

UNION GOVERNMENT APPROPRIATION  
ACCOUNTS (1994-95)—DEFENCE SERVICES

MINISTRY OF DEFENCE

**PUBLIC ACCOUNTS  
COMMITTEE  
1996-97**

**THIRTEENTH REPORT**

**ELEVENTH LOK SABHA**

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**PUBLIC ACCOUNTS COMMITTEE**  
**(1996-97)**

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**(1994-95)—DEFENCE SERVICES**

**MINISTRY OF DEFENCE**



*Presented to Lok Sabha on 30.4.97*  
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(1996-97)**

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## INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee, do present on their behalf, this Thirteenth Report on Union Government Appropriation Accounts (1994-95)—Defence Services.

2. The Committee examined the Union Government Appropriation Accounts of the Defence Services for the year 1994-95 and audit observations thereon in the light of written information furnished by Ministry of Defence. They also took oral evidence of the representatives of Ministry of Defence at their sitting held on 28 October, 1996 on the subject matter. The Committee considered and finalised this Report at their sitting held on 19 April, 1997. Minutes of the sitting form Part-II\* of the Report.

3. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix II to the Report.

4. The Committee would like to express their thanks to the officers of the Ministry of Defence for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

5. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;  
*19 April, 1997*

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*Chaitra 29, 1919 (Saka)*

DR. MURLI MANOHAR JOSHI,  
*Chairman,*  
*Public Accounts Committee.*

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\*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

## **REPORT**

### **UNION GOVERNMENT APPROPRIATION ACCOUNTS OF THE DEFENCE SERVICES FOR THE YEAR 1994-95**

#### *1. Introductory*

The Appropriation Accounts of the Union Government are prepared annually by the nominated authorities according to different sectors of activities of the Government. The annual Appropriation Accounts of the Union Government in respect of the grants/appropriations pertaining to the Defence Services are prepared by the Ministry of Defence (MOD) and certified by the Controller General of Defence Accounts (CGDA). Like all other Appropriation Accounts of the Union Government, the Appropriation Accounts of the Defence Services are audited by the Comptroller and Auditor General of India who submits his Audit Report thereon to the President who, in turn, causes them to be laid before each House of Parliament in terms of Article 151 of the Constitution.

2. After their presentation to Parliament, these annual Appropriation Accounts and Audit Report thereon stand referred to the Public Accounts Committee for examination under the provisions of Rule 308 of Rules of Procedure and Conduct of Business in Lok Sabha.

#### *II. Appropriation Accounts of the Defence Services for 1994-95*

3. The Union Government Appropriation Accounts of Defence Services for the year 1994-95 and Audit Report thereon were laid before both the Houses of Parliament on 8 March 1996. The results of examination of the aforesaid Appropriation Accounts by Audit are contained in Chapter I of the Report of C&AG of India for the year ended 31 March 1995, No. 8 of 1996, Union Government—Defence Services.

4. In the succeeding parts of this Report, the Committee have examined the Union Government Appropriation Accounts of the Defence Services for the year 1994-95 and audit observations thereon in the light of the written information furnished and oral evidence tendered before the Committee by the representatives of MOD on this subject.

### III. Financial allocation and utilisation

5. The following table gives the summarised position of the amounts of the expenditure actually incurred against authorised funds during 1994-95 in respect of grants/appropriations covered under the relevant Appropriation Accounts of the Defence Services.

(Rs. in crores)

No. and name of Grant/Appropriation		Total Amount of grant appropriation	Actual Expenditure	Saving	Excess
<i>Revenue</i>					
18—Army	Voted	11749.57	11662.07	87.50	—
	Charged	6.79	3.60	3.19	—
19—Navy	Voted	1465.79	1472.09	—	6.30
	Charged	2.51	0.62	1.88	—
20—Air Force	Voted	3901.14	3837.16	63.98	—
	Charged	0.62	4.47	0.15	—
21—Defence Ordnance Factories	Voted	598.10	479.09	119.01	—
	Charged	1.40	0.01	1.39	—
<i>Capital</i>					
22—Capital Outlay on Defence Services	Voted	6926.21	6817.34	108.87	—
	Charged	7.03	2.08	4.95	—
Total	Voted	24640.81	24267.75	379.36	6.30
	Charged	18.35	6.79	11.56	—

6. An analysis of the grant-wise financial allocations and expenditure incurred there against in the voted portion during 1994-95 disclosed that there were total savings of Rs. 379.36 crores in the grants for Army, Air Force, Defence Ordnance Factories and Capital Outlay on Defence Services besides incurrance of excess expenditure of Rs. 6.30 crores under voted grant relating to Navy.

