding the adjustment of Customs Duty is a lengthy one. This levy is required to be sorted out between the Civil and the Military Authorities and it takes long for the claims to be finalised. Necessary instructions have been issued to the Embarkation Commandants *vide* Army Hqrs. letter No. A/13365/III/Q Moy Shipping, dated the 25th November, 1966 that assessment and adjustment of customs duty should be made without delay and that a monthly return in the matter should be rendered to the Government.

The Comptroller & Auditor General of India and Ministry of Finance (Department of Revenue) have also been requested to issue suitable instructions to the various

Accountants General and the Collectors of Customs Duty for the prompt assessment and adjustment of customs charges on Defence Stores."

1.24. The Ministry have also stated in their note, "The question of improvements in the preparation of estimates is under consideration separately."

Grant No. 117—Defence Capital Outlay

1.25. The Ministry of Defence have stated in their note that the excess of Rs. 427·85 lakhs representing 3·3% of the Final Grant in respect of Grant No. 117 is mainly under the Sub-Head—Army amounting to Rs. 480·29 lakhs, which is partially offset by small savings under other Sub-Heads. The Ministry have stated that the excess under this Sub-Head was due to excess on Plant and Machinery for Ordnance Factories.

1.26. The Ministry have also stated in their note "The actuals have, however, exceeded the best estimates which could be made in March, 1966 and the grant as a whole has closed with a net excess of Rs. 4·28 crores against the sanctioned amount of Rs. 130·55 crores which represents only a 3% increase. As against this, the saving in the previous two years were of the order of 18% (in 1964-65) and 29% (in 1963-64)."

1.27. The Committee also note that a sum of Rs. 674·73 lakhs was actually re-appropriated from the Sub-Head-Army but the actual expenditure indicated, however, an excess of Rs. 480·29 lakhs. The need for streamlining the procedure for speedy adjustment of Customs Duty to avoid the possibility of an excess expenditure on that account was stressed by the Committee in Paras 1·3 and 1·6 of their 48th Report (Third Lok Sabha). The Ministry have stated in their action taken note on the recommendation of the Committee contained in their 48th Report as follows:—

"As regards expenditure on Customs Duty, this is brought to account by means of book adjustments on the basis of debits raised by the Accountants General on the Controller of, Defence Accounts concerned. Under the present system, Imported Defence stores are cleared on a 'NOTE PASS' System where invoices do not accompany the stores. It has been noticed that in case of those stores cleared on the 'NOTE PASS' System, there is considerable delay in the adjustment of Customs

Duty. While measures to improve the financial accounting by way of speedy adjustments of Customs Duty on Defences stores are under the consideration of the Ministry of Finance (R&I) in consultation with the Customs Houses, steps have been taken by this Ministry to ensure that there is no avoidable delay on their part in the adjustment of Customs Duty. Suitable Control Registers in this regard are being prescribed. Liability Registers for keeping a note of invoices received for stores cleared under the 'NOTE PASS' System have been prescribed. This will facilitate preparation of the Budget Estimates on Customs Duty on a more realistic basis.

It is expected that with the system of scrutiny prescribed by the Ministries of Finance and Defence and the issue of instructions regarding maintenance of liability registers for Customs Duty adjustments, it will be possible to have a better control over Defence expenditure, in future."

1.28. The Committee also note that Government have issued instructions in July 1966 for reviews of budget from time to time to avoid recurrence of variations in the Budget Estimates and the actual expenditure.

1.29. The Committee would urge on Government the necessity for the early conclusion of measures to improve financial accounting in regard to the speedy adjustment of Customs Duty on defence stores. The Committee are glad to note that the Ministry of Defence have taken certain steps to obviate delay on their part in the adjustment of Customs Duty. The Committee would like to watch the results of the implementation of the corrective steps through future Audit Reports.

1.30. As regards Grant No. 12—Defence Services, Effective Navy, the Committee hope that the contemplated improvements in the preparation of estimates would be effected early.

1.31. Subject to the observations made above, the Committee recommend that excesses under Grants No. 11—Defence Services, Effective Army, Grant No. 12—Defence Services, Effective Navy and Grant No. 117—Defence Capital Outlay may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

Appropriation Accounts (Defence Services), 1965-66

*Certificate of the Controller General of Defence Accounts,
para 18, pages 8-9.*

*Sub-para (vii)—Non-verification of credit for stores in the
Consignees' ledgers.*

1.32. Cases also occurred in which credits for stores could not be verified in the ledgers of the consignees. The number of such vouchers relating to the period ending 31st March, 1966 as on 30th September, 1966 was 18,614 (Army 3,928, Navy 1,448, Air Force 7,796, Ordnance Factories 5,442).

1.33. The representative of the Ministry of Defence informed the Committee that the number of unlinked vouchers as on 30th June, 1967 had been brought down from 18,614 to 11,118. Explaining the reasons for the outstanding vouchers, the witness stated that stores despatched at one end were not accounted for at the receiving end. What happened was that when a debit voucher was issued by the unit which sent stores to another unit, unless that was linked up with the actual stores and entered in the ledger, there would be discrepancy. Discrepancies were also due to incorrect preparation of vouchers and delays in the shipping claims. Pending vouchers related mostly to later years. So far as the earlier years were concerned, a large number had been cleared though there were certain items on the Air Force side which had to be cleared and special efforts were being made to clear the outstanding. In reply to another question, the witness stated that there were 402 vouchers which were outstanding for more than six years.

1.34. The Committee are not satisfied with the results achieved so far in the verification of the credit for stores in consignee's ledgers. They regret to note that there were as many as 402 vouchers which were outstanding for more than six years and that as on 30th June, 1967, there were as many as 11,118 unlinked vouchers. As non-linking of credits of stores in consignees' ledgers might lead to a diversion of stores to unauthorised purposes, the Committee desire that special steps should be taken to reduce the number of unlinked vouchers so that stores accounts represent the true state of affairs.

Review of Military Engineer Services—expenditure, para 34, pages 29—31

Sub-para (I)

1.35. In a Command, two contracts were terminated under condition 55 of the general conditions of the contract after the death of the contractor against the advice of the Controller of Defence Accounts and for the unfinished portions two separate contracts were concluded. This caused an extra expenditure of Rs. 1.5 lakhs to the State.

1.36. Explaining the position in regard to the termination of the two contracts and the conclusion of the separate contracts for the unfinished portion of the work, the Additional Secretary, Ministry of Defence stated that the Ministry of Law had advised that the legal representative of the contractor (who had died) was liable to perform the contract as the work did not involve any special skill. But on a subsequent reference, it was clarified that it was open to the accepting officer to cancel or to terminate the contract under clause 55 of the general conditions of the contract depending on the facts and circumstances of the case. The Ministry of Law had also clarified that if required the administrative authority might consult the Controller of Defence Accounts.

1.37. In reply to a question, the witness stated that there were two clauses, namely, Clauses 54 and 55, in the agreement. Clause 54 permitted the termination of the contract at the contractor's risk which was done if there was a default on the part of the contractor. In the event of death of a contractor, the contract could be terminated under clause 55, if there were either no legal representative or if the work could not be satisfactorily completed by the legal representatives. In the present case, one of the legal representatives was a contractor. But the Chief Engineer came to the conclusion that the legal representative would not be able to cope with the work and accordingly terminated the contract under clause 55. The Chief Engineer had informed the Controller of Defence Accounts of the proposed decision to terminate the contract under clause 55 of the agreement. The Controller of Defence Accounts had held this was not a fit case for cancellation. Clause 55 could be invoked only if the legal representative of the deceased contractor was ready and willing to carry out the work but the accepting officer found it improper to entrust the work in the public interest. The witness stated that this interpretation of the Controller of Defence Accounts was not quite correct.

1.38. In reply to a question, the Additional Secretary, Ministry of Defence, stated that there were two contracts for Rs. 8.31 lakhs and Rs. 15.51 lakhs. These were given to another contractor for completing the work and an additional expenditure of Rs. 1.5 lakhs was incurred for completing the work.

1.39. On being pointed out that the termination of the contract had resulted in an infructuous expenditure of Rs. 1.5 lakhs, the Secretary, Ministry of Defence stated that the discretion to terminate the contract vested in the accepting officer and the consideration was whether the legal representative of the contractor could actually perform the contract. The Chief Engineer came to the conclusion that the legal representative could not perform the contract and had used his discretion. The Secretary, Ministry of Defence, also stated, "As it happened, it resulted in extra expenditure of Rs. 1.5 lakhs. I think it is right in this case, that, the Chief Engineer should have taken into account this possibility of extra cost and if he has absolved the legal representative from performance of this, he should have thought of increase in the extra expenditure. I am prepared to concede that point."

1.40. The Committee regret to note that, in these cases, while terminating the contracts under Clause 55, the Chief Engineer did not take into account the possibility of extra expenditure that might result. The Committee hope the Ministry of Defence will take suitable steps to ensure that such cases do not recur.

*Debit balances in the pay accounts of Other Ranks in the Army—
para 44, pages 61-62:*

1.41. Payments to Other Ranks of the Army are made by the regimental officers (who hold an imprest for the purpose) in the shape of advances of pay against their net monthly entitlements which are determined separately by the Pay Accounts Officers. The Pay Accounts Officers maintain an Individual Running Ledger Account for each Other Rank. The account is credited with pay and allowances, etc. due to the individual, and debited with advance of pay drawn by him and regular deductions on account of Provident Fund, Insurance premia, etc.

1.42. The proportion of the accounts in debit has been on the increase, as shown below, in the last four years; at the end of

August, 1966, 2.9 per cent accounts had a debit balance as against 1.4 per cent at the end of August, 1962.

Period ending	Percentage of accounts in debit
August 1962	1.4
August 1963	2.1
August 1964	2.0
August 1965	2.2
August 1966	2.9

1.43. The amount overdrawn by those whose accounts were in debit in August, 1966, averaged Rs. 109 per head and totalled Rs. 30.74 lakhs in all.

1.44. Bulk of the debit balances was stated to be due to excessive advances of pay and allowances made by imprest holders, contrary to the clear instructions (which were last reiterated in August, 1964), that advance should not exceed net entitlements. The excessive advances were made in spite of the fact that the Pay Accounts Officers were sending particulars of accounts in debit to the Commanding Officers after the quarterly closing of the accounts, to enable them to regulate further advances, and reporting selected cases to higher authorities.

1.45. Explaining the reasons for the percentage increase in the debit balances of Individual Running Ledger Accounts of Other Ranks from 1.4 per cent at the end of August, 1962 to 2.9 per cent at the end of August, 1966, the Secretary, Ministry of Defence stated that certain advances paid to the J.C.Os and Other Ranks were based on allowances which were fluctuating. It was not possible to judge very accurately the actual entitlement of the amount. Therefore, advances were made on some calculations which might not entirely tally with the actual entitlement. The witness submitted that about 97 per cent of the accounts had the credit balance and the funds were at the disposal of Government as against debit balance in 2.9 per cent of the accounts. The witness did not think that this was a feature which needed to be highlighted, though he agreed that for purposes of accounting it should be reduced to the minimum. The Ministry were considering the question of grant-

ing advances against the fixed item namely pay of the individual as against fluctuating allowances. The Additional Secretary, Ministry of Defence informed the Committee that in a number of cases, the debit balances had gone up partly because of the failure of the paying authorities to observe instructions. In a few cases, larger advance was granted than authorised on the basis of entitlement, and these were being investigated. By and large these debit balances had come down further from 2.9 per cent to little over 2 per cent. The witness further added that because of the frequent movement of troops, the paying authorities could not keep an account of the actual amounts drawn by the other ranks at one place before they went to another place.

1.46. In reply to a question, the Defence Secretary stated that in the matter of relationship between the officers and men, a great deal of consideration and compassion had come into play. On a representation of some special reasons, the officers did exercise a little more discretion in favour of compassion rather than in favour of entitlement. Excess payment was only temporary. After the actual entitlement was worked out, the excess amount was paid back. The witness added that the Ministry had emphasised in their instructions that the disbursing officers would be "personally responsible for breach of orders regarding the payment of advances" and any breach of these instructions was treated as a disciplinary matter. Asked whether there was any case where advances could not be recovered, the Defence Secretary stated, "In some cases, they are not recovered. That too in cases they run away from the Service." The Additional Secretary added "There are very few cases of desertion. I should say they are very rare."

1.47. On its being pointed out that excess advances were made in spite of the fact that the Pay Accounts Officers were sending particulars of accounts in debit to the Commanding Officers to regulate further advances, the Additional Secretary, Ministry of Defence, stated that because of the time-lag that was involved in regard to receipt of documentation and the sending of claims to the actual unit who made the payment, the individual received another advance.

1.48. At the instance of Committee, the Ministry have furnished a copy of the instructions issued in August, 1964 to the disbursing officers in regard to the elimination of debit balances in the Individual Running Ledger Accounts.

1.49 The Committee note that in the instructions issued by the Army Headquarters on 25th August, 1964, it was specifically laid down that "Disbursing Officers will be personally responsible for

any breach of orders regarding payment of advances. Officers making irregular issues are liable for disciplinary action, apart from being called upon to make good the amounts, if any, which may prove irrecoverable. Pay Accounts Officers have instructions to report selected cases to officers commanding units or higher authorities. On receipt of these reports, the authority concerned will take prompt action to investigate the case thoroughly and pin point the responsibility with a view to taking suitable disciplinary action."

1.50. The Committee also note that the instructions *inter alia* stated that the advances paid should in no case exceed the net entitlement of the individual as reflected by the entries in the pay book; that particular care will be taken to note Special Demands (e.g. hospital stoppages, loss statements) in the debit portion of Pay Book; that Leave advances will not be paid more than two days before the commencement of leave; and that no payment will be made in anticipation of credits.

1.51. The Committee feel that, if all the instructions issued in August, 1964, had been strictly followed and action in fact taken against the Officers who were found to be habitually paying advances to Other Ranks in disregard of these instructions, the position of debit balances would not have deteriorated. The Committee would like Government strictly to enforce these instructions.

1.52 The Committee would also like Government to take an early decision on the proposal of granting advances against only the fixed items of pay and allowances and not against other fluctuating allowances.

Misappropriation of cash drawn for payment to Other Ranks, Para 45—Pages 62-63.

1.53. The Officer Commanding of a field engineer company misappropriated a sum of Rs. 1.04 lakhs, out of the imprest held by him for disbursement of pay and allowances to Other Ranks in his unit, during the period March, 1965, to August, 1965. This amount was made up of—

	Rs.
Shortage in cash detected	70,387
False acquittances from 72 men to had not actually been paid	34,040
	1,04,427

1.54 In addition, he misappropriated Rs. 3,600 from the public and regimental funds.

1.55 The amounts drawn by the officer during March—August, 1965, were far in excess of the requirements for disbursing pay and allowances; one of the 9 requisitions (for Rs. 70,000) was not countersigned by the Station Commander as required by rules.

1.56 The imprest accounts for March—August, 1965, were not sent to the Pay Accounts Officer on the due dates in spite of reminders by the Sub-Area Commander issued at the instance of the Pay Accounts Officer.

1.57 Surprise verification of cash balances with the imprest holder, required to be carried out quarterly, was not done from 18th November, 1964, to 25th June, 1965. A verification conducted on 26th June, 1965, did not have the normal element of surprise; a fraudulent disbursement entry of Rs. 40,000, made by the imprest holder in the accounts to cover up the shortage, was not detected by the verifying officer.

1.58. On 8th August, 1965, the Commander (Engineers) of the division visited the unit to enquire into certain complaints of non-payment to the men of the Company. The imprest holder confessed to him that some deficiency existed in the cash in his charge; the officer was removed from the unit on 12th August, 1965, and placed under close arrest on 14th August, 1965.

1.59 The Courts of Inquiry held in October-November, 1965, found that the imprest holder had been guilty of gross negligence and dereliction of duty; 8 officers and 1 jawan were found to have aided the officer through inexperience and a misplaced sense of loyalty, Disciplinary action against the officers and the jawan is pending.

1.60 The Committee pointed out that there was a provision for quarterly surprise verification of cash balances with the imprest holders and enquired whether such a verification was done in the present case. The Secretary, Ministry of Defence stated that in one quarter, the inspection was not done in this case. These cases were subject to court martial proceedings and the disciplinary proceedings would be considered for any failure on the part of the supervising authorities in the light of those proceedings. In reply to a question, the Committee were informed that the court martial proceedings had been concluded and the papers were under examination.

1.61. On being asked about the reasons for the delay of two years for the court martial proceedings to conclude, the witness stated that in such cases, as a first step, the court of enquiry was set up. Certain points brought out by the court of enquiry were looked into which inevitably took time. In the present case, there were two courts of inquiry and frequent transfers of the accused officer from one station to another during the period in question had also contributed to certain delays. The imprest holder also had avoided submission of imprest accounts to the Pay Accounts Officer on due dates. Investigation of all these points took some time. The witness added "I think, taking into consideration the normal course of criminal proceedings, two years time upto the final stage is not really very much." In reply to a question, the witness stated that in embezzlement and fraud cases, a detailed investigation was required from various documents which had to be collected from various Accounts Officers. The Secretary, Ministry of Defence stated "Actually, I propose to look into this question of delays as soon as proceedings come to Government."

1.62. The Committee enquired whether any ceiling had been fixed in regard to the grant of imprest money. The Additional Secretary, Ministry of Defence stated that it was "not practicable to fix a ceiling". The imprest depended on the requirement of the unit and the number of troops under an officer. Any requisition for an imprest was generally countersigned by the Station Commander. The requisition was supposed to be for 7 days requirements. On being pointed out that the countersignature of the Station Commander was not obtained in the present case, the witness stated that in one case the counter signature was not obtained which also would be brought out by the court martial.

1.63. Asked whether there was any system of periodical internal check, the witness stated that there was quarterly check of all public accounts by the administrative authorities. The normal check related to the arithmetical accuracy of the accounts and the physical verification of cash balances.

1.64. With regard to the furnishing of a copy of the findings and sentence of the Court Martial against the concerned officer in this case, the Ministry have stated in a written note:

"Findings and sentence of the GCM regarding the Imprest Holder Capt.....have recently been received from the lower formations with their comments and Court of Inquiry proceedings are under scrutiny by Army Headquarters."

1.65. As regards action against the 9 officers and Other Rank who were found to have aided the officer, the Ministry's note stated that in 6 cases, officers concerned have been awarded Reprimand on 1st August, 1966. In 2 cases, the charges have been dropped and in one case the person concerned has been warned by the Officer Commanding.

1.66. As regards the failure of the Headquarters formation in not taking a serious notice of the repeated complaints from the Pay Accounts Officer regarding the non-receipt of imprest account from the unit, the Ministry's note stated:

"... it is not correct to say that Headquarters formations did not take a serious notice of the matter. In fact it was at the specific instance of the Headquarters that a Court of Inquiry was convened. The General Officer Commanding and Commander personally visited the unit and inspected the accounts and placed the officer under arrest."

1.67. The Ministry have stated with regard to the failure of the Checking Officer in detecting the fraudulent disbursement entry of Rs. 40,000, as under:

"Under the existing instructions the scope of surprise check is limited to verifying the cash in hand (including the cash in bank) with reference to the ledger balance as on the date of verification. Scrutiny of the entries in the Cash Book by the officer carrying out surprise check has not been specifically prescribed. Action is in hand to amplify the instructions suitably to ensure that surprise checks are effective and achieve the desired object."

1.68. The Committee had also asked the Ministry of Defence to indicate as to why it had taken more than 2 years to finalise this case. The Ministry have stated the following reasons for this delay:—

"The case started in August 1965 and the reason for the delay since then is that it has gone through the following stages:

- (i) 1st Court of Inquiry in October, 1965;
- (ii) 2nd Court of Inquiry in November, 1965;
- (iii) Summary of Evidence in July, 1966;

- (iv) Pre-trial advice of Deputy Judge Advocate General and decision of Headquarters Eastern Command to try the officer by a General Court Martial.
- (v) General Court Martial trial from November, 1966 to May, 1967.
- (vi) Legal scrutiny of General Court Martial proceedings by Deputy Judge Advocate General and decision to re-assemble the General Court Martial.
- (vii) Re-consideration by General Court Martial in September, 1967.
- (viii) Legal scrutiny of the subsequent General Court Martial proceedings by Deputy Judge Advocate General.

1.69. The Committee are distressed to note that the Officer Commanding of a Field Engineer Company misappropriated a sum of Rs. 1.04 lakhs out of the imprest held by him for disbursement of pay and allowances to Other Ranks in his unit. It is all the more regrettable that the officer drew an amount of Rs. 70,000 on a requisition which was not even counter-signed by the Station Commander as required under the rules.

1.70. The Committee have no doubt that, based on the findings of the Court Martial, suitable action will be taken against the Officer Commanding of the Field Engineer Company who misappropriated this large amount and any other person who might be found responsible of aiding and abetting him.

1.71. The Committee also desire that the Ministry of Defence should make a case study of this misappropriation so as to determine whether there was any lacuna in the procedure prescribed at various stages with a view to prescribing remedial measures.

Delay in grant of pensions—Para 46—Pages 63-64.

1.72. It was observed in Audit that there was considerable delay in

- (a) submission of pension papers of civilians by heads of offices to the Controller of Defence Accounts (Pensions), and
- (b) finalisation of pensions of not only civilians, but also Service personnel, by the Controller.

1.73. (a) *Delay in submission of pension papers of civilian employees*—(i) The pension papers of an employee are required to be sent to the Controller one year before the date of superannuation. Nevertheless, out of 1,518 pension claims received during 1965-66, 1,178 were received after the employees had retired—805 (53 per cent) up to one year, 232 (15 per cent) between 1 to 3 years, and 141 (9 per cent) more than 3 years, after retirement.

(ii) In the case of an employee dying in harness, the pension papers are required to be sent to the Controller as soon as possible after the event. In fact however, they were generally received long after; out of 2,625 pension claims received during 1965-66, 489 (18 per cent) were received between 6 to 12 months, 958 (37 per cent) between 1 to 3 years, and 493 (19 per cent) more than 3 years, after the death of the employees.

(b) *Delay in finalisation of pension claims of civilians employees and Service personnel*—Further, delay occurred in the determination of pension in the case of not only civilian employees but also Service personnel. Of the pension cases received by the Controller up to March, 1966, 5,062 had not been finally settled up to September, 1966; about 50 per cent of these claims (1,876 in the case of enrolled personnel and over 700 in the case of civilians) were in respect of deceased personnel.

1.74. The following is the yearwise analysis of the 5,062 outstanding cases (all of which were over 6 months old):

Period	Armed Forces (all ranks)		Civilians in Defence* Services*	Total
	Services/ Disability pension	Family pension		
Upto 31-3-63	11	77	36	124
1963-64	25	116	96	237
1964-65	249	353	324	926
1955-66	1103	1330	1342	3775
	1388	1876	1798	5062

*The break-up of these figures by (i) retiring pension and (ii) family pension is not readily available with the Army Headquarters and/or the Controller General of Defence Accounts.

1.75. While the outstanding number represented 9 per cent of average number of cases received in a year in the case of Service personnel, it was as high as 79 per cent in the case of civilians. In about 2/3rd of the cases anticipatory/provisional pension had, however, been sanctioned; it has been stated that in most of the remaining cases grant of such pension is not permissible under the rules.

1.76. In the case of civilians, the Ministry have stated (February 1967) that (i) all the orders issued on the subject from time to time are being consolidated, and (ii) instructions have been issued in December 1966 to apply orders affecting pensions of civilians issued by the Ministry of Finance automatically to civilians in Defence Services also.

1.77. The Committee desired to know the reasons for the non-submission of pension papers in time to the Accounts authorities for early finalisation of pension cases. The Secretary, Ministry of Defence stated that the problem was constantly under consideration and the Ministry had been taking steps to improve upon their past performance. The witness stated that most of the difficulties arose in getting papers in order in time before a person retired from service. All the relevant papers could not sometimes be collected at a time because the whole service had to be reviewed. At present, the instructions were that pension papers should be initiated one year in advance of the person's retirement and sent to Audit one month before the person was due to retire. By the time the person retired from service, it should be possible to determine the actual pensionary liabilities of the Government. In reply to a question the Defence Secretary stated that "We want to make a change now namely that the pension papers should not merely be initiated but completed one year before." Further there should be a periodical check of the pending cases and the nature of delays that were involved at the level of the supervisory authorities. He admitted that the check was being done at present more as a matter of routine than as a matter of serious concern. On being asked whether the pension was paid immediately after retirement, the witness stated that a provisional pension of 75% was paid immediately after retirement until the pension was determined. Asked what steps had been taken to ensure the expeditious disposal of pension cases of Civilians, the witness stated that a pamphlet had been issued in August, 1967 on pension procedure in which the steps to secure expeditious disposal of pension cases had been indicated. The pamphlet was a collection of all the steps that had been taken from time to time. The various communications mentioned in the pamphlet were issued prior to 1963 when there was already accumulation of large outstanding claims.

1.78. The Committee pointed out that according to the Audit Report in about 2/3rd of the cases anticipatory/provisional pension had been sanctioned but in most of the remaining cases grant of such pension was not permissible under the rules. The witness stated that "in the remaining cases, grant of anticipatory pension was not permissible. We are looking into these rules as to whether any change can be made to cover a larger number of cases."

1.79. The Committee had asked for detailed information about the reasons for the late submission of pension papers and the measures taken/proposed to be taken to ensure that pension papers were completed one year before retirement of the employee. Notes received from the Ministry are reproduced in Appendix II.

1.80. The Committee are also informed that as on 1-11-1967, the latest position about the claims for pension which were outstanding for more than 6 months is as follows:—

Year	Service Personnel	Civilians	Total
Upto 1963	..	..	..
1963-64	12	31	43
1964-65	37	53	90
1965-66	121	339	460
1966-67	1,686	1,553	3,239
TOTAL	1,856	1,976	3,832

1.81. The Committee are greatly disturbed to find from the Audit para that, in spite of the instructions of Government that the pension papers of an employee should be sent to the Controller of Defence Accounts (Pensions) one year before the date of superannuation, out of 1,518 pension claims of civilian employees received during 1965-66, 1,178 were received after the employee had retired, 805 (53 per cent) upto one year, 232 (15 per cent) between 1 to 3 years, and 141 (9 per cent) more than 3 years after retirement.

1.82. In the case of employees dying in harness, while the pension papers are required to be sent to the Controller as soon as possible after the event, out of 2,625 pension claims received during 1965-66, 489 (18 per cent) were received between 6 to 12 months, 958 (37 per

cent) between 1 to 3 years, and 493 (19 per cent) more than 3 years after the death of the employee.

1.83. The Committee note that two of the main reasons for delay in submitting pension papers to accounts authorities in time are the absence of entries regarding qualifying service in the service documents and delay in the receipt of 'No Demand Certificate'. The Committee note that Government propose to take a number of measures to eliminate delay on these counts by prescribing that, during the last three years of an individual's service, a concurrent record of the pay and other requisite particulars should be maintained by the Paying Controller and that all the authorities concerned should be asked to take steps to settle at least one year in advance all past arrears to facilitate the issue of 'No Demand Certificate' and to prescribe an overall time limit after which it would be held that there was no claim outstanding against the Government servant.

1.84. The Committee hope that Government will take an early decision on these proposals so that pension cases are processed with the utmost expedition to obviate needless hardship to Government servants who have retired after rendering long years of faithful service.

Defence Publications--Para 49, Pages 66-68.

1.85. The Armed Forces Headquarters publish regulations, pamphlets for training, medical handbooks, etc. While regulations, etc. which can also be sold are priced, pamphlets, handbooks, etc., meant for official use only, are unpriced.

1.86. Army Instructions require that the number of copies to be printed should be restricted to the barest minimum in the case of every publication. However, taking the publications brought out during the 4 years ended December, 1965, it was observed that over 40 per cent of the copies originally printed still remained in stock on 20th February, 1967, in the case of

(i) 7 out of 9 priced regulations, etc., and

(ii) 29 (27 pamphlets for training and 2 medical hand books) out of 93 unpriced publications.

1.87. *Prima-facie* the original print order for these 7 priced, and 29 unpriced, publications was unduly large. The following are some

instances where over 60 per cent of the copies originally printed remained in stock:—

Sl. No.	Date of receipt for distribution	Number of copies		Stock as percentage of copies printed
		Originally printed	In stock on 20-2-67	
1	2	3	4	5
<i>Priced publications</i>				
1.	July, 1963	2,000	1,624	81
2.	September, 1964	35,000	22,943	66
3.	November, 1965	20,000	12,855	64
<i>Unpriced publications</i>				
4.	March, 1964	3,500	2,313	66
5.	1963	4,000	5,187	65
	1964	2,000		
	1965	3,000		
6.	December, 1964	5,000	3,221	64
7.	November, 1965	3,000	1,903	63
8.	June, 1965	3,400	2,082	61
9.	June, 1965	6,000	3,645	61

1.88. The 3 priced publications were valued at Rs. 2.21 lakhs; figures of expenditure incurred on the 6 unpriced publications are not readily available.

1.89. The first mentioned priced publication—Queens Regulations for the Army—was intended to meet the requirements of the Service Officers appearing in a promotion examination. It was decided in November, 1962—a few months after the print order was given in May, 1962,—to hold the examination in abeyance; no steps were, however, taken to cancel the print order. The Ministry have stated that steps are being taken to find out whether any copies can be sold to officers of the British Army. As regards the other priced publications it has been stated that many of the units operationally com-

mitted were not in a position to take their normal peace station requirements and the units newly raised have also not been supplied with their quota; a review is proposed to be carried out in the near future to complete distribution according to scales to be formulated.

1.90. In regard to unpriced publications, the Ministry have stated that, at the time of declaration of Emergency in 1962, stocks of many pamphlets were low and it was apprehended that reprinting would take considerable time; and therefore issue was made on a reduced scale. Action is now under way to issue the publications according to prescribed scales.

1.91. Explaining the position in regard to the printing of copies of the publications, the Additional Secretary, Ministry of Defence stated that the proposals in regard to the printing of the publications were scrutinised and the number of copies to be printed were determined by the Screening Committee. It was possible that in some cases the number of copies determined by the Screening Committee might not be required for immediate distribution. In many cases, the total number of copies to be printed were determined taking into consideration the total requirements of all the units, various offices which were entitled to these publications and also certain number of copies required for replacements.

1.92. Asked why the print order placed in May, 1962 for the publication "Queens Regulation for the Army" was not cancelled when it was decided in November, 1962, to hold the examination in abeyance, the Secretary, Ministry of Defence stated that it was only a question of suspension, and not the abandonment of the examination. On being pointed out that the print order could have been suspended, the witness stated that "I think it would be an example of some lack of coordination between the authority suspending the examination and the authority giving the print order."

1.93. From the note furnished at the instance of the Committee it is seen that the authority that suspended the examination was the Army Headquarters. The authority that placed the print order was the Director of Military Regulations and Forms.

1.94. It has been stated in the note that the question of cancelling the print order could not be considered by the Director of Military Regulations and Forms for the following reasons:

- (a) The decision to suspend all Examinations was taken by Army Headquarters on 31-10-1962, following the Emergency, but the repercussions on the requirement of this publication had not been envisaged at that time.

- (b) The duration of the Emergency could not be assessed with certainty and it was not known as to how long the Examinations would remain suspended.
- (c) The Army Headquarters did not intimate the suspension of the Examinations to the Director of Military Regulations and Forms nor did they indicate the usefulness of the book having ceased temporarily for the latter to consider the question of cancelling the relative print order.
- (d) Remedial instructions to avoid such a lack of co-ordination in future are under issue.

1.95. It is unfortunate that, due to lack of co-ordination between the authority suspending the examinations and the authority giving the print order, no steps were taken to cancel the print order for "Queen's Regulations for the Army", with the result that the publication became surplus to requirements. The Committee hope that, with the remedial measures proposed to be taken, such instances of lack of co-ordination will not recur.

1.96. In reply to a question, the Additional Secretary stated that all the publications were printed at the Government press.

1.97. In regard to the medical handbooks, the Defence Secretary stated that the print order was based on actual requirements according to the scale of distribution plus ten per cent for contingencies. The witness stated that instructions have been issued to Director General, Armed Forces Medical Services to ensure that all medical units and officers get their entitled quota.

1.98. The Committee enquired how 60 per cent of the copies originally printed had remained in stock. The Additional Secretary stated that when these publications were printed, these could not be issued to the units which had moved to operational areas. These publications had been issued to the units when they returned to their normal position. The percentage in stock has now come down to 11 to 20 for the various publications.

1.99. The Committee enquired as to what steps were being proposed to be taken to ensure that excessive print orders and the resultant wastage of funds were avoided. The Secretary, Ministry of Defence stated;

"So far as procedure is concerned I do not think that there is much scope for improvement, because they are supposed to be scrutinised by the units first, then the Screening Committee, then the Commands, then the Head-

quarters I think we shall have to give more guidance to this Screening Committee to ensure that there is both qualitative and quantitative check on the number of copies that are to be printed and that the clearance of these publications to the units should be much more expeditious."

1.100. The Committee have also been informed by the Ministry of Defence in a written note that the following remedial measures have been taken or are proposed to be taken or are envisaged to scrutinise (both in quality and quantity) the print order of defence publications in order to effect economy and avoid infructuous expenditure:—

- (i) Action has been initiated to formulate revised scales of distribution in consultation with various Branches of Services Headquarters and Inter-Services Organisations.
- (ii) The reserve stocks of all books to be printed in future will be decided taking into account the bulk, range of utility, necessity of bringing out of the publications on long/short term basis.
- (iii) The exact requirements for initial distribution will be worked out in consultation with the Army Statistical Organisation, as far as possible, in accordance with the revised scales.
- (iv) With a view to avoiding any excess printing in the future the scales, which are to be finalised shortly, will be reviewed periodically by cross-checking actual issues against anticipated demands.
- (v) The Internal Screening Committee will keep the above factors in view for assessing qualitatively and quantitatively the requirements for publication put up to it for scrutiny.

1.101. The Committee note that the Ministry of Defence have taken or propose to take a number of measures to effect economy and avoid infructuous expenditure on the printing and distribution of publications. The Committee consider that the print orders for these publications should be placed on a more realistic and conservative basis, so that wastage resulting from excessive print orders and the consequent accumulations in stock are strictly avoided. The Committee would like to watch the results of the various measures taken by the Ministry of Defence through future Audit Reports.

Losses awaiting regularisation, para 50, pages 68—70:

1.102. With certain exceptions, losses whether of public money or of stores are required to be regularised under sanction of the competent financial authority.

1.103. Considerable delay continues to occur in the regularisation of such losses, attention to which was drawn in para 4(iv) of Audit Report, Defence Services, 1964.

1.104. Taking only cases in which the amounts involved were substantial enough to require the sanction of Government, on 30th September, 1966, 164 cases involving Rs. 160 lakhs were awaiting regularisation for over a year. These included only those cases in which loss statements had been prepared for obtaining sanction of the Government. Table I below shows the years in which the loss statements were prepared; the losses themselves took place earlier.

Table I

Year of loss statement	Number of cases awaiting regularisation				Amount in lakhs of rupees	
	Army	Navy	Air Force	Facto- ries	Total	
Upto 1955-56	6	—	8	1	15	11
1956-57 to 1960-61	16	..	8	6	30	41
1961-62 to 1963-64	46	1	2	8	57	59
1964-65 onwards	52	3	7	..	62	49
	120	4	25	15	164	160

1.105. In Table 2 below an attempt has been made to analyse the 164 cases, on the basis of the information available, by the nature and cause of the loss.

TABLE 2

In lakhs of rupees

Theft, fraud or neglect	Other Causes			Total
	Loss or cash proper	Over payments irrecoverable claims	Others	
0.84	1.54	9.11	0.16	11.65

B—Stores

Theft fraud, or neglect	Other causes					Total	
	Fire	Defi- ciencies in actual balances	Deteri- oration	Defect- tive storage	In transit		Misc- ella- neous
5.01	2.23	27.56	14.80	12.31	8.20	78.53	148.64

1.106. The 164 cases referred to above do not include cases in which loss statements have not yet been prepared. Some of these losses occurred long ago; thus in one Ordnance Factory, loss statements had yet to be prepared (April 1967) for 12 cases of stores losses involving a total amount of Rs. 7.79 lakhs, which occurred during the period 1953-54 to 1960-61.

1.107. The delay in preparation of loss statements and regularisation of losses is stated to be due mainly to (a) delay in constitution of Courts of Inquiry, investigation of losses by the Courts and consideration of their reports, (b) finalisation of disciplinary action against those held responsible for the loss, and (c) consideration of the cases by the authorities at various levels.

1.108. In December, 1966, Government stated that they had recently taken the following steps to expedite regularisation of losses:—

- (i) Laying down a time schedule for various authorities involved in the regularisation of losses;
- (ii) delegating additional financial powers to the Military Engineer Services authorities for dealing with losses; and
- (iii) setting up of ad-hoc Committees for finalising all cases of losses raised upto 31st March, 1964.

1.109. Explaining the reasons for the delay in regard to the regularisation of losses, the Secretary, Ministry of Defence stated that the normal procedure was for the courts of enquiry to go into these questions of losses. The question of write off or regularisation of losses was taken up after the report was received. There was some pending cases of losses which could not be written off because

the final stage had not yet been reached. The Committee pointed out that in November, 1966, Government had laid down certain time limits for the various authorities for consideration of the findings of the Courts of Inquiry and desired to know whether these time limits were being followed by the various authorities. The representative of the Ministry of Defence stated that on the basis of the instructions of the Ministry, the Air Force and the Navy had issued instructions. But it was difficult to say whether the schedules laid down were being strictly followed.

1.110. In reply to a question, the witness stated that 56 cases out of 164 cases reported in the Audit Report had been regularised since the receipt of the Audit para.

1.111. The Committee pointed out that in a larger number of cases, the losses were due to deficiencies in actual balances of stores, deterioration, and defective storage etc. and enquired whether the Ministry had reviewed the system of ordering, maintaining and issuing of stocks through the latest method of costing. The Secretary, Ministry of Defence stated, "I entirely agree with you that the whole question of rules and regulations for provisioning and for issuing from stores require to be reoriented." In reply to a question, the witness added that it had been found that without mechanisation, no significant improvement could be made in regard to the entire system of stores and accounts. The witness promised to furnish a statement in regard to the changes that had been introduced in the procedures in the recent months. In a written note, the Ministry of Defence have stated as under:—

"As regards the issue of introduction of modern method of Inventory Control the question of introducing of computerised Inventory Control is already under consideration of this Ministry and is being introduced on experimental basis in Central Ordnances Depot, Delhi Cantt and Central Ordnance Depot, Jabalpur, and its extension to other Ordnance Depots in the Army and other Services will be considered after the results of these experiments have been studied."

1.112. In reply to another question, the Additional Secretary, Ministry of Defence stated that as soon as a fraud or theft was detected, the case was entrusted either to the Special Police Establishment or to the Local Police. In regard to Service Officers, the case was not entrusted to the civil police because there were court martial proceedings similar to civil proceedings.

1.113. At the instance of the Committee, the Ministry of Defence have furnished a statement showing the details of 164 cases of losses involving an amount of Rs. 160.29 lakhs under different categories. From the details of the cases of losses furnished by the Ministry of Defence, the Committee find that losses in stores took place as under:—

Brief particulars	No. of cases	Amounts (in lakhs of rupees)
1. Deficiencies in actual balance	27	27.56
2. In transit	9	8.20
3. Defective storage	3	12.31
4. Deterioration.	13	14.80
5. Theft, Fraud etc.	7	5.01

1.114. The Committee feel that the large number of cases of losses in stores mentioned above indicate the necessity of reviewing and modernising the system of ordering, maintaining and issuing of stocks.

1.115. The Committee understand that the Ministry of Defence is introducing, on an experimental basis, computerised inventory control in the Central Ordnance Depot, Delhi Cantt, and the Central Ordnance Depot, Jabalpur, and that they would consider its extension to other Ordnance Depots after the results of these experiments have been studied. The Committee expect the Ministry of Defence to take suitable measures in the light of the results of the experiments being carried out by them in the introduction of modern methods of inventory control, so as to effect rationalisation, achieve economy consistent with security and obviate losses.

1.116. The Committee had also asked whether the delays in the constitution of the Courts of Inquiry or preparation of loss statements are required to be reported to the Army Headquarters/Government for reviewing and whether the time limit for the constitu-

tion of Courts of Inquiry are observed. The Ministry of Defence have *inter alia* stated in their note as under:—

“The observance of these time limits as well as the delays at various stages are scrutinised by the competent financial authority when he receives the statement of case in respect of each case of loss for write off action. These statements of case contain detailed information about the nature and cause of losses, also the extent and reasons for delays at various stages. The full information to be furnished for each case to the Competent Financial Authority is given below:—

- (i) How did it happen?
- (ii) When did it happen?
- (iii) Why did it happen?
- (iv) When and how was it detected—whether by internal audit or statutory audit?
- (v) Could it have been avoided?
- (vi) Could it happen again, and if so, what remedial measures have been taken/are proposed to be taken?
- (vii) Was a Court of Inquiry held? If so, when? If not, why not?
- (viii) Was there any time lag between (i) the detection of the irregularity and the holding of the Court of Inquiry, and (ii) between the holding of the Court of Inquiry and regularisation action? If so, what were the reasons for the delays?
- (ix) Was (were) any individual(s) held responsible; if not, why?
- (x) Was any disciplinary action taken or contemplated (name of the individual, rank and the nature of disciplinary action taken should be stated) and if not, why not?

All these are reviewed by the authority concerned in respect of each case of loss that comes up for regularisation.”

1.117. The Committee have also been furnished with copies of the instructions issued by the three Services regarding regularisation of losses. The Committee also find from the documents furnished to

them that the Ministry of Defence prescribed in November, 1966, the following drills to be followed by the staff authorities for finalisation of the Court of Inquiry:

- (i) One week for Station Headquarters/Sub Area.
- (ii) 15 days at Area level.
- (iii) One month at Command level.

1.118. The Committee find that the delay in the preparation of statements and the regularisation of losses is mainly due to delay in:—

- (a) the constitution of Courts of Inquiry and consideration of their reports;
- (b) the finalisation of disciplinary action against those who were held responsible for the losses; and
- (c) the consideration of cases by the authorities at various levels.

1.119. The Committee note that the Ministry of Defence have taken certain steps in December, 1966, to expedite regularisation of losses. These steps inter alia included (i) laying down a time-schedule for the various authorities involved in the regularisation of losses, (ii) delegating additional financial powers to the Military Engineer Services authorities for dealing with the losses and setting up of an ad-hoc Committee for finalising all cases of losses incurred upto 31st March, 1964. The Committee desire that the Ministry of Defence should ensure that the instructions issued by them in December, 1966, are strictly followed and delays in the constitution of Courts of Inquiry are avoided. The Committee would also like to watch the progress in the regularisation of losses through future Audit Reports.

II

ARMY

(i) Master General of Ordnance Branch

Purchase of defective, and unwanted, spares for tanks—para 12—pages 17-18.

In April, 1963, India Supply Mission, Washington, entered into a contract with a foreign firm for supply of 230 numbers of assemblies of two parts of a tank at a cost of Rs. 2.05 lakhs.

2.2. The entire quantity supplied by the firm was found on arrival in December, 1963, to be deficient of certain components. The contract did not provide for inspection of the assemblies by the purchasing or any other agency before despatch in view of undertaking by the firm that, in case of discrepancies/shortages/defective stores, etc., being notified to them within 12 months from the date of the receipt in the depot in India, they would arrange replacement c.i.f. Indian port free of all costs or agree to financial adjustment if no replacement was required.

2.3. In February, 1964, the depot asked the suppliers to make good the deficient parts which the firm declined on the ground that the parts supplied were according to the contract and drawings. Government stated in November, 1966, that the matter was being pursued with the suppliers.

2.4. All the 230 assemblies costing Rs. 2.05 lakhs, exclusive of freight, etc., are lying unutilised since December, 1963. In the meantime, in March, 1965, the number of assemblies required was reckoned at 85; the remaining 145 will be surplus even if they are rectified.

2.5. The Committee pointed out that the entire quantity of 230 numbers of assemblies of two parts of a tank costing Rs. 2.05 lakhs supplied by a foreign firm without inspection by the purchasing or any other agency prior to despatch were found deficient of certain components. Though the undertaking of the firm was to replace c.i.f. Indian Port any discrepancies, shortages, defective stores if

notified within 12 months of receipt, they rebutted the claim on the ground of the parts being according to the contract and drawings.

2.6. During evidence the Secretary, Ministry of Defence explained that the drawing and specification numbers mentioned in the indent were for a tank assembly which included all components in the drawing. As such the indent was in order and the contention of the suppliers was untenable. As regards inspection prior to despatch, the witness stated that the provision in the contract was in accordance with the policy and decision of Government that instead of a permanent machinery for inspection, the safeguard for replacement should be in the contract itself.

2.7. The witness further stated that the legal remedy would be governed by the American Law and he would check up on this as well as on the question of arbitration. The Committee pointed out that this should be done within the period limitation.

2.8. The Committee had asked the Ministry of Defence to furnish a note setting out the case of the Government against the objections raised by the suppliers to make good deficiencies. The note has been furnished which *inter-alia* states:

“..... it would be seen that the supplier has not paid attention to the manufacturing drawings and have supplied incomplete stores. Attempts have been made to confuse the issue on the plea that the Part No. quoted in the contract was for bare tanks only. Government of India's case is that the items demanded, were Fuel Tank Assemblies. The parts Nos. and specifications quoted in indent pertains to the Fuel Tank assemblies. As the items demanded were Fuel Tank Assemblies and since the components reported deficient are essential part of the Fuel Tank assemblies, the supplier is required to supply them as per terms of the contract.”

2.9. The Committee had also asked for the copies of the correspondence with the firms for making good the deficiencies. Copies of the correspondence between I. S. M., Washington and the firm have been furnished. It is noticed from the correspondence furnished on the subject that on 15th November, 1957, India Supply Mission wrote a letter to the firm in question and this *inter-alia* stated:

“In view of the position taken in our previous correspondence and reiterated in the preceding paragraphs it would be

evident that you have clearly committed a breach of contract and we request you for the settlement of the discrepancy in the manner indicated earlier in our letter of April 20, 1965, viz.

- (a) to supply all deficient components as detailed in this letter for a total quantity of 85 Nos. (quantity 34 of part No. G104-17-96211 and quantity 51 of part No. G104-17-96212) together with fitting charges of 178.50 dollars;
- (b) to issue disposal instructions for the quantities not required, viz. quantity 66 of part No. G104-17-96211 and quantity 79 of part No. G104-17-96212. Since the value of these quantities has already been paid the total value of 27,187.50 dollars should be refunded."

"It is hoped that in order to maintain good business relations, you will proceed to settle the discrepancy immediately. It may, however, please be noted that in the absence of a satisfactory settlement within a month of the date of this letter, this Mission would be free to take any action that it seems fit under the terms of the contract."

2.10. The Committee hope that the Ministry of Defence will take suitable steps to get quickly the replacements for the deficient components or the refund of the money from the suppliers in accordance with the terms of the contract. The Committee would like to know the final result.

2.11. Asked how the requirement of 230 numbers decided upon in April, 1963 came down to 85 in March, 1965, the Secretary admitted that the varying estimates disturbed him also and that this was not a solitary instance of the kind. Generally the requirements were on a theoretical basis and not on the experience of the particular equipment and the needs of overhaul. With reference to this particular case, though the quantity asked for was reduced at the time of financial scrutiny, the surplus had resulted as the actual overhaul during each of the years was less than the assumptions made. Due to the functional variations of the equipment in different situations, the actual requirement of spares had to be more or less on the plus side. But by the corrective measures being adopted now this imbalance would be reduced substantially. What was proposed to be introduced was a system whereby on the basis of use only deficiencies could be ordered for after periodical reviews and changes.

2.12. The Committee regret to note that the requirements of the assemblies of two parts in this case were over-estimated with the

result that 185 out of the 230 units ordered are surplus. The Committee feel that the requirements of spare parts should be worked out on the basis of needs and experience of particular equipment under Indian conditions and not on a theoretical basis. In this connection, they would also like to invite the attention of Government to para 2.15 and paras 2.34 to 2.37 of their 15th Report (Fourth Lok Sabha) where similar cases of over-provisioning in the Air Force had been commented on. The Committee stress that the Ministry of Defence should take suitable steps to rationalise and modernise their system of inventory control to avoid the recurrence of such cases.

Surplus and Obsolete Stores—Para 25, pages 31—34:

2.13. Surplus and obsolete stores come to light in the course of the annual provision review carried out by the Services Headquarters and stock holders.

I. Quantum of surplus and progress of disposal

2.14. In June, 1958, the Services were asked to declare only such stores for disposal as could not be utilised in any manner by any of the defence users. An Inter-Services Team was constituted in November, 1958, to examine whether the stores declared surplus could be utilised by other defence users. No orders for disposal, of even stores found by the team to be incapable of utilisation by any one, were, however, issued. With the promulgation of the Emergency in October, 1962, a total ban was imposed on the disposal of all surplus defence stores as well as salvage and scrap.

2.15. The ban on disposal was lifted in February, 1963. A number of teams were thereafter appointed in May, 1963, to July, 1964, to screen unwanted stores. Up to October, 1966, the teams had completed examination of stores valued at Rs. 83.03 crores*. Of these, the teams recommended disposal of obsolete (Rs. 11.37 crores) and obsolescent and current stores (Rs. 51.89 crores) costing Rs. 63.26 crores; the remaining stores, valued at Rs. 19.77 crores, were either recommended by the teams for reutilisation or the users themselves withdrew them from the list of surplus stores for retention/reutilisation.

2.16. Up to October, 1966, stores costing only Rs. 4.68 crores (7.3 per cent), out of the total of Rs. 63.26 crores recommended for dis-

*This does not include M.T. vehicles discarded as a result of discard policy, referred to in para 26(a) (page 35) of the Audit Report (Defence Services) 1967 and related spares.

posals, had been sold; the position regarding the remaining stores, costing Rs. 58.58 crores, was as follows:—

	Rs. crores	Per cent
Awaiting Government approval to the Inter-Services teams' recommendations .	48.49	76.7
Approved by Government to be disposed of but not yet declared to D. G. S. & D. for disposal .	5.23	8.3
Awaiting disposal by D. G. S. & D.	4.86	7.7

2.17. The teams had yet to examine stores valued at Rs. 2.58 crores. This excludes stores which are surplus etc., but have not been advised by stock holders to the teams for screening; the value of such stores held in Ordnance Factories alone was Rs. 4.30 crores.

2.18. Some of the surplus stores have probably fulfilled their function and became surplus through normal wear and tear. Bulk were, however, bought and never used before being declared surplus.

2.19. The Committee desired to know the reasons for delay in disposal of surplus and obsolete stores. The Secretary, Ministry of Defence explained that the delay in disposal of these stores was due to the following:—

- (a) owing to the shortage of foreign exchange, it was decided in March, 1960 to make full use of all available stores;
- (b) disposal of stores of the value of more than Rs. 5,000/- was to be made after scrutiny of each of the cases and with the prior approval of the Ministry of Defence;
- (c) general ban on disposal of all varieties of surplus and obsolete stores between October, 1962 and February, 1963;
- (d) subsequent constitution of three technical teams and Boards of Officers to go into the question of disposal of the surplus and obsolete stores between May, 1963 and July, 1964;
- (e) the time consuming process of finding alternative use and users for the stores; and

(f) want of discrimination in dealing with the disposal of individual categories.

2.20. As declaration of surplus is a continuous process and as substantial progress in according approval by the Ministry of Defence for disposal had been made so far, the witness assured the Committee that within a period of one year there would be improvement in the position. He also stated that additional financial powers had been delegated to various authorities so that quicker methods of disposal could be found.

2.21. The Ministry have, in a written note, furnished a statement which indicates the position in respect of the stores declared surplus as on 31st October, 1966 and 31st July, 1967 as under:—

	Upto 31-10-66	Upto 31-10-67
	(Rupees in lakhs)	
(i) Book value of stores recommended for disposal by the Review Board and Technical Teams	63.26	71.72
(ii) Book value of stores approved by the competent authority	14.77	41.07
(iii) Book value of stores declared to the D.G.S.&D	9.21	34.04
(iv) Book value of stores disposed of by D.G.S. & D.	4.10	10.05

2.22. As regards measures taken or proposed to be taken to ensure that the stores were acquired only on realistic appraisal of the requirements and rationalisation of the procedure for disposal of stores to ensure that the best price is obtained for them, the Ministry have stated as under:—

“The position is that the stores are procured on the basis of the liabilities which are arrived at as a result of annual provision reviews conducted by the Depots. These provision reviews are meant to ensure realistic appraisal of requirements and to avoid purchases/procurement of stores in excess of requirements. Surpluses of the nature pointed out in the Audit para have mostly resulted from the War time accumulation of stores, the disposal of which happened to be delayed on account of various unforeseen factors.”

"Regarding rationalisation of the procedure for disposal of stores to ensure that the best price is obtained for them, it may be stated that bulk of the surplus stores are either War time surpluses or M.T. vehicles and spares which have become surplus due to discard policy of vehicles* approved by Government in 1963."

2.23. The Ministry have also indicated the following measures which they have taken to ensure quicker disposal of surplus/obsolete stores:—

"With a view to ensure prompt and speedy disposal of unwanted stores, the progress made on the following stages of disposal is reviewed periodically:—

- (i) approval by the competent authority of surplus stores recommended by the various Technical Teams for disposal;**
- (ii) declaration of the surplus stores approved by the competent authority to the D.G.S.&D.; and**
- (iii) disposal of declared surplus stores departmentally and by D.G.S.&D.**

These periodical review meetings are attended by all concerned including the representatives from the D.G.S.&D. Bottlenecks, where exist, are cleared."

2.24. The Ministry have also indicated that the following powers have recently been delegated to the lower authorities with a view to expedite declaration of surplus stores for disposal:—

- (i) 'Commanders of Ordnance Depots, in consultation with Deputy Assistant Financial Adviser (Ordnance), can declare current stores valuing upto Rs. 1 lakh and obsolescent/obsolete stores valuing upto Rs. 3 lakhs, in a single category, to D.G.S.&D. for disposal.**
- (ii) Director of Ordnance Services, with financial concurrence, can declare current stores valuing upto Rs. 10 lakhs and obsolescent/obsolete stores valuing upto Rs. 20 lakhs in a single category, to D.G.S.&D. for disposal.**
- (iii) Chief Engineers can declare surplus stores recommended for disposal by the Technical Team value of which is upto Rs. 1 lakh in a single category.**

***Please see Para 2.41 of this Report.**

- (iv) Officers Commanding of Depots can also fix Guiding prices for all salvage and scrap, unserviceable stores held in Engineer Stores Depots valuing upto Rs. 1 lakh.
- (v) Officers Commanding of Depots can fix Reserve Prices for surplus serviceable stores ex-E-in-C's stocks held in Engineer Stores Depots valuing upto Rs. 10,000/- in a single category, where disposal of such surpluses has been recommended by the Technical Team.
- (vi) Only proposals for disposal of current and obsolescent/obsolete stores of Ordnance origin, the value of which exceeds Rs. 10 lakhs and Rs. 20 lakhs respectively in a single category, are to be submitted to the Minister for approval, before the DGD Forms are forwarded to the D.G.S.&D.

These powers have been delegated only recently and their effect will be known only after some experience is gained."

2.25. The Committee, on a number of occasions in the past, have commented on the disposal of surplus and obsolete stores held by Defence Services. They would like to invite reference in this connection to para 9 of their 4th Report (Third Lok Sabha), para 37 of their 17th Report (Third Lok Sabha), para 3.15 of their 48th Report (Third Lok Sabha).

2.26. The Committee note that recently a number of steps, including the delegation of enhanced financial powers, have been taken by the Ministry of Defence for the speedy disposal of obsolete stores. The Committee observe that speed in the disposal of unwanted surplus and obsolete stores has lately accelerated. The Committee would like the Ministry of Defence to keep a close watch over the disposal of obsolete stores to obviate expense on unnecessary storage and loss due to deterioration.

1F. Storage costs and deterioration in stock.

2.27. The retention of stock for which there is no demand ties up scarce storage accommodation; the stores already declared surplus, but not yet disposed of, alone are stated to be occupying 1.26 lakh square metres of covered space. Storage costs for the Services, in terms of both space and manpower, most also inevitably be high. Finally, the delay in disposal of unwanted equipment is fraught with risk of loss through deterioration or otherwise while in storage; considering the range and quantities of stores held, and the fact that a

large portion lie in the open, the losses must be considerable. The losses on this account awaiting sanction on 30th September, 1966, included:

Date of loss Statement	Nature of Stores	Amount Rs. lakhs	Cause of loss
23-7-63	Cables	9.08	Lack of suitable covered accommodation.
23-2-65	Cables	2.40	
11-2-64	Asbestos/wooden stores chemicals, etc.	2.47	"Ageing"
4-3-59	Hydraulic Brake Fluid	0.83	Defective Storage.
18-8-61	Boots ankle	0.61	Long storage.
20-8-63	Paints and oils	0.68	Long storage.

2.28. The Committee pointed out that the delay in disposal of these unwanted stores resulted in locking up valuable storage accommodation for other needy stores as well as avoidable expenditure on manpower for the guard duties. The Secretary agreed that this was so and stated that this aspect was brought to the notice of the Defence Services and the endeavour had been to reduce the problem to the minimum.

2.29. Regarding the cases of loss due to want of proper storage accommodation, the Committee enquired what explanation the Ministry had got for keeping them in the open. The Secretary admitted, "I have given you the general explanation. I have no other explanation to give for these items."

2.31. The Committee are unhappy to note that stores which had been declared surplus to requirements are occupying 1.26 lakh square metres of covered accommodation, with the result that there is not enough suitable covered accommodation for other current stores, thus exposing them to the risk of accelerated deterioration.

2.31. The Committee are distressed that costly and scarce stores, like cables costing Rs. 11.48 lakhs, were allowed to be damaged for want of covered accommodation. The Committee need hardly stress that scarce covered accommodation should be utilised for keeping current stores and that every effort should be made to dispose of obsolete and unwanted stores without avoidable delay.

Replacement of Semi-commercial Vehicles—Para 26—Pages 35-36.

2.32. With a view to providing the Armed Forces with an operationally fit and reliable fleet of vehicles, in 1963-64 Government drew up a phased programme for replacement of old vehicles which had completed a certain mileage or number of years in service as shown below:—

3 Ton lorries } 35,000 miles, or 7 years in service, whichever is
1 Ton trucks } later.

Jeeps 30,000 miles, or 5 years in service, whichever is later.

Motor cycles 15,000 miles, or 5 years in service, whichever is later.

2.23. (a) *Delay in discard of old vehicles.*—As the table below shows, discard of the old vehicles has been lagging behind the targets therefor:

Type of vehicles	Number of vehicles as on 30-9-66		
	Programmed for discard	actually discarded	shortfall in discard
3 Ton lorries	18,200	12,060	6,140
1 Ton trucks	11,055	4,404	6,651
Jeeps	10,270	5,436	4,834
Motor cycles	8,826	6,160	2,666
	48,351	28,060	20,291

2.34. 23,895 out of 28,060 vehicles discarded up to September, 1966, had been disposed of.

2.35. The 20,291 vehicles planned to be discarded by September, 1966, but still in service have completed the prescribed age but could not be discarded as, according to the records, they had not yet completed the required mileage. It has been stated that the sanctity of the mileage recorded in the log books of these vehicles, majority of which are of pre-1948 vintage, is open to doubt.

2.36. In regard to the policy of discard of old vehicles of the Armed Forces, the representative of the Ministry of Defence explained that in the case of 3-ton vehicles the earlier policy was to discard them after completion of a mileage of 35,000 miles or seven years.

As it was found that in many cases where the vehicles had completed seven years, the mileage could not be ascertained correctly, the policy was got revised by the Cabinet. The revised policy is that in any case a 3-ton vehicle which is more than 14 years old would be discarded. In the cases of Jeeps and other vehicles it would be ten years.

2.37. In a written note the Ministry have *inter-alia* stated as under:

- (i) "There was a discrepancy in the number of jeeps programmed to be discarded on the basis of age formula even assuming that they would have completed the prescribed mileage also by that time. The total number of jeeps of 1961 vintage and earlier was 8706. The discard programme contemplated disposal of 10,270 jeeps by 30-9-66 which was impossible because only 8700 jeeps would have completed the prescribed age of 5 years."
- (ii) the test check of actual mileages *vis-a-vis* the presumed mileages for a year (December, 1963—November, 1964) in respect of all the types of post-1948 vehicles showed that the actual mileages done were substantially less than the presumed mileages;
- (iii) the result had been that the Army was holding a large number of non-reliable vehicles against their entitlements as these vehicles could not be discarded in accordance with the original discard policy."

2.38. The Ministry's note further states "Having regard to all these factors, it was decided with the approval of the Cabinet Committee on Internal Affairs in May, 1967 that:

- (a) In addition to the present qualifications for discard previously prescribed a 1-tonner/GS 3-tonner which has completed 14 years of service and a jeep/motor-cycle which has completed 10 years of service shall qualify for discard irrespective of the actual mileage performed.
- (b) The 3-tonner specialist vehicles shall qualify for discard either when it reached the overhaul condition by 100% stripping and re-build i.e. is classified in category V(B) or in case the same is of an obsolescent make or model when maintenance becomes difficult due to non-availability of necessary spares backing.

- (c) The intake programme for vehicles of each of the categories be adjusted from time to time taking into account the liability, the holdings and the vehicles likely to be discarded during the provisioning period.

Suitable instructions were issued by Army headquarters to the lower formations on 30th June, 1967. With the implementation of the above decision, it is anticipated that the tempo of disposal of aged and non-reliable vehicles would increase."

2.39. As regards the discard of connected spares along with the vehicles, the Ministry's note states:—

"Connected spares of vehicles are sold as soon as the corresponding vehicles are declared for disposal, after ensuring that the spares in sufficient quantities, required for the maintenance of other vehicles still with the Defence Services are retained. Moreover, spares applicable to vehicles under discard have a wide range of commonality with other vehicles still in services, and the utility of such spares for other makes has also to be taken into account before declaring them to the D.G.S.&D. for disposals. The disposal has been accelerated as will be evident from the fact that nearly Rs. 15 crores worth of M.T. spares at..... declared for disposal by the Army are awaiting disposals by D.G.S.&D. as on 31st July, 1967."

2.40. The Committee observe from Government's reply that there was a discrepancy in the number of jeeps programmed to be discarded on the basis of the age formula even assuming that they had completed the prescribed mileage by that time in as much as the number of jeeps of 1961 vintage and earlier was no more than 8706 against the contemplated disposal of 10,270 jeeps by 30th September, 1966. The Committee are unable to appreciate how such a gross mistake could occur in preparing an important programme of disposals and replacement and desire that responsibility for it should be fixed. The Committee need hardly add that suitable measures should be taken to ensure that the programme for disposals is prepared with the utmost care on the basis of factual data.

2.41. The Committee note that, as a result of measures recently taken, 23,985 vehicles out of 28,060 vehicles discarded upto September, 1966, had been disposed of. According to the discard programme similar number of vehicles will soon come up for disposal. In view of the large number of vehicles declared for disposal, the Committee

expect Government to ensure that the disposal of the vehicles as also of the spares is so arranged as to fetch the maximum return to Government. The Committee stress the importance of taking early action to dispose of M.T. spares worth Rs. 15 crores which were awaiting disposal on 31st July, 1967.

2.42. According to the new discard policy, 1-tonner, GS 3-tonner, jeeps and motor cycles will be discarded after a specified number of years irrespective of the mileage performed. It is possible that an appreciable number of vehicles, particularly those kept in reserve, may not have done enough mileage. The Committee would, therefore, like Government to examine whether such vehicles should not be offered in the first instance to other Government departments and Public Undertakings before disposing them of through the D.G.S. & D.

2.43. In view of the revised discard policy, vehicles would be disposed of at an earlier stage of their life, resulting in less effort on their repairs.

There would thus be economy in—

- (i) quantum and variety of spare parts held in stock; and
- (ii) workload and consequently establishment etc. of the Army Workshops in which the vehicles would be repaired.

2.44. The Committee would like to be informed whether any estimates of these consequential economies were made at the time of the adoption of the revised disposals policy and how far these estimates have been realised in actual practice.

2.45. (b) *Excessive purchase of new vehicles*—In addition to replacement of the discarded old vehicles, new vehicles were to be purchased to make good the pre-existing shortage in the fleet (bearing in mind the subsequent changes in the unit entitlements and reserves). The procurement has, however, not been fully coordinated with the actual requirements; except in the case of 3 ton lorries, this has resulted in the actual holding being more than that authorised, to the extent shown below:—

Type of vehicles	Number of vehicles held in excess
1 Ton trucks	617
Jeeps	4,065
Motor cycles	1,651

2.46. The Ministry have attributed the imbalance to the following:—

- (i) **in the absence of precise figures of vehicles to be discarded on the basis of the prescribed formula, which takes into account not only 'age' but also 'mileage' done, procurement action had necessarily to be based only on 'age'.**
- (ii) **certain vehicles (mainly those with faulty log books referred to earlier) had not run the required 'mileage', although they have completed the prescribed 'age'; the number actually discarded has, therefore, turned out to be than that anticipated.**

2.47. In February, 1967, after audit drew their attention to the imbalance, the Ministry cancelled orders for 2,574 jeeps and 2,504 motor cycles (roughly estimated to cost Rs. 4.50 crores) due for delivery by March, 1968.

2.48. In reply to a question why the purchase programme was drawn up as if the vehicles as per targets had been discarded. The Additional Secretary stated that both the discard and purchase programme had to be drawn up together in advance. Orders for Jeeps and motor cycles had been placed on the private manufacturers and the Department of Defence Production. Excepting in these two types of vehicles, there was no excess over authorised holdings in respect of other types of vehicles. As the old vehicles viz., jeeps and cycles were not reliable, the purchase programme was not curtailed even when there was excess over the authorised holding. However, because of the imbalance, certain orders for jeeps were temporarily cancelled.

2.49. The Committee understand from Audit that the Ministry of Defence had informed them that planning and procurement were based on the "life" formula while actual discard of vehicles was effected only after they had completed the 'age' as well as the 'mileage' specified and that the number actually discarded was less than the anticipated, due to faulty mileage recorded in the case of certain vehicles.

2.50. The Committee feel that with a little more coordination, the purchase of vehicles in excess of authorised strength could have been avoided. The Committee are unhappy to note that for want of this coordination, it was only after Audit had intervened that certain orders for the supply of jeeps and motor-cycles of the value of about

Rs. 4.50 crores were cancelled. The Committee hope that the Ministry of Defence will take suitable measures to ensure that the procurement of vehicles is fully coordinated with actual requirements and authorisation so as to obviate excess purchases.

Imbalance between drivers and vehicles in transport and ambulance units—Para 42—Pages 58-60.

2.51. In the case of four units mentioned below (three manned by enrolled personnel and one by civilians), it was observed that posting of man-power had not been fully coordinated with vehicles on hand; in the result, while a number of drivers and cleaners were without vehicles for months together (the wages paid to them totalled about Rs. 12 lakhs), an expenditure of over Rs. 19 lakhs had to be incurred for hiring transport from private operators during the period.

(a) *Units manned by enrolled personnel*

2.52. (i) In two transport companies, the number of drivers exceeded the sanctioned strength but the vehicles on charge were considerably less than the unit entitlements. Details are set out below:—

Date	Number of vehicles				No. of drivers		
	Load carrying (3 ton lorries)		Others		Autho- rised	Actually posted	Sur- plus
	Autho- rised	Actual holding	Autho- rised	Actual holding			
1	2	3	4	5	6	7	8
Company 'A'							
30-9-64	139	..	22	10	346	351	330
31-3-65	137	5	16	14	267	330	297
30-9-65	137	4	16	13	267	286	257
31-3-66	137	4	16	13	267	268	239
30-9-66	137	2	16	12	267	256	232

Company 'B'

1	2	3	4	5	6	7	8
30-9-64	139	65	22	34	309	315	125
31-3-65	137	55	16	30	271	363	212
30-9-65	137	39	16	24	271	307	195
31-3-66	137	33	16	14	271	253	130
30-9-66	137	30	16	14	269	261	184

2.53. Both the companies were posted at the same station from November, 1964. While Company 'A' was assigned the role of conveying essential stores to and from certain units stationed at the border, Company 'B' formed part of the reserve. With only about 4 per cent (2 to 5 out of 137 to 139) of its entitlement of load carrying vehicles, Company 'A' was unable to perform its role; the stores to be transported by it were carried partly by Company 'B' which had 22 to 47 per cent of its entitlement of such vehicles, and the rest were carried by hiring private transport for which a sum of Rs. 19.05 lakhs was paid in the period November, 1964, to October, 1966. The imbalance between the drivers posted and the number of vehicles held resulted in payment of over Rs. 11 lakhs as wages to the surplus drivers (in the period September, 1964, to October, 1966).

2.54. In April, 1966 to October, 1966, an ambulance platoon had a complement of 53 to 55 drivers against the authorised strength of 53, but the number of vehicles held was much less than its entitlement, as shown below:—

Date	Number of Ambulances		Number of other vehicles	
	Authorised	Actual holding	Authorised	Actual holding
31-3-66	33	13	4	3
30-9-66	33	..	4	3

2.55. The wages paid to the surplus drivers during April—October, 1966, amounted to Rs. 0.46 lakh.

(b) Units manned by civilian personnel

2.56. A civilian general transport platoon had the following vehicles from February, 1965, onwards:

Date	Number of load carrying vehicles (3 ton)		Number of other vehicles	
	Authorised	Actual holding	Authorised	Actual holding
31-3-65	30	3	2	1
30-9-65	30	7	2	1
31-3-66	30	12	2	1
30-9-66		10	2	1

2.57. However, it had a complement of 46 drivers and cleaners against the sanctioned strength of 54. The surplus personnel (excluding 5 drivers who were utilised by other units) remained largely idle; an expenditure of about a lakh of rupees was incurred on their pay and allowances till October, 1966.

2.58. In the meantime, the local authorities were hiring private transport for carriage of stores. The expenditure on this account during February, 1965—October, 1966, totalled about Rs. 0.32 lakh.

2.59. The Ministry have attributed the shortage of vehicles in the four units, referred to in (a) and (b) above, to general deficiency of 3 ton* transport vehicles in the Services on the one hand, and low priority of these units on the other. The shortage of vehicles with the three units manned by enlisted men has, however, since been reduced and the remaining surplus drivers are being transferred to other units in forward areas in need of drivers; in the civilian unit, the shortage in vehicles has now been practically made up.

2.60. As regards the future, instructions have been issued:

- (i) to ensure an even distribution of vehicles/drivers among the various units by inter unit transfers; and
- (ii) to utilise vehicles not quite fit for service in field areas on local duties instead of being disposed of.

*Production of Shaktiman (3 ton) trucks by the Ordnance factories has been lagging behind even the revised programme drawn up in May, 1963

2.61. In the case of civilian personnel, instructions have also been issued to suspend further recruitment for the present.

2.62. The Additional Secretary explaining the circumstances for the imbalances between the drivers and the vehicles stated that the combatant drivers had to be recruited and trained much in advance of receipt of vehicles. He added that proper co-ordination existed so far as recruitment and training of drivers was concerned.

2.63. In the case of the two units mentioned in the Audit para, he said that though these units were issued release orders for vehicles, these were later diverted to more important operational units but simultaneous action for posting out the drivers from these units was not taken.

2.64. Asked if the imbalance was brought to the notice of the Ministry, the witness stated that they were not aware of it.

2.65. The Secretary, Ministry of Defence, stated, "The determination of the strength in different sections within the overall ceiling is the task of the Army Headquarters. Defence Ministry does not go into it. I would draw their attention to this imbalance and ask them to take corrective action. If they feel that somebody is to blame for this, I will ask them to take action. It was in January 1967 that instructions were issued by Army Headquarters to different units laying down the precautions and steps that they should take in order to avoid this imbalance."

2.66. In a note furnished to the Committee, the Ministry of Defence have stated that the imbalance between drivers and vehicles in Transport Units occurred mainly due to short-fall in indigenous production, unforeseen requirements, losses and priority given for issue of vehicles on communication duties in operational areas. The non-field units have, therefore, had to bear deficiencies due to the cumulative effect of these causes.

2.67. In regard to the units mentioned in the Audit para, the Ministry had intimated that the vehicles deficiency as on 31st August, 1967 had come to 4 per cent as against 67 per cent on the initial dates shown in the Audit para. The deficiency in drivers was 6.3 per cent as against 4 per cent deficiency in vehicles as on 31st August, 1967.

2.68. On an overall basis the Ministry have stated that the deficiency in vehicles and drivers has been markedly reduced.

2.69. The Ministry have further stated that the following measures were taken to adjust as far as possible the man-power and vehicles holdings in ASC Transport Units:—

- (a) inter-unit transfer of personnel to make up deficiencies in units having full or nearly full complement of vehicles;
- (b) attachment of personnel to units with full complement of vehicles so that they are kept under constant training, remain employed and to provide some relief to fully committed transport units;
- (c) inter-unit transfer of vehicles, to the extent possible compatible with their commitments and holding of personnel;
- (d) inter-unit transfer of vehicles from field formations which are not quite fit for operational service to Civil General Transport Units where they can be employed on local duties, and
- (e) discontinuance of fresh employment of civilian personnel until vehicle deficiencies exist.

2.70. The Committee regret to note that, due to lack of balance between the numbers of drivers and of vehicles in transport and ambulance units, an expenditure of about Rs. 12 lakhs was incurred on the wages of drivers and cleaners who were without vehicles and that simultaneously an expenditure of over Rs. 19 lakhs had to be incurred for hiring transport from private operators.

2.71. The Committee find that there has been lack of coordination between the different branches of Army Headquarters in regard to the recruitment and posting of drivers to General Transport Units and the supply of vehicles to these units. Had the branches concerned taken concerted and prompt action on the basis of the various strength returns and vehicles returns submitted by the Units, the imbalance between the number of drivers and that of vehicles could have been appreciably reduced.

2.72. The Committee note that necessary instructions have now been issued to set matters right. They hope that a close watch will be kept on the implementation of these instructions by Army Headquarters.

(ii) Engineer-in-chief's Branch

Improper technical sanction, and defective design of overhead reservoirs, para 30, pages 43-44.

2.73. A contract for the construction of 3 round over-head reservoirs based on the designs and drawings of the contractor, at a cost of Rs. 6.09 lakhs, was entered into in February, 1964. The contractor guaranteed the structural stability of the reservoirs for 12 months.

2.74. The work was completed in February, 1965. On 22nd September, 1965, one of the reservoirs collapsed while it was only half full. A technical Board which assembled on 25th September, 1965, found that the contractor's design for the overhead tanks was defective in the following respects:—

- (i) the safe bearing capacity of the soil adopted by the contractor in his designs (2.31 tons per FS) was much higher than that specified in tender (0.5 ton per FS);
- (ii) the stress in reinforced columns was 10 per cent more than that permissible allowing for seismic effects; and
- (iii) the foundation beam was under-reinforced (40 to 60 per cent less than that required).

2.75. The contractor agreed in November, 1965, to reconstruct the collapsed reservoir to a fresh design, and to strengthen the remaining two reservoirs, at his own cost. The work was in progress (March, 1967).

2.76. Each work is required to be technically sanctioned by the competent engineer authority before it is commenced, the technical sanction amounts to a "guarantee that the proposals are structurally sound". Where the work is carried out by a specialist firm to its own design, the technical sanction is required to be accorded, after receipt of the tenders, on the basis of the accepted design.

2.77. In this case the competent engineer authority accorded the technical sanction, in October, 1963, without working out any design and before tenders based on contractor's own design were even invited; the sanction merely described the number and size of the tanks with some general specifications. Further, defects in the contractor's design found subsequently by the technical board on 25th September, 1965, were not detected before it was accepted and the contract entered into.

2.78. The Ministry have stated in January 1967 that a Court of Inquiry had been constituted in August, 1966, to enquire into "the question of responsibility for the technical sanction by the competent engineer authority".

2.79. Due to the non-completion of the works on reservoirs, other assets like tubewells, pumps, etc., constructed at a cost of Rs. 5.89 lakhs, are lying unutilised since October, 1965; in the meanwhile a certain expenditure is being incurred on watch and ward and payment of minimum charges for electricity (supply of which had been arranged in anticipation of the completion).

2.80. The Additional Secretary, Ministry of Defence stated that the Department had to satisfy themselves that the design supplied by the Contractor was sound. In this case the contractor had given an undertaking, that he would ensure the structural soundness and would set right any defects that might develop. Now instructions had been issued that the technical sanction should be given only after the design supplied by the Contractor was scrutinised and accepted. The witness further disclosed that action had been initiated against the officers found guilty by the Board of Inquiry. One of the officers who was primarily responsible had been removed from service for some other defaults, committed by him. The Secretary, Ministry of Defence added that "the Chief Engineer was to blame for not paying attention to the question of technical sanction." The witness also informed the Committee "Even earlier on 16th February, 1965, instructions had been issued that the practice of getting the contractor's design should cease forthwith and in future tenders would be called for based on our own designs." The Engineer-in-Chief informed the Committee that actually their normal policy was to prepare their own designs and to ask for tenders on that basis. It was only in the year 1962-63 i.e., in the days of emergency, that in the case of certain tenders the contractors were asked to produce their designs. He also informed the Committee that now they were reverting to their old practice.

2.81. The Committee enquired about the present position of the collapsed reservoir which the contractor had agreed to reconstruct in November, 1965. The Additional Secretary Ministry of Defence stated that this contractor started the work first, but half way through, he gave it up. The Secretary, Ministry of Defence stated that the Contractor did not make any progress and in February, 1967, the remaining portion of the work was given to another agency at the risk and cost of the contractor. After the work was completed the extra cost involved would be recovered from this contractor.

2.82. In reply to a question the witness stated that the assets such as tubewells, pumps etc. created under the project could not be utilised due to non-completion of the tanks. However, two tubewells and two pumps costing Rs. 1.2 lakhs had been put into use since the commissioning of one of the tanks on 7th May, 1967. The remaining assets would be put into use on completion of the work on other two tanks.

2.83. From the note furnished at the instance of the Committee, it is seen that the total sum of Rs. 5,69,505 has been paid to the defaulting contractor on account of the construction of the reservoirs. A net amount of Rs. 1,05,045 is recoverable from the contractor on account of the remaining portion of the work that is being done at his risk and expense. The Chief Engineer has asked the contractor on 30th September, 1967 to deposit the amount of overpayment. Other Command Chief Engineers have also been asked to withhold payment of any dues of the contractor available with them.

2.84. The Committee are unhappy to note that the competent Engineering authority accorded the technical sanction for the work without either working out any detailed design for the work or checking up thoroughly the design submitted by the contractor, with the result that one of the reservoirs collapsed when brought into use in September, 1965. The Committee cannot escape the conclusion that the competent Engineering authority construed the technical sanction as merely a formality before undertaking the work. The Committee expect the Engineer-in-Chief to ensure that the authorities concerned accord technical sanction only after a careful consideration of the design and specifications. Serious notice should be taken if the standing instructions about a careful scrutiny of the design before the according of technical sanction are not strictly followed by an Engineering authority.

2.85. The Committee note that, in the present case, the person primarily responsible for the default has been removed from service for some other defaults.

2.86. The Committee would like to be informed of the recovery of Rs. 1.05 lakhs from the contractor in this case.

Acceptance of defective design for storage sheds, para 31 page 44.

2.87. In January, 1964, the Chief Engineer entered into a contract for the construction of 3 storage sheds at a cost of Rs. 8.04 lakhs. The technical sanction, and the contract were based on the contractor's own design, which had been examined and accepted by the Chief Engineer after certain modifications.

2.88. A site examination of the work by the Chief Technical Examiner in July, 1964, and subsequent investigations, disclosed that:

- (i) the accepted design of the sheds was in some ways defective; the contractor had also used untested steel in place of tested steel;
- (ii) the contractor had been allowed to provide sliding doors (which are cheaper) instead of roller shutters, and allowed extra payment for steel braces, though he was to provide these without extra cost; steel windows used were also of substandard quality.

2.89. A report on the effect of the defective design and the use of untested steel by the contractor, referred to in (i) above, on the structural stability of the sheds, and their financial implications, is awaited. As regards (ii), a recovery of Rs. 35,470, agreed to by the Chief Engineer, was disputed by the contractor; the matter was stated to be under arbitration (December, 1966).

2.90. The representative of the Ministry of Defence stated that the tender in this case was based on an American collaborator's design based on American standards, which differed slightly from Indian standards. The design that was accepted was not checked by the engineers with deference to Indian Standards. The Chief Technical examiner pointed that out and the Contractor was asked to strengthen those members.

2.91. The Committee asked whether the enquiry regarding the effect of the defective design and the use of untested steel by the contractor had been completed and if so, whether any responsibility had been fixed. The Additional Secretary, Ministry of Defence informed the Committee that the enquiry had been completed. The Secretary, Ministry of Defence stated that there were two or three points which had gone to arbitration. "In this particular case, the Chief Engineer proposes to deal with the disciplinary aspect in the light of the results of arbitration proceedings. I don't think it is necessary to wait for the close of arbitration proceedings, because they are by no means the judicial proceedings in that sense and I am asking the Engineer-in-Chief to take on the disciplinary aspect in advance."

2.92. In reply to a question, the witness informed the Committee that the Ministry had directed all the Chief Engineers on 20th August, 1966 not to have any dealings with the contractor.

2.93. From the note furnished at the instance of the Committee by the Ministry of Defence it is noticed that—

- (a) the Chief Technical Examiner had pointed out only the use of untested steel in the contract;
- (b) as per contract, steel windows were to be provided from standard manufacturers, the size of the windows provided by the contractor in his own design was not available in standard sizes of steel windows normally manufactured by the trade. The contractor was, therefore, permitted to use angle iron and manufacture the steel windows. The workmanship was however, found sub-standard and not comparable in quality with those of standard manufacturers. It was decided to recover a sum of Rs. 8576 for the sub-standard work;
- (c) the contractor has not agreed to the recovery of the amount and the matter has been referred to the arbitration;
- (d) a claim amounting to Rs. 8,008.11 has been raised against the contractor for the difference in price of steel conforming to standard quality' and that conforming to 'commercial quality' used by him. The contractor has not accepted the Government claim and the matter has been referred to the arbitrator;
- (e) the Government and the contractor have submitted their claims to the arbitrator and the date of hearing of the case has not yet been fixed;
- (f) the storage sheds are being fully utilised for the purpose intended.

2.94. The Committee regret to note that the design of the storage sheds which had been prepared by the contractor and accepted by the Department with some modifications has now been found to be defective. It is also strange to note that the use of untested in the place of tested steel by the contractor was not detected by the engineering officers supervising and inspecting the works. The contractor was allowed to provide cheaper sub-standard substitutes for doors and windows and allowed extra payment for steel braces which were required to be provided without extra cost. The Committee note that disciplinary action is being taken against the officers responsible for the lapses in this case.

2.95. The ~~Committee~~ would like to be informed of the result of arbitration in this case.

Defective planning and uncoordinated construction of water works, para 36, pages 49—51.

2.96. In November, 1963, under the Emergency Works Procedure, an Army Commander sanctioned a scheme for providing external water supply (67 lakh litres per day) for troops at a station at an estimated cost of Rs. 24.90 lakhs. The scheme comprised construction of 8 overhead reservoirs, sinking of 5 tube-wells, provision of pump house, etc. and laying rising and distribution mains.

2.97. (a) All the 8 overhead reservoirs, constructed during the period April, 1964, to February, 1966, at a cost of Rs. 11.19 lakhs, are lying unutilised. It was observed in this connection that the reservoirs were constructed even before the availability of requisite quantity of water had been satisfactorily established and layout of the mains settled.

2.98. The table below shows the dates of commencement and completion of the works:

	8 overhead tanks	5 tubewells		Rising and distribution mains
		1 tubewell	4 tubewells	
Date of geologist's report on suitability of site	..	Nov. 1964	Nov. 1964	
Date of contract	Mar. 1964	Aug. 1965	Not started upto Dec. 1966 (awaiting geologist's report on the yield of the 1st tubewell)	Even the layout has not been settled (Jan. 1967).
Date of completion				
Scheduled	Apr. 1965	Feb. 1966		
Extended	Oct. 1965	June 1966		
Actual	Feb. 1966	Aug. 1966		
Date of performance test to determine yield		December, 1966		

2.99. It will be seen that only one (out of 5) tube-well has been sunk, and the layout of the mains has not even been settled, though all the reservoirs have been completed.

2.100. The construction of the reservoirs was started (April 1964) 7 months before the geologist's report on the suitability of the tentative site of the tube-wells was received (November 1964); the sinking of the first tubewell commenced (August 1965) 9 months after the receipt of geologist's report due, it has been stated, to difficulty in getting suitable contractor.

2.101. The performance test of the 1st well was conducted in December, 1966, 10 months after the reservoirs were completed; the size of the remaining 4 tubewells is to be decided, and boring commenced, after getting the geologist's report on the maximum safe yield which was awaited till December, 1966.

2.102. As regards the rising and distribution mains, the Ministry have stated that laying of the mains could not be taken up so far (December, 1966) as it was subsequently decided to fit in the water distribution system (which was originally intended for only a division strength of troops) with the master plan of the station and the master plan has yet to be finalised.

2.103. (b) The competent engineer authorities had accorded technical sanction—which is the approval of design and specification to ensure that they are in accordance with sound engineering practice and fulfil the object in view with the least expenditure—(the day) before the contract for construction of reservoirs was entered into. Nevertheless—

- (i) the contract drawings did not specify the sizes of the inlet and outlet pipes or overflow and wash out pipes;
- (ii) the quantities of work in respect of clamps for fixing the pipes actually required to be done was found to be 57 quintals (713 per cent) more than that stipulated. Similarly the design approved and given to the contractor in March, 1965, provided for about 1,000 Rft. (255 per cent) of certain pipes over and above the approximate length shown in the schedule to the contract.

2.104. The sizes of inlet and outlet pipes referred to in (i) which were approved by the Commander Works Engineer during the execution of the work were considered by the Chief Engineer to be larger than required. The larger sizes had, however, to be used mainly as

the contractor had by then already procured the stores. This entailed an avoidable expenditure of about Rs. 17,500 (the difference between the cost of two sizes of pipes).

2.105. The Additional Secretary, Ministry of Defence stated that this work was undertaken under the Emergency Works procedure. 4 reservoirs out of 8 had been put into use. The witness further stated that "the complete co-ordination could not be done" and added that in a work of this nature certain amount of delay in the progress of various items of work was bound to occur. In this particular case, a part of the delay was due to the change in the scope of the work. The Committee pointed out that the construction of reservoirs was started in this case seven months before even the geologist's report on the site of the tube-well was received and enquired if it was not a lop-sided way of doing things. The Additional Secretary, Ministry of Defence admitted that there had been no proper co-ordination.

2.106. The Committee asked whether it was a fact that the reservoirs were planned and executed even before the plans for the rising mains and the distribution mains were prepared. The representative of the Ministry of Defence stated that the location of the reservoir was dependent on various other factors and the reservoir had been located on that basis. The distribution mains were originally planned for a certain population and had to be changed in view of the decision to locate a bigger garrison.

2.107. The Committee understand that the object of the work sanctioned under the Emergency Works Procedure is to ensure completion of the work with the minimum delay and maximum economy in regard to money and stores. In the present case neither was any time saved nor any economy achieved. On the contrary this led to the locking up of capital and unproductive expenditure.

2.108. The construction of the reservoirs was started in April, 1964, seven months before the geologist's report on the suitability of the tentative site of the tubewells was received in November, 1964, and the availability of the requisite quantities of water had been satisfactorily established. The sinking of the first tube-well was commenced in August, 1965, nine months after the receipt of the geologist's report and its performance test conducted in December, 1966, ten months after the reservoirs were completed. These facts clearly indicate that there was lack of coordination in the planning and execution of the project. The Committee expect Government to

take suitable ~~measures~~ to ensure effective coordination in the planning and ~~execution~~ of work so as to obviate a ~~recurrence~~ of such cases.

2.100. Further, this case has also brought out instances of lapses in working out technical requirements on which the technical sanction accorded for the work by the Chief Engineer was based. The technical sanction was accorded the day before the contract for the construction of the reservoirs was entered into and the drawings did not specify the sizes of the inlet and outlet pipes or overflow and wash out pipes. The Committee reiterate their observation in para 2.84 of this Report that the Engineer-in-Chief should take steps to ensure that technical sanctions are accorded after examination of all aspects of a project and that any negligence in this regard is dealt with in a suitable manner.

Technical examination of contracts and works, para 39, pages 53-54.

2.110. The Chief Technical Examiner's organisation, set up in the year 1935, checks a percentage of contracts and bills and conducts a site examination of certain works. (Check of specifications is outside the scope of its functions).

2.111. I. *Results of check of contracts and works.*—During the year 1965, the organisation conducted technical examination of contracts/site examination of works in 688 cases. This disclosed:

(a) In 11 cases, contracts contained ambiguous or defective wording and/or were not accompanied by detailed drawings. The financial implication of these lapses could not, however, be determined.

(b) In 3 cases, the contractors were given extra contractual benefits amounting to Rs. 5.37 lakhs.

(c) In 272 cases, the contractors were overpaid Rs. 11.25* lakhs mainly as a result of the following:—

(i) Acceptance of substandard work and/or defective workmanship without effecting suitable recovery;

(ii) erroneous pricing and incorrect measurement, of work done.

II. *Delay in recovery of overpayments.*—Of the overpayments detected by the organisation and accepted by the Military Engineer

*This excludes cases in which the contractors rectified the defects at their own cost and/or cases in which the amount could not be determined.

Services up to December, 1965, a sum of Rs. 3.40 lakhs has not been recovered from the contractors up to June, 1966; of this an amount of about Rs. 1.50 lakhs was outstanding recovery for over 3 years.

2.112. Explaining the percentage of checks of various items such as Contracts, Bills, Muster Rolls etc. conducted by the Chief Technical Examiner, the Secretary, Ministry of Defence stated that in 1962, the Chief Technical Examiner had conducted the examination of works valued at Rs. 14 crores as against the total value of works of Rs. 58 crores. In 1966, the value of works examined by Chief Technical Examiner was about Rs. 76 crores as against the total value of Rs. 113 crores. There had been a progressive increase in regard to the examination of works by the Chief Technical Examiner.

2.113. The witness stated that the percentage of over-payment to the total value of works was as follows:

1962	.	.	.	.	0.16%
1963	.	.	.	.	0.22%
1964	.	.	.	.	0.14%
1965	.	.	.	.	0.28%
1966	.	.	.	.	0.17%

2.114. In reply to a question, the Additional Secretary stated that no comparison had been made with the percentage of works covered by the Chief Technical Examiner of the Ministry of Works, Housing & Supply.

2.115. The Committee pointed out that in 272 cases, contractors were over paid to the tune of Rs. 11.25 lakhs mainly due to acceptance of sub-standard works and enquired reasons for acceptance of such large number of sub-standard works. The witness stated "If the total number of works going on and their cost of Rs. 20.20 crores was considered, the 272 cases which were detected by the Chief Technical Examiner's organisation costing Rs. 11.25 lakhs would not work out much." The Committee pointed out that the irregularities brought out by the Chief Technical Examiner were indicative of lack of proper supervision of works in the Military Engineer Service. The Additional Secretary stated that the Military Engineer Service was a large organisation. The organisation had to work sometimes under certain handicaps and tight schedules like work in out of way places and so on. All these factors did contribute to irregularities or delay. He stated "I think the Chief Technical Examiner's

organisation which is a very good organisation, keeps a good check." He added "There are some cases of malpractices and corruption, we are always alive to them. We investigate them and try to find out remedies. But I do not think there is anything seriously wrong with Military Engineer Service as a whole.....".

2.116. In reply to a question the Secretary, Ministry of Defence stated that normally a Court of Inquiry was appointed to go into the question of irregularities brought out in the Report of the Chief Technical Examiner. In the case of overpayment which appeared to have been made deliberately or made in a careless manner, enquiries were also held and the fact that the recovery had been made, did not absolve an officer from departmental action.

2.117. On being asked about the reasons for the delay in the recovery of overpayment amounting to Rs. 3.40 lakhs from the contractors, the witness stated that a sum of Rs. 1.99 lakhs had since been recovered. The delay was due to the fact that some cases were under arbitration, some cases were pending before the court and in some cases action in regard to the recovery was in progress.

2.118. From the note furnished at the instance of the Committee by the Ministry of Defence it is observed.

- (a) Cases of over-payments pointed out by the Chief Technical Examiner and his observations thereon are received by the Engineer-in-Chief's Branch in draft form. These cases are referred to the respective Chief Engineers who are asked to look into these cases and indicate their acceptance or otherwise and the proposed remedial measures and disciplinary action.
- (b) These cases are further examined by Engineer-in-Chief's Branch and suitable action is taken after the comments are received from the Chief Engineers.
- (c) Remedial instructions are also issued as and when considered necessary.

2.119. As regards the delay in the recovery of the balance amount of Rs. 1.41 lakhs (Rs. 1.99 lakhs has already been recovered out of Rs. 3.40 lakhs shown as outstanding against the contractor), the Ministry have given the following reasons:—

- (a) arbitration proceedings are in progress;
- (b) matters pending in court;

- (c) contractor has expired; and
- (d) recovery action is in progress.

2.120. It has also been stated in the Ministry's note that "there is no case where a claim has become time-barred."

2.121. The Committee note that technical examination of contracts and the examination of the site of works conducted by the Chief Technical Examiner's Organisation during the year 1965 has disclosed:

- (i) that the contracts contained ambiguous or defective wording;
- (ii) that the contracts were not accompanied by detailed drawings;
- (iii) that contractors were given extra contractual benefits;
- (iv) acceptance of sub-standard work;
- (v) defective workmanship;
- (vi) erroneous pricing; and
- (vii) incorrect measurement of work.

2.122. The Committee expect Government to take suitable remedial measures to ensure that such lapses do not recur.

2.123. The Committee hope that, except for cases under arbitration and pending in the Courts, the Military Engineering Services authorities will take adequate steps to effect recoveries from contractors of the balance of Rs. 1.41 lakhs of overpayment.

III

NAVY

Premature procurement of Naval stores—para 9—pages 13-14.

Certain mooring gear costing Rs. 6.54 lakhs, procured in connection with provision of a permanent mooring berth at a Naval base, between November, 1961, and May, 1963, is lying idle consequent on dropping of the scheme in June, 1964.

3.2. Bulk of the equipment was ordered from abroad in June, 1961, before the civil works were sanctioned in August, 1961. This sanction itself was issued while the suitability of the proposed site of the berth was still under investigation of the port authorities (who were to execute the civil works) in consultation with the Central Water and Power Commission.

3.3. In July, 1962, the Commission stated that establishment of berth at the proposed site would entail large scale maintenance dredging and formation of eddies in its vicinity. It was, therefore, decided in November, 1962, to give up the project for the provision of a permanent mooring berth and, instead, provide a temporary mooring berth in the commercial part of the port. The latter proposal was also dropped in June, 1964, mainly as:

- (i) due to change in the strategic situation, a separate berth at this base was no longer considered necessary;
- (ii) a commercial alongside berth was available at the base and could be used, as and when required, for a certain period at a time.

3.4. Procurement of the mooring equipment when the question about the suitability of the proposed site of the berth was still under examination has thus resulted in unproductive capital outlay of Rs. 6.54 lakhs. The Ministry have informed Audit, in December, 1966, that it may be possible to utilise the equipment elsewhere and that it will retain its utility and value indefinitely.

3.5. The Committee enquired the reasons for the equipment being unutilised between November, 1961 and May, 1963.

The Additional Secretary, Ministry of Defence stated that generally their experience has shown that such equipment materialised in about three years from the date of order. And the project civil works were expected to be completed by the time of arrival of the equipment. In the present case, the completion of the civil works was delayed due to the following unanticipated factors:—

- (a) possibility of large scale maintenance dredging and formation of eddies as a result of large scale dredging;
- (b) dispute with the Port Trust authorities and the Naval authorities regarding payment for maintenance dredging of the temporary mooring berth; and
- (c) liberation of Goa.

3.6. The Committee pointed out that these reasons could not be termed as unanticipated. The Secretary admitted that in regard to the maintenance dredging this could have been looked into. As for the dispute with the Port Trust authorities, he stated that the Port Trust being an autonomous organization, they could not be persuaded to be more co-operative.

3.7. In view of these factors the whole programme for the mooring berth had been dropped. He admitted that he did not know whether the mooring could be utilised elsewhere. They were considering disposal of the equipment which is in perfectly good condition.

3.8. The witness agreed with the Committee that the planning was done without consideration of all factors and stated that the matter should have been gone into in detail in all its implications before steps were taken to finalize the question of sanction as well as placing the order for the mooring equipment.

3.9. The Committee regret that as admitted in evidence there has been a certain lack of planning and forethought in the purchase and installation of equipment, resulting in an infructuous expenditure of Rs. 6.54 lakhs. If the proposal for the purchase of mooring equip-

ment had been examined in detail and difficulties in the availability of site foreseen, this infructuous expenditure could have been avoided. The Ministry of Defence should issue suitable instructions to ensure that projects are sanctioned only after examination of all aspects so that cases of this type do not recur.

NEW DELHI;

February 21, 1968.

Phalguna 2, 1889 (S).

M. R. MASANI,

Chairman,

Public Accounts Committee.

APPENDIX I

(Vide para 1.17 of this Report)

(1)

Regularisation of the Excess over Voted Grant disclose in the Appropriation Accounts of the Defence Services for the year 1965-66 under Grant No. 11—Defence Services, Effective—Army

Grant No. 11—Defence Services, Effective—ARMY

		Rs.	Rs.
Voted Grant	O	586,77,30,000	608,80,30,000
	S	22,03,00,000	
Actual Expenditure			613,61,73,495
Net Excess			4,81,43,495

2. The details of the net excess by various Heads of the Grant are indicated below:—

(In thousands of Rs.)

Sub-head			Final Grant	Actual Expenditure	(+) (-)	Excess Saving
1	2	3	4	5	6	6
A—Pay and Allowances of the Army	O	1,58,87,46	1,63,78,66	1,64,93,73	(+)	1,15,07
	S	6,69,93				
	R	(-) 1,78,73				
B—Pay and Allowances and Miscellaneous Expenses of the TA, etc.	O	5,30,28	5,76,03	[5,61,39	(+)	85,36
	S	94,11				
	R	(-) 48,36				
C—Pay and Allowances of Civilians employed with (or for) the Army	O	45,75,51	[48,75,78	[49,06,73	(+)	30,95
	S	2,71,22				
	R	20,05				
D—Transportation and Miscellaneous	O	40,70,67	46,13,35	47,49,02	(+)	1,35,67
	S	5,18,36				
	R	24,32				
E—Expenditure on Manufacturing and Research Establishments.	O	1,47,19,65	1,28,08,36	1,33,41,04	(+)	5,32,68
	R	(-) 19,11,29				
F—Purchase and sale of stores other than for Manufacturing and Research Estts. MBS (excluding Engineer Store Depots)	O	1,54,36,38	1,68,29,85	1,69,18,42	(+)	88,57
	S	6,49,38				
	R	7,44,09				
G—Expenditure on Works (other than Capital Projects) Maintenance, etc.	O	27,85,90	34,63,26	37,24,17	(+)	2,60,91
	R	6,77,36				

					85
1	2	3	4	5	6
H—Charges in England	O	6,71,45	5,65,04	5,66,25 (+)	1,21
	R	1,06,41			
I—Loss or Gain by Exchange	R	98	98	99 (+)	1
Surrenders or withdrawals within Grant	R	7,68,99	7,68,99	.. (+)	7,68,99
TOTAL			6,08,80,30	6,13,61,74 (+)	4,81,44

NOTE:— O : Original Grant
S : Supplementary Grant
R : Re-appropriation within the grant

3. It would be seen from the above statement that the net excess of Rs. 4.82 crores which is 0.8 per cent of the Final Grant has occurred mainly under Sub Head E due to larger materialisation of supplies than anticipated at the time of final estimates framed in March 1966 in respect of Ordnance Factories. The important factors responsible for the excess under the various Sub-heads are briefly indicated below:—

Sub-Head 'A' (+) Rs. 115.07 lakhs.

The excess of Rs. 115 lakhs over the Final Grant is mainly due to the per capita rate for pay and allowances of Officers and other Ranks, adopted at Final Estimates stage, having proved to be inadequate. The variation is only 0.7 per cent in this case.

Sub-Head 'B' (+) Rs. 85.36 lakhs.

The decrease of Rs. 48 lakhs at the Final Estimate stage was made consequent on the decision to disembody some Territorial Army units (Rs. 38 lakhs) and due to less expenditure on National Cadet Corps. Camps (Rs. 10 lakhs) than anticipated earlier. The excess of Rs. 85 lakhs over the Final Grant was due to larger expenditure than anticipated on:—

(In lakhs of Rs.)

(i) Territorial Army, due to actual disembodiment of Territorial Army units being slower than anticipated (Rs. 15 lakhs) and larger number of trainees having turned up for training (Rs. 5 lakhs)	20
(ii) National Cadet Corps, due to larger materialisation of supplies (Rs. 31 lakhs) and adjustment of heavy debits from State Governments on account of Camp expenditure (Rs. 34 lakhs)	65
	85

Sub-Head 'C' (+) Rs. 30.95 lakhs.

The excess under this head is only 0.6% of the Budget allotment and is mainly due to increase in the average strength of Civilians caused by greater intake of recruits in the last quarter of the year.

Sub-Head 'D' (+) Rs. 135.67 lakhs.

The excess of Rs. 136 lakhs over the Final Grant was mainly due to:—

(In lakhs of Rs.)

Larger expenditure than anticipated on Rail Charges on account of movement of personnel and stores, due to operations	370
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Partly counter-balanced by less expenditure on —

(i) Hired Transport due to various reasons such as non-payment of some bills which were in dispute, late receipts of some bills etc. (Rs. 183 lakhs)	}	(—)234
(ii) Printing and Stationery (Rs. 44 lakhs) &		
(iii) Sea Passages (Rs. 8 lakhs)		
		136

Sub-Head 'E' (+) Rs. 532.68 lakhs.

The decrease of Rs. 1911 lakhs at the Final Estimates stage mainly due to (i) less expenditure having been anticipated on purchase of materials for Ordnance Factories (Rs. 1866 lakhs) due to less materialisation of supplies partly attributable to suspension of supplies by some foreign countries and (ii) anticipated less expenditure on transportation charges (Rs. 45 lakhs), as a result of (i) above. The excess of Rs. 532 lakhs over the Final Grant was mainly due to larger expenditure than anticipated on:—

(In lakhs of Rs.)

(i) Ordnance factories, due to larger materialisation of supplies (Rs. 401 lakhs), heavier adjustment than anticipated on account of Customs Duty (Rs. 73 lakhs), Pay and Allowances (Rs. 33 lakhs) & Misc. expenditure (Rs. 16 lakhs)	523
(ii) Military Farms, due to Transportation charges	9
	532

The decrease of Rs. 1866 lakhs at the Final Estimate stage in respect of Ordnance Factories as a result of anticipated short supplies was due to a general fall in the materialisation prospects from original anticipation and also a setback on account of restrictions on supplies from UK and USA for defence requirements and stoppage of shipment from other countries for about three months consequent on the conflict with Pakistan.

The ultimate excess of Rs. 401 lakhs on this account, resulting from larger materialisation of supplies was due to speedy indigenous procurement.

The excess expenditure in this case occurred in a situation which was beyond control.

Sub-Head 'G' (+) Rs. 260.91 lakhs.

Increased allotment of Rs. 677 lakhs under this head at the Modified Appropriation stage was due to:—

- (i) Expenditure incurred by GREF Units and Formation of D.G.B.R. placed at the disposal of Army—*vide* Memo No. F. 114(12)/1964-Pers. dated 20-9-1965 (Rs. 247 lakhs).
- (ii) Increased requirements of stores procured for stock purposes for eventual issue to works. (Rs. 325 lakhs).
- (iii) Other maintenance expenditure (Rs. 105 lakhs)). The excess of Rs. 261 lakhs over the Final Grant is mainly due to:—

(In lakhs of Rs.)

Larger expenditure than anticipated on operational works (Rs. 125 lakhs) and purchase of stores (Rs. 146 lakhs)	271
Partly counter balanced by less expenditure than anticipated on minor works	(—)10
	261

The excess on these operational works occurred in connection with the hostilities with Pakistan during 1965-66. The tempo of these works did not normalise after the cessation of hostilities as anticipated at the time of framing the estimated requirements.

Sub-Head 'H' (+) Rs. 1.21 lakhs.

A ~~deficit~~ of Rs. 106 lakhs was made at the Final ~~estimate~~ stage due to anticipated less expenditure mainly on purchase of stores from England. The actual expenditure has exceeded the Final Estimate by Rs. 1.21 lakhs which is negligible.

4. In a large organisation where provision of funds has to depend on a variety of factors, not the least of which are the postures of the neighbours and the attitudes of the supplying countries, the budgeting has to be based upon the material and facts available at time of preparation|review. The Revised Estimates were thus, based on the data then available and the surrenders were made on the best estimates possible on 30th March, 1966. This Ministry conducts periodical budget review to minimise such variations and to effect timely surrender. If despite all these efforts the estimates have slightly gone off the mark, it is due, essentially to those variables whose trend, it is not possible to forecast.

5. The excess of Rs. 4,81,43,495 is 0.8 per cent of the Final Grant. In the circumstances explained above, it is requested that the excess may be recommended for regularisation by Parliament under Article 115 of the Constitution.

6. D.A.D.S. has seen.

[Ministry of Def. O.M. No. F.10(7)/67/D(Budget), dated 15th October, 1967].

(2)

SUBJECT:—Regularisation of the excess over Voted Grant disclosed in the Appropriation Accounts of the Defence Services for the year 1965-66 under Grant No. 12—Defence Services, Effective—Navy.

Grant No. 12—Defence Services, Effective—Navy.

		Rs.	Rs.
Voted Grant	Original . . .	25,10,76,000	} 29,08,76,000
	Supplementary	3,98,00,000	
Actual Expenditure			30,42,38,489
Net Excess			1,33,62,489

2. The details of the net excess by various Sub-Heads of the Grant are indicated below:—

(Rs. in lakhs)

Sub-Head of the Grant	Final Grant	Actual Expenditure	Variation between Cols.
1	2	3	4
A.—Pay and Allowances of the Navy	767.05	771.15	(+)4.10
B.—Pay and Allowances of the Reservists	5.50	5.50	..
C.—Pay and Allowances of Civilians	667.23	667.32	(+)0.09
D.—Transportation and Miscellaneous	275.93	285.49	(+)9.56
E.—Expenditure on Stores	739.96	852.84	(+)112.88
F.—Cost of Works	186.52	193.49	(+)6.97
G.—Expenditure in England	266.11	266.13	(+)0.02
H.—Loss or Gain by Exchange	0.46	0.46	..
TOTAL	2908.76	3042.38	(+)133.62

3. It would be seen from the above table that the net excess of Rs. 133.62 lakhs has occurred mainly under Sub-Head 'E' (Rs. 112.88 lakhs) and to a lesser extent under Sub-Head 'A' (Rs. 4.10 lakhs), 'D' (Rs. 9.56 lakhs) and 'F' (Rs. 6.97 lakhs). The important factors responsible for the excess under these Sub Heads are briefly indicated below:—

Sub-Head 'A' (+) Rs. 4.10 lakhs.

The excess of Rs. 4.10 lakhs over the Final Grant has arisen due to payment of arrears of Pay and Allowances to certain Officers (Rs. 1.05 lakhs) and larger expenditure on Pay and Allowances of Sailors (Rs. 3.05 lakhs) than anticipated.

Sub-Head 'D' (+) Rs. 9.56 lakhs.

The excess under the Sub Head was mainly under 'Passage and Conveyance of Personnel/Stores'. This excess is attributable to the

fact that the movement of Personnel/Stores is an uncertain factor depending as it does on the requirements of the Service from time to time. The uncertainty of raising of debits in respect of movement of Personnel/Stores by Railway Authorities also make it difficult to assess the expenditure very correctly.

Sub-Head 'E' (+) Rs. 112.88 lakhs

The excess under this Sub-Head resulted mainly in respect of 'Provisions & Water', 'Oil and Fuel', 'Armament Stores' and 'Customs Duty' for the following reasons:—

Provisions & Water (+) Rs. 24.48 lakhs.

Oil and Fuel (+) Rs. 30.26 lakhs.

The excess under 'Provisions & Water' was mainly due to the requirements consequent on the conflict between India and Pakistan which led to additional expenditure on victualling Sailors detained from going on leave or release and the casualties victualled in Naval Hospitals. This expenditure could not be assessed earlier.

As regards 'Oil and Fuel' the excess was due to the increased activities around the Coast during the conflict with Pakistan.

Armament Stores (+) Rs. 8.54 lakhs.

The excess mainly occurred in respect of Armament Stores procured through the D.G.O.F. who supplied more stores than estimated at the time of preparing the Final Estimates.

Customs Duty (+) Rs. 51.27 lakhs.

The excess under this item is accounted for by the fact that claims in respect of the previous year were booked in the accounts for 1965-66. As the heavy compilations were adjusted in the March (Final/Supplementary) 1966 Accounts, the expenditure could not be anticipated.

Sub-Head 'F' (+) Rs. 6.97 lakhs.

The excess under this Sub-Head was mainly in respect of 'Departmental Charges' where an *ad hoc* cut of Rs. 10.00 lakhs was made at the time of Final Estimates keeping in view the low expenditure by M.E.S. in the previous year; but finally the expenditure booked under this Head was more than what was anticipated.

4. It will be seen from the explanations given above that the excess in question resulted mainly for the following reasons:—

- (i) Conflict with Pakistan.
- (ii) More expenditure on movement of Personnel Stores.
- (iii) Excess payments in respect of Customs Duty.

5. In so far as the conflict with Pakistan is concerned, it will be appreciated that contingencies of such nature are unexpected and that it will not be possible to foresee expenditure on this account.

6. As regards excess expenditure on 'Passage and Conveyance of Personnel Stores', it may be mentioned that the movement of Personnel/Stores is dependent on the exigencies of service and is an uncertain factor.

7. As regards excess expenditure on 'Customs Duty', it may be stated that the procedure regarding the adjustment of Customs Duty is a lengthy one. This levy is required to be sorted out between the Civil and the Military Authorities and it takes long for the claims to be finalised. Necessary instructions have been issued to the Embarkation Commandants *vide* Army Hqrs. letter No. A/13365/III/QMov Shipping, dated the 25th November, 1966, that assessment and adjustment of customs duty should be made without delay and that a monthly return in the matter should be rendered to the Government.

The Comptroller & Auditor General of India and Ministry of Finance (Department of Revenue) have also been requested to issue suitable instructions to the various Accountants General and the Collectors of Customs Duty for the prompt assessment and adjustment of customs charges on Defence Stores.

8. The excess of Rs. 133,62,489 is approximately 4.6% of the Final Grant. In the circumstances explained above, it is requested that the excess may be recommended for regularisation by Parliament under Article 115 of the Constitution.

9. The question of improvements in the preparation of Estimates is under consideration separately.

10. D.A.D.S. has seen.

[M. of D.u.o. No. F. 5/1369/D (N-1) dated the 16th October, 1967]

SUBJECT:—Regularisation of the excess over Voted Grants—disclosed in the Appropriation Accounts of the Defence Services for the year 1965-66 under Grant No. 117—Defence Capital Outlay.

Grant No. 117—Defence Capital Outlay

Voted Grants	Rs. 130,55,00,000
Actual Expenditure	Rs. 134,82,85,359
Net Excess	Rs. 4,27,85,359

2. The details of the net excess by the various Sub-Heads of the grant are indicated below:

(In lakhs of Rs.)

Sub-Heads	Original Grant	Final Grant	Actual Expenditure	Variations between Cols. 3 & 4
(1)	(2)	(3)	(4)	(5)
A—Army	8111·70	7436·97	7917·26	(+) 480·29
B—Navy	655·30	558·91	544·00	(—) 14·91
C—Air Force	3104·00	2740·52	2703·81	(—) 36·71
D—Outlay on industrial & other Organisations	1184·00	2318·60	2317·78	(—) 0·82
TOTAL	13055·00	13055·00	13482·85	(+) 427·85

3. It will be seen from the above that the net excess of Rs. 427·85 lakhs has occurred mainly under the Sub-head 4-Army (Rs. 480·29 lakhs) partly offset by small savings under other Sub-heads.

4. The excess of Rs. 480 lakhs under the Sub-head 'Army' has arisen due to an excess of Rs. 5·15 crores under Plant and Machinery for Ordnance Factories, and an excess of Rs. 0·88 crores under Works for Ordnance Factories, counterbalanced by shortfall under other Works items forming part of 'Army' Sub-head. Under Defence

Capital Outlay, there have been large savings in the previous 2 years, viz, Rs. 26·32 crores against a final Grant of Rs. 140·95 crores during 1964-65, and Rs. 46·84 crores against a final Grant of Rs. 158·77 crores during 1963-64. The Public Accounts Committee had criticised the extent of these savings and they had hoped that efforts would be made to remove defects in budgeting, so that Budget Estimates and Actuals give a more realistic picture. During the year 1965-65, control over Works expenditure was tightened up and position was carefully reviewed from time to time. It may be mentioned in this connection, that a large number of uncertainties have to be taken into consideration to be in a position to bring the Actual expenditure and the Grant as close as possible. The various reviews during the course of the year did not reveal a faster rates of spending than in the past. However, in March, it was noticed that the trend of expenditure, particularly in regard to Works and Plant & Machinery for Ordnance Factories, indicated the possibility of some excess over the allotment. The position was reviewed by Secretary (Defence Production) in consultation with the Financial Adviser (Defence Services), with a view to drawing an advance from the Contingency Fund if there was enough justification for such a course of action. As the information available did not establish an excess larger than about Rs. 2·25 crores under Plant & Machinery, and about Rs. 61 lakhs under Civil Works, making a total of Rs. 2·86 crores, and taking into consideration the possibility of shortfall in other Works expenditure, particularly, due to the slowing down and disruption in programme caused by operations, it was felt that it would be inappropriate to draw any advance from the Contingency Fund. The actuals, have, however, exceeded the best estimates which could be made in March 1966 and the Grant as a whole has closed with a net excess of Rs. 4·28 crores against the Sanctioned Grant of Rs. 130:55 crores which represents only a 3 per cent increase. As against this, the savings in the previous 2 years were of the order of 18 per cent (1964-65) and 29 percent (1963-64).

5. In order to avoid recurrence of such variations between Voted grants, reviews of budget are carried out from time to time and all efforts are being made to ensure that the estimates are framed as realistically as possible.

6. The excess of Rs. 4,27,85,359 is 3·3 per cent of the Final Grant. In the circumstances explained above, it is requested that the excess may be recommended for regularisation by Parliament under Article 115 of the Constitution.

7. D.A.D.S. has seen. . .

[Min of Def O.M. No. F. 10(7)/67/D (Budget) dated 15th October, 1967].

APPENDIX II

(Vide para 1.80 of this Report)

MINISTRY OF DEFENCE

*Para 46 of the Audit Report (DS) 1967—Delay in grant of pensions
(Services personnel)*

TEXT OF POINTS

I. A detailed note on the procedure in vogue for grant of pensions to civilians in Defence Services, including information on:—

- (a) reasons preventing the Ministry from submitting the pension papers to the Accounts authorities in time and their early finalisation;
- (b) whether the measures so far taken by the Ministry for early finalisation of pension cases *vide* para 28 of 26th Report of PAC (Third Lok Sabha) are considered adequate and are being implemented;
- (c) Measures taken/proposed to be taken to ensure that pension papers are completed one year before retirement of the employee.

II. Please furnish the latest available statistics regarding claims for pension which have been outstanding for more than six months as per table below:—

Year	Service Personnel	Civilians	Total
Upto 1963			
1963-64			
1964-65			
1965-66			
1966-67			
TOTAL			

Please indicate the reasons for non-finalisation of cases which are more than one year old. Please clarify whether—

- (a) provisional pension has been sanctioned in all such cases;
- (b) in case the employee concerned has since died after retirement, any special steps have been taken to sanction pension to his family.

III. Please intimate the result of the review proposed to be undertaken to see whether anticipatory pension could be sanctioned to the remaining 1/3rd of the cases mentioned in the Audit para.

REPLY OF GOVERNMENT

I. (a) This pertains to Defence civilians, information in respect of which is being furnished separately.

(b) It is considered that the measures taken for early finalisation of pension cases vide para 28 of 26th Report of P.A.C. (Third Lok Sabha) are adequate and are being implemented. As simplification of rules and procedures towards ensuring speedier settlement of pension claims is a continuing process, improvement are made from time to time. In this connection, it may be stated that a proposal regarding delegation of powers to the Controller of Defence Accounts (Pensions), Allahabad, for sanctioning retiring pension as well as disability pensionary awards in respect of commissioned officers is at present under consideration. The acceptance of the proposal would speed up matters appreciably.

(c) This pertains to defence civilians, information in respect of which is being furnished separately.

II. The available statistics, as on 1-11-67, regarding claims for pensions, which have been outstanding for more than six months, are given below:—

Year	Service Personnel	Civilians	Total
Upto 1963	..	..	..
1963-64	12	31	43
1964-65	37	53	90
1965-66	121	339	460
TOTAL	170*		
1966-67	1686	1553	3239
TOTAL	1856	1976	3832

There are *170 cases which are more than 1 year old. The reasons for non-finalisation of these claims are given below:—

(a) *Retiring/Service pension*

(i) Some retired officers are involved in disciplinary/court cases. Provisional pension equal to 1/2/2/3 of their normal entitlement has been admitted in most of the cases.

(ii) In a few cases, it has not been possible for the Controller of Defence Accounts (Pensions), Allahabad, to issue pension payment orders for want of Last Pay Certificates although Government letters sanctioning retiring pension have been issued. In all these cases, provisional awards equal to the amount of pension normally admissible, are being paid.

(b) *Disability/Family pension:*

(i) A certain number of cases are pending disposal for non-finalisation of Court of Inquiry proceedings relating to loss of life or injury; for want of medical documents which are essential for adjudicating entitlement decision or for non-receipt of additional information/completed forms from the claimants by the Controller of Defence Accounts, despite repeated reminders.

(ii) Delay also occurs in respect of family pension claims of JCOs/ORs, when there is a dispute between eligible heirs, or there is a doubt regarding eligibility, or there is no eligible heir as per service documents, since in such cases, the title requires investigation.

It is clarified that

(a) Provisional/anticipatory pension has been sanctioned in all but 89 cases.

(b) The Controller of Defence Accounts (Pensions) has no ready means of knowing in respect of any pending pension case whether the claimant has since died. However, as soon as the information is conveyed to him and the family pension claims are submitted, necessary action to sanction anticipatory pension under the rules is taken on a priority basis.

III. *Anticipatory pensions.*—These cases are under constant review. Out of the cases mentioned in the Audit Para, there are now only 89 cases in which the anticipatory awards are not in issue. The

main reasons for non-grant of such awards in the remaining cases are:—

- (a) Rules do not provide for grant of anticipatory awards in family pension cases, where claimant is other than the widow.
- (b) Anticipatory pension/Pending enquiry award is not admissible in cases involving re-assessment of disability pension, cases of division/transfer/continuance of family pension; claims for 50% increase in Children's allowance on the death of widow.
- (c) eligibility of the claimant is doubtful;
- (d) there being no eligible heir as per service documents;
- (e) claimant is other than the nominated heir;
- (f) the claimants are residing in Pakistan; and
- (g) disputed cases.

Additional information pertaining to Civilians paid from Defence Services Estimates

I. *The procedure for granting pensions to civilians paid from Defence Services Estimates is as follows:*

- (i) In the case of offices which are subject to local audit, the Service Books and leave account of all non-gazetted staff due to retire during the next 3 years are checked every year upto a prescribed percentage by the local audit staff and they endorse a certificate that the service has been verified. In this manner they complete the checking up of all the Service Books.

In the case of those not subject to local audit, the Heads of Offices send the Service Books to the audit officer for checking and recording a suitable certificate therein regarding verification of service.

- (ii) The Government servant is asked one year before the actual date of retirement to submit his formal claim for pension/gratuity. A Gazetted Officer is to submit his formal application for pension to the Head of Department. If the officer is himself the Head of Department, he shall submit the application in Form 25 direct to the local Government i.e. Departmental Head and no formal application is necessary.
- (iii) The Heads of Branches in the Service Headquarters prepare every six months i.e., on 1st July and 1st January a

list of all employees gazetted and non-gazetted who will attain the age of superannuation twelve to eighteen months hence, and send it to the Controller of Defence Accounts, Allahabad, with a view to his initiating action in due time regarding completion of pension documents. In order to ensure that all necessary steps involved in the finalisation of pension cases are taken well in time, an elaborate check list is to be prepared for each individual whose name appear on the superannuation list.

- (iv) After completion of all documents, the Head of Office forwards the pension application and connected papers along with the Service Book of the individual to the CDA (P) at least one month before the date of retirement for sanctioning anticipatory pension. On receipt of the pension claim, the CDA (P) scrutinizes the claim and sanctions the anticipatory award if the documents are complete. After sanction of the anticipatory awards, the CDA (P) returns the Service Book and the connected papers to the Head of Office intimating to him the information/documents which are necessary for the finalisation of final award of pension. These are expected to be furnished by the Head of Office to him expeditiously. The Service Book and the connected papers duly completed are examined by the CDA (P) before the final award is sanctioned; Art. 907 of C.S.R. enjoins that an officer should in his own interest submit his application twelve months before the date of his anticipated retirement.

(a) reasons preventing the Ministry from submitting the pension papers to the Accounts authorities in time and their early finalisation.

The main causes for delay here are:—

- (1) The entire qualifying non-gazetted service of a Government servant is admitted for pension by the CDA (P) on the basis of entries regarding verification of service recorded by the Head of Office in the Service Book. In many cases, this certificate is not found recorded in the service documents, for some periods.
- (2) The pay entries in Service Books are to be verified in local audit to the prescribed extent, with reference to office copies of pay bills held by the unit/office, and certified. This is necessary, as the quantum of pension depends on the emoluments drawn during the last three years of qualifying service. There is always a time-lag between the last check of the Service Book in local audit, and the

date of retirement. Pay entries relating to this period are verified in the Main Office of the Paying Controller. This inevitably means some delay.

- (3) In the case of individuals who had rendered service on extra temporary establishment or other casual basis prior to 1.8.49 and were subsequently brought on to the regular establishment, a service verification statement in the prescribed form, duly verified by the Pay Accounts Officer, is necessary to admit the service rendered prior to 1.8.49. This is not forthcoming in many cases.
- (4) Gazetted service is admitted for pension on the basis of the "History of Gazetted Service" maintained by Pay Accounts Officer. In some cases History of Gazetted Service is not forthcoming, for intervening spells of service, and has to be constructed.
- (5) In respect of temporary service, a Certificate is required to be furnished by the Head of the Office to the effect that no portion of it was rendered, in a non-pensionable establishment or on daily rated basis, or in a post paid from contingencies. In many cases, the Certificate is not forthcoming.
- (6) In cases where an individual officiating in a higher post proceeds on leave/deputation, etc. a Certificate to the effect that he would have continued to officiate in the higher post but for proceeding on leave/deputation is necessary in terms of Article 486-B, CSR, to determine the emoluments reckonable for pension. This Certificate is not always furnished.
- (7) Industrial employees serving on Contributory Provident Fund basis have become eligible for pensionary benefits, and are eligible to reckon the service rendered on Contributory Provident Fund basis, after the Government share of the contributions to the Contributory Provident Fund with interest thereon has been recovered by Government. In some cases, confirmation to this effect is not furnished promptly by Heads of Offices.
- (8) Until recently, where there were no nominations the payment of death-cum-retirement gratuity was made only after obtaining a report from the civil authorities, resulting in considerable delays. A civil report is still necessary for payment of family pension in cases where no nomination exists, and the claimant is not the widow.

- (9) Last minute appeals by Government servants regarding refixation of pay, change in date of birth, condonation of break in service, etc. also result in delay in finalisation of pension cases. Lack of nominations results in delay in family pension cases.
- (10) Delay in receipt of "No Demand Certificate" leading to timely non-submission of L.P.C.
- (11) Non-submission of the pension cases to the Pension sanctioning authority i.e. CDA (P) sufficiently ahead of the date of superannuation of the individual.
- (b) *whether the measures so far taken by the Ministry for early finalisation of pension cases vide Para 28 of 26th Report of PAC (Third Lok Sabha) are considered adequate and are being implemented.*

The instructions so far issued by the Ministry for the early finalisation of pension cases are considered adequate. The Ministry of Defence has already stressed upon all concerned a number of times in the past the necessity of implementing these orders meticulously. However, in view of the delay in the finalisation of such cases, which still continue to occur the whole matter is under review and it is proposed, if necessary, to take up the question of liberalisation of the existing procedures and deletion of the unwanted provisions/details.

- (c) *measures taken/proposed to be taken to ensure that pension papers are completed one year before retirement of the employee.*

The following remedial measures have been taken to avoid delay in the submission and finalisation of pension cases:—

- (1) Orders have been issued vide our O.M. No. 77548/AG/Org. 4 (b)/13228/D(Civ. II), dated 19-11-1966 introducing half yearly returns of pension claims in a prescribed form, outstanding for over 6 months, by the Heads of Offices to their Departmental Heads at Command levels, to the CAO, Ministry of Defence in the case of civilians serving in the Armed Forces Hqrs. and to DGOF in the case of factories staff. A copy is to be endorsed to CDA (P). The Departmental Heads have been asked to pay special attention to these outstanding cases and issue suitable instructions, where necessary, for expediting submission of want-

ing particulars/documents/information etc. in order to finalise the claims speedily.

- (2) There was a time lag previously in issuing orders by Defence Ministry regarding pensionary matters in respect of Defence civilians on the basis of corresponding orders issued by the Ministry of Finance. In order to obviate this time lag, orders have been issued in December 1966 that the orders of Ministry of Finance in this regard will automatically apply to Defence civilians as well.
- (3) A Pamphlet on pension procedure for rendition of claims in respect of civilians paid from Defence Services Estimates has been issued; almost all the orders on the subject issued by Government from time to time have been consolidated. Copies of the Pamphlet have been supplied to all administrative officers concerned.

Further remedial measures proposed to be taken are as under:—

- (1) In cases mentioned at (a) (1) above, the individual was required to file an affidavit, declaring the period involved and to furnish all relevant details and evidence in support thereof. The orders have been recently relaxed in July 1967 (Ministry of Finance Notification No. F. 18(4)/EV (C)/63, dated 20th June 1967) and the individual is required to file only a written statement on plain paper instead of an affidavit. However, this procedure can be resorted to, only after contacting the offices where the individual had been serving etc. and after all efforts to get the service verified have failed. It is now proposed that the individual's declaration should be called for straightaway, without going through all these processes, especially in cases where the period involved is old, as there is little likelihood of any records being available. This is under consideration by the C.G.D.A.
- (2) At obviate delays mentioned in (a) (2) above, a proposal that during the last three years of an individual's service, a concurrent record of the pay and other requisite particulars should be maintained by the Paying Controller, is under examination.
- (3) The orders issued in regard to periods of regular service for which service verification certificates are not forthcoming (*Vide* item 1 above) have been made applicable also to service rendered on extra temporary establishment/casual basis, etc.

- (4) It is proposed that periods of gazetted service for which the requisite "History" is not available should be dealt with under the orders laid down for non-gazetted servants, and the Controller of Defence Accounts (Pens) authorised to accept such period on the basis of declarations to be furnished by the Government servant, with necessary evidence. The proposal is under consideration.
- (5) The point mentioned at (a) (5) regarding furnishing of a certificate by the Head of Office to the effect that no portion of temporary service was rendered in a non-pensionable establishment/daily rated/paid from contingencies, is under examination.
- (6) In the case of persons officiating in higher posts, the lien certificate should be incorporated in the very order notifying leave deputation, and recorded in the Service Book at the time when an entry of the casualty is made. Necessary instructions are under issue.
- (7) Instructions have been issued in November 1966 requiring Heads of Offices to record the fact of resumption of Government contribution etc. in the Service Books of the individuals concerned. These instructions are now being generally implemented and have helped to eliminate delays on this account.
- (8) Orders have recently been issued *vide* Army Hq. letter No. 90679/AG/Org. 4 (Civ) (b) dated 29-6-1967 that for payment of death-cum-retirement gratuity in such cases, it would suffice if the highest ranking surviving eligible member of the family of deceased Government servant furnishes particulars of all eligible members attested by a Gazetted Officer.

The question of extending this procedure to grant of family pension is under consideration.

- (9) L.P.C. cannot be issued unless and until "No Demand Certificate" was issued by all conceivable authorities such as Director of Estates, Municipal Committee/Corporation/Libraries, etc. etc. As it is for the Departments/Offices concerned to see that their records are complete and No Demand Certificates are issued as soon as the individual has retired, it is proposed to ask the authorities concerned to take steps at least one year in advance to settle past arrears, if any. This would enable them to give "No De-

mand Certificate" after a quick reference to the developments of the last one year.

Further, the Ministry of Finance (Deptt. of Expenditure) have issued instructions vide their letter No. 18 (7)-EV(B)/65-Pt. VIII dated 10th March, 1966, which has been brought to the notice of all concerned, based on the recommendations of the Committee of Secretaries that it will be presumed that there is no claim against a Govt. servant if none is received within six months after his retirement. As a result of this, instructions have been issued to all the authorities that—

- (1) the application for the issue of "No Demand Certificate" on the Directorate of Estates is to be sent to them one year before the date of retirement of the officer concerned; and
- (2) there is no loss to Government due to negligence etc. on the part of the officials concerned in intimating and progressing of the demands.

(10) At present, the pension documents along with the Service Book are required to be submitted by the Heads of the Offices to the CDA (P) only one month before the anticipated date of retirement of the individual for sanctioning anticipatory pension. After sanctioning anticipatory award, the CDA (P) will return the Service Book intimating to him the information/documents necessary for the finalisation of the pension case. This limit of one month is not considered adequate and it is proposed to raise it by 3 months or 6 months as considered adequate for examination.

II. *Statistics regarding claims for pensions which have been outstanding for more than six months furnished by the CGDA's Office are as under:—*

(A) *Statement showing position of outstanding pension claims as on 1-11-1967*

Year	Civilians
Upto 1963 . . . . .	..
1963-64	31
1964-65	53
1965-66	339
1966-67	1553
TOTAL	1976

(B) Anticipatory awards: Cases where anticipatory awards are not in issue

Year	Civilians
1963-64	..
1964-65	..
1965-66	..
1966-67	33
TOTAL	33

The reasons for the non-finalisation of pension cases in respect of civilians paid from Defence Services Estimates which are more than one year old, have been explained in item I(a) above.

- (a) provisional pension / anticipatory pension so far as civilians paid from Defence Service Estimates are concerned, has been paid almost in all cases which are over one year old, as will be seen from the statement given above. The 33 cases in which anticipatory awards have not been so far paid pertain only to 1966-67.
- (b) C.G.D.A. has intimated that the CDA(P) has no ready means of ascertaining in respect of the pension cases pending for over six months whether the employee concerned has since died. However, as soon as the information is conveyed to him and the family pension claims are submitted, necessary action to sanction anticipatory pension to the extent admissible under rules is taken on a priority basis.

III. So far as the civilians paid from Defence Services Estimates are concerned, anticipatory awards have been sanctioned in almost all cases over one year old, and as such there is no case pending as mentioned in the Audit Para in which anticipatory pension has not been paid.

APPENDIX III

Summary of main Conclusions/Recommendations

S. No.	Para No. of Report	Ministry/ Department concerned	Conclusion Recommendation
1	2	3	4
1	1.10	Defence	The Committee find from the Ministry's note that one of the most important reasons for the shortfall in capital outlay for the three Armed Services is a time-lag in the sanction of work at Government level. Another important reason for the shortfall is the non-receipt/non-payment of bills/debits of stores. The Committee would like Government to take suitable action to reduce the time-lag in the processing and sanction of projects as also to speed up the receipt and payment of stores so that debits are settled in time.
2	1.15 1.16	do.	The Committee are glad to note that the net shortfall of expenditure incurred by the Defence Services in relation to the

1	2	3	4
2 (contd.)	1.17	Defence	total amount authorised by Parliament in 1965-66 worked out to a percentage of only 0.1. The Committee, however, find that there continued to be wide variations between the actual expenditure and the budget estimates (original and supplementary provision) under some sub-heads in Grants Nos. 11, 12, 13 and 117. Under the sub-head 'Purchase of Material for Ordnance Factories in (i) India and (ii) abroad except in U.K.', there was a saving of Rs. 14.66 crores which worked out to 20 per cent of the total provision. In the case of 'Expenditure on procurement of Stores for Parks and Divisional stocks and their maintenance' and 'Expenditure on Major Works other than Capital Projects', the excess expenditure over the total provision was 88 per cent and 94 per cent respectively.

In the case of Grant No. 13, there was a saving of 18 per cent under the sub-head 'Expenditure on Airframes and engines except in U.K.', and 28 per cent on 'Expenditure on Aviation Stores in U.K.'. There was excess expenditure to the extent of 52 per cent as compared to the total provision under the sub-head 'Expenditure on Ordnance stores except in U.K.'.

In Grant No. 117—Capital Outlay, the excess expenditure was 96 per cent and 40 per cent respectively on the sub-heads 'Outlay on Industrial and other Organisations' and 'Plant and machinery for Factories'. The Committee agree that while there might be some unforeseen circumstances which upset the estimates of expenditure,

wide variations ranging from (—)29 per cent on the one side and (+) 96 per cent on the other indicate that the estimates could be more realistic and accurate. The Committee hope that the Ministry of Defence will devise suitable measures to ensure that their budget estimates are prepared with a greater degree of precision to avoid wide variations.

3

1.29
1.30
1.31

do.

The Committee would urge on Government the necessity for the early conclusion of measures to improve financial accounting in regard to the speedy adjustment of Customs Duty on defence stores. The Committee are glad to note that the Ministry of Defence have taken certain steps to obviate delay on their part in the adjustment of Customs Duty. The Committee would like to watch the results of the implementation of the corrective steps through future Audit Reports.

93

As regards Grant No. 12—Defence Services, Effective—Navy, the Committee hope that the contemplated improvements in the preparation of estimates would be effected early.

Subject to the observations made above, the Committee recommend that excesses under Grant No. 11—Defence Services, Effective—Army, Grant No. 12—Defence Services, Effective—Navy and Grant No. 117—Defence Capital Outlay may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

The Committee are not satisfied with the results achieved so far in the verification of the credit for stores in consignee's ledgers

1	2	3	4
4 (contd.)			<p>They regret to note that there were as many as 402 vouchers which were outstanding for more than six years and that as on 30th June, 1967, there were as many as 11,118 unlinked vouchers. As non-linking of credits of stores in consignees' ledgers might lead to a diversion of stores to unauthorised purposes, the Committee desire that special steps should be taken to reduce the number of unlinked vouchers so that stores accounts represent the true state of affairs.</p>
5	1.40	Defence	<p>The Committee regret to note that, in these cases, while terminating the contracts under Clause 55, the Chief Engineer did not take into account the possibility of extra expenditure that might result. The Committee hope the Ministry of Defence will take suitable steps to ensure that such cases do not recur.</p>
6	1.51 1.52	do.	<p>The Committee feel that, if all the instructions issued in August, 1964, had been strictly followed and action in fact taken against the Officers who were found to be habitually paying advances to Other Ranks in disregard of these instructions, the position of debit balances would not have deteriorated. The Committee would like Government strictly to enforce these instructions.</p> <p>The Committee would also like Government to take an early decision on the proposal of granting advances against only the fixed items of pay and allowances and not against other fluctuating allowances.</p>

7

I. 69
I. 70
I. 71

do.

The Committee are distressed to note that the Officer Commanding of a Field Engineer Company misappropriated a sum of Rs 1.04 lakhs out of the imprest held by him for disbursement of pay and allowances to Other Ranks in his unit. It is all the more regrettable that the officer drew an amount of Rs. 70,000 on a requisition which was not even counter-signed by the Station Commander as required under the rules.

The Committee have no doubt that, based on the findings of the Court Martial, suitable action will be taken against the Officer Commanding of the Field Engineer Company who misappropriated this large amount and any other person who might be found responsible of aiding and abetting him.

The Committee also desire that the Ministry of Defence should make a case study of this misappropriation so as to determine whether there was any lacuna in the procedure prescribed at various stages with a view to prescribing remedial measures.

8

I. 81
I. 82
I. 83
I. 84

do.

The Committee are greatly disturbed to find from the Audit para that, in spite of the instructions of Government that the pension papers of an employee should be sent to the Controller of Defence Accounts (Pensions) one year before the date of superannuation, out of 1,518 pension claims of civilian employees received during 1965-66, 1,178 were received after the employee had retired, 805 (53 per cent) upto one year, 232 (15 per cent) between 1 to 3 years, and 141 (9 per cent) more than 3 years after retirement.

In the case of employees dying in harness, while the pension papers are required to be sent to the Controller as soon as possible after the event, out of 2,625 pension claims received during 1965-66, 489 (18 per cent) were received between 6 to 12 months, 958 (37 per cent) between 1 to 3 years, and 493 (19 per cent) more than 3 years after the death of the employees.

The Committee note that two of the main reasons for delay in submitting pension papers to accounts authorities in time are the absence of entries regarding qualifying service in the service documents and delay in the receipt of 'No Demand Certificate'. The Committee note that Government propose to take a number of measures to eliminate delay on these counts by prescribing that, during the last three years of an individual's service, a concurrent record of the pay and other requisite particulars should be maintained by the Paying Controller and that all the authorities concerned should be asked to take steps to settle at least one year in advance all past arrears to facilitate the issue of 'No Demand Certificate' and to prescribe an overall time limit after which it would be held that there was no claim outstanding against the Government servant.

The Committee hope that Government will take an early decision on these proposals so that pension cases are processed with the utmost expedition to obviate needless hardship to Government

servants who have retired after rendering long years of faithful service.

9 1.95 do.

It is unfortunate that, due to lack of co-ordination between the authority suspending the examinations and the authority giving the print order, no steps were taken to cancel the print order for "Queen's Regulations for the Army", with the result that the publication became surplus to requirements. The Committee hope that, with the remedial measures proposed to be taken, such instances of lack of co-ordination will not recur.

10 1.101 do.

The Committee note that the Ministry of Defence have taken or propose to take a number of measures to effect economy and avoid infructuous expenditure on the printing and distribution of publications. The Committee consider that the print orders for these publications should be placed on a more realistic and conservative basis, so that wastage resulting from excessive print orders and the consequent accumulations in stock are strictly avoided. The Committee would like to watch the results of the various measures taken by the Ministry of Defence through future Audit Reports.

11 1.114
 1.115 do.

The Committee feel that the large number of cases of losses in stores mentioned above indicate the necessity of reviewing and modernising the system of ordering, maintaining and issuing of stocks.

The Committee understand that the Ministry of Defence is introducing, on an experimental basis, computerised inventory con-

trol in the Central Ordnance Depot, Delhi Cantt, and the Central Ordnance Depot, Jabalpur, and that they would consider its extension to other Ordnance Depots after the results of these experiments have been studied. The Committee expect the Ministry of Defence to take suitable measures in the light of the results of the experiments being carried out by them in the introduction of modern methods of inventory control, so as to effect rationalisation, achieve economy consistent with security and obviate losses.

12

I. 118
I. 119

Defence

The Committee find that the delay in the preparation of loss statements and the regularisation of losses is mainly due to delay in:—

- (a) the constitution of Courts of Inquiry and consideration of their reports;
- (b) the finalisation of disciplinary action against those who were held responsible for the losses; and
- (c) the consideration of cases by the authorities at various levels.

The Committee note that the Ministry of Defence have taken certain steps in December, 1966, to expedite regularisation of losses. These steps *inter alia* included (i) laying down a time-schedule for

the various authorities involved in the regularisation of losses, (ii) delegating additional financial powers to the Military Engineer Services authorities for dealing with the losses and setting up of an ad-hoc Committee for finalising all cases of losses incurred upto 31st March, 1964. The Committee desire that the Ministry of Defence should ensure that the instructions issued by them in December, 1966, are strictly followed and delays in the constitution of Courts of Inquiry are avoided. The Committee would also like to watch the progress in the regularisation of losses through future Audit Reports.

13 2.10 do,

The Committee hope that the Ministry of Defence will take suitable steps to get quickly the replacements for the deficient components or the refund of the money from the suppliers in accordance with the terms of the contract. The Committee would like to know the final result.

14 2.12 do.

The Committee regret to note that the requirements of the assemblies of two parts in this case were over-estimated with the result that 185 out of the 230 units ordered are surplus. The Committee feel that the requirements of spare parts should be worked out on the basis of needs and experience of particular equipment under Indian conditions and not on a theoretical basis. In this connection, they would also like to invite the attention of Government to para 2.15 and paras 2.34 to 2.37 of their 15th Report (Fourth Lok Sabha) where similar cases of over-provisioning in the Air Force had been commented on. The Committee stress that the Ministry of Defence should take suitable steps to rationalise and modernise their system of inventory control to avoid the recurrence of such cases.

1	2	3	4
15	2.25 2.26	Defence	<p>The Committee, on a number of occasions in the past, have commented on the disposal of surplus and obsolete stores held by the Defence Services. They would like to invite reference in this connection to para 9 of their 4th Report (Third Lok Sabha), para 37 of their 17th Report (Third Lok Sabha), para 3.15 of their 48th Report (Third Lok Sabha).</p> <p>The Committee note that recently a number of steps, including the delegation of enhanced financial powers, have been taken by the Ministry of Defence for the speedy disposal of obsolete stores. The Committee observe that speed in the disposal of unwanted surplus and obsolete stores has lately accelerated. The Committee would like the Ministry of Defence to keep a close watch over the disposal of obsolete stores to obviate expense on unnecessary storage and loss due to deterioration.</p>
16	2.30 2.31	do.	<p>The Committee are unhappy to note that stores which had been declared surplus to requirements are occupying 1.26 lakh square metres of covered accommodation, with the result that there is not enough suitable covered accommodation for other current stores, thus exposing them to the risk of accelerated deterioration.</p> <p>The Committee are distressed that costly and scarce stores, like cables costing Rs. 11.48 lakhs, were allowed to be damaged for</p>

do.

want of covered accommodation. The Committee need hardly stress that scarce covered accommodation should be utilised for keeping current stores and that every effort should be made to dispose of obsolete and unwanted stores without avoidable delay.

The Committee observe from Government's reply that there was a discrepancy in the number of jeeps programmed to be discarded on the basis of the age formula even assuming that they had completed the prescribed mileage by that time in as much as the number of jeeps of 1961 vintage and earlier was no more than 8706 against the contemplated disposal of 10,270 jeeps by 30th September 1966. The Committee are unable to appreciate how such a gross mistake could occur in preparing an important programme of disposals and replacement and desire that responsibility for it should be fixed. The Committee need hardly add that suitable measures should be taken to ensure that the programme for disposals is prepared with the utmost care on the basis of factual data.

The Committee note that, as a result of measures recently taken, 23,985 vehicles out of 28,060 vehicles discarded upto September, 1966, had been disposed of. According to the discard programme similar number of vehicles will soon come up for disposal. In view of the large number of vehicles declared for disposal, the Committee expect Government to ensure that the disposal of the vehicles as also of the spares is so arranged as to fetch the maximum return to Government. The Committee stress the importance of taking early action to dispose of M.T. spares worth Rs. 15 crores which were awaiting disposal on 31st July, 1967.

1	2	3	4
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According to the new discard policy, 1-tonner, GS 3-tonner, jeeps and motor cycles will be discarded after a specified number of years irrespective of the mileage performed. It is possible that an appreciable number of vehicles, particularly those kept in reserve, may not have done enough mileage. The Committee would, therefore, like Government to examine whether such vehicles should not be offered in the first instance to other Government departments and Public Undertakings before disposing them of through the D.G.S. & D.

18	2.44	Defence	The Committee would like to be informed whether any estimates of these consequential economies were made at the time of the adoption of the revised disposals policy and how far these estimates have been realised in actual practice.
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19	2.50	do.	The Committee feel that with a little more coordination, the purchase of vehicles in excess of authorised strength could have been avoided. The Committee are unhappy to note that for want of this coordination, it was only after Audit had intervened that certain orders for the supply of jeeps and motor-cycles of the value of about Rs. 4.50 crores were cancelled. The Committee hope that the Ministry of Defence will take suitable measures to ensure that the procurement of vehicles is fully coordinated with actual requirements and authorisation so as to obviate excess purchases.
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20

2.70
2.71
2.72

do.

The Committee regret to note that, due to lack of balance between the numbers of drivers and of vehicles in transport and ambulance units, an expenditure of about Rs. 12 lakhs was incurred on the wages of drivers and cleaners who were without vehicles and that simultaneously an expenditure of over Rs. 19 lakhs had to be incurred for hiring transport from private operators.

The Committee find that there has been lack of coordination between the different branches of Army Headquarters in regard to the recruitment and posting of drivers to General Transport Units and the supply of vehicles to these units. Had the branches concerned taken concerted and prompt action on the basis of the various strength returns and vehicles returns submitted by the Units, the imbalance between the number of drivers and that of vehicles could have been appreciably reduced.

The Committee note that necessary instructions have now been issued to set matters right. They hope that a close watch will be kept on the implementation of these instructions by Army Headquarters.

21

2.84
2.85
2.86

do.

The Committee are unhappy to note that the competent Engineering authority accorded the technical sanction for the work without either working out any detailed design for the work or checking up thoroughly the design submitted by the contractor, with the result that one of the reservoirs collapsed when brought into use in September, 1965. The Committee cannot escape the conclusion

that the competent Engineering authority construed the technical sanction as merely a formality before undertaking the work. The Committee expect the Engineer-in-Chief to ensure that the authorities concerned accord technical sanction only after a careful consideration of the design and specifications. Serious notice should be taken if the standing instructions about a careful scrutiny of the design before the according of technical sanction are not strictly followed by an Engineering authority.

The Committee note that, in the present case, the person primarily responsible for the default has been removed from service for some other defaults.

The Committee would like to be informed of the recovery of Rs. 1.05 lakhs from the contractor in this case.

22

2.94
2.95

Defence

The Committee regret to note that the design of the storage sheds which had been prepared by the contractor and accepted by the Department with some modifications has now been found to be defective. It is also strange to note that the use of untested in the place of tested steel by the contractor was not detected by the engineering officers supervising and inspecting the works. The contractor was allowed to provide cheaper sub-standard substitutes for doors and windows and allowed extra payment for steel braces which

were required to be provided without extra cost. The Committee note that disciplinary action is being taken against the officers responsible for the lapses in this case.

The Committee would like to be informed of the result of arbitration in this case.

23

2.107
2.108
2.109

do.

The Committee understand that the object of the work sanctioned under the Emergency Works Procedure is to ensure completion of the work with the minimum delay and maximum economy in regard to money and stores. In the present case neither was any time saved nor any economy achieved. On the contrary this led to the locking up of capital and unproductive expenditure.

The construction of the reservoirs was started in April, 1964, seven months before the geologist's report on the suitability of the tentative site of the tubewells was received in November, 1964, and the availability of the requisite quantities of water had been satisfactorily established. The sinking of the first tube well was commenced in August, 1965, nine months after the receipt of the geologist's report and its performance test conducted in December, 1966, ten months after the reservoirs were completed. These facts clearly indicate that there was lack of coordination in the planning and execution of the project. The Committee expect Government to take suitable measures to ensure effective coordination in the planning and execution of work so as to obviate a recurrence of such cases.

Further, this case has also brought out instances of lapses in working out technical requirements on which the technical sanction accorded for the work by the Chief Engineer was based. The technical sanction was accorded the day before the contract for the construction of the reservoirs was entered into and the drawings did not specify the sizes of the inlet and outlet pipes or overflow and wash out pipes. The Committee reiterate their observation in para 2-84 of the Report that the Engineer-in-Chief should take steps to ensure that technical sanctions are accorded after examination of all aspects of a project and that any negligence in this regard is dealt with in a suitable manner.

24

2.111
6.122
2.123

Defence

The Committee note that technical examination of contracts and the examination of the site of works conducted by the Chief Technical Examiner's Organisation during the year 1965 has disclosed:—

- (i) that the contracts contained ambiguous or defective wording;
- (ii) that the contracts were not accompanied by detailed drawings;
- (iii) that contractors were given extra contractual benefits;
- (iv) acceptance of sub-standard work;
- (v) defective workmanship;
- (vi) erroneous pricing; and
- (vii) incorrect measurement of work.

The Committee expect Government to take suitable remedial measures to ensure that such lapses do not recur.

The Committee hope that, except for cases under arbitration and pending in the Courts, the Military Engineer Services authorities will take adequate steps to effect recoveries from contractors of the balance of Rs. 1.41 lakhs of overpayment.

25

3.9

do.

The Committee regret that as admitted in evidence there has been a certain lack of planning and forethought in the purchase and installation of equipment, resulting in an infructuous expenditure of Rs. 6.54 lakhs. If the proposal for the purchase of mooring equipment had been examined in detail and difficulties in the availability of site foreseen, this infructuous expenditure could have been avoided. The Ministry of Defence should issue suitable instructions to ensure that projects are sanctioned only after examination of all aspects so that cases of this type do not recur.

107

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Narasari Colony, Kingsway Camp, Delhi-9.	20
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	60	MANIPUR		
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	64	34.	Shri N. Chaoba Singh, News Agent, Ramlal Puri High School Annex, Imphal.	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76	AGENTS IN FOREIGN COUNTRIES		
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

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