7. In the light of the explanatory note furnished and the oral evidence tendered by the representatives of MOD, the Public Accounts Committee have already examined the reasons for and circumstances leading to excess expenditure during 1994-95 under Grant No. 19—Navy and presented their Report on the subject to Parliament on 20 December, 1996 recommending regularisation of the same under Article 115(1)(b) of the Constitution subject to certain observations/recommendations.



#### IV. Savings

8. Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. These may be illustrative of poor budgeting or shortfall in performance depending upon the circumstances and the purpose for which the original grant or appropriation was provided. During the course of examination of Appropriation Accounts of the Defence Services for the year 1994-95, the Committee noticed that there was aggregate savings of Rs. 270.49 crores in the voted portion of Revenue section of three grants viz., No. 18—Army; No. 20—Air Force; and No. 21—Defence Ordnance Factories. There were also savings to the extent of Rs. 108.87 crores in the voted portion of Capital section of Grant No. 22—Capital outlay on Defence Services.

##### (A) Savings in Revenue Section

9. The Committee's scrutiny of the Appropriation Accounts of the Defence Services revealed the following position in respect of those three grants where overall savings were registered in their voted portion of Revenue section during 1994-95.

##### (i) Grant No. 18—Army

10. The overall savings of Rs. 87.50 crores under this grant was the net result of excesses in four minor heads and savings in eight minor heads under Major Head 2076. The prominent cases of savings against final grants under various sub-heads alongwith reasons for the same are given below:-

Minor-heads	Savings (Rs. in crores)	Contributory reasons advanced by Ministry
1	2	3
Pay and Allowances of Army	25.78	Lower booking than anticipated
Pay and Allowances of Civilians	12.82	-do-
Military Farms	4.42	Less demand of dry fodder/restriction in procurement of miscellaneous stores
Store	24.11	Non-materialisation of old contractual commitments and non-clearance/slippage in supply of certain stores

1	2	3
National Cadet Corps	5.01	Less outgo on Pay and allowances, non-materialisation of supplies and non-submission of reimbursement claims by State Government

11. In reply to a question on huge savings under "Stores" during 1994-95, the representative of MOD stated during evidence:

".... in the case of stores, there is some uncertainty. In this particular year, a lot of stores which were expected to materialise, unfortunately, did not materialise."

(ii) *Grant No. 20—Air Force*

12. The Committee's scrutiny of this grant revealed large variations between final grant and actual expenditure under various minor heads of Major Head 2078. The overall savings of Rs. 63.98 crores under this grant were actually a net result of savings of Rs. 75.52 crores under five minor heads which were partly off-set by excesses of Rs. 11.54 crores under two minor heads. The important cases of savings under various minor heads in this grant are indicated below:

Minor-heads	Savings (Rs. in crores)	Reasons advanced by Ministry
1	2	3
Pay and Allowances of Air Force	2.59	Lower outgo in respect of local allowances of MES Officers
Pay and Allowances of Civilians	6.62	Lower outgo in respect of pay and allowances of MES establishment
Stores	57.78	Lower materialisation of stores
Works	7.48	Excess provisioning in maintenance services of buildings and installations

1	2	3
Special Projects	1.05	Lower booking under pay and allowances and transportation of Radar and Communication Project Organisation

13. During evidence, the Committee desired to know the precise reasons for savings of substantial magnitude in minor head "stores". The representative of MOD in his reply stated that most of the items under "stores" were connected with letter of credit payments which did not materialise inspite of the follow up from the Ministry. He also stated that suppliers made rosy promises but did not adhere to the supply schedule and that the deliveries in some cases had come in the month of April, 1955.

14. In this context, the Secretary, MOD also deposed:

"Unfortunately I do not know whether we will be able to attain a situation where we are in a position to utilise the last penny because the number of contracts is too large. But that does not mean that I am minimising the need to improved it."

15. In their post evidence note on the savings under "stores" MOD further explained that the LC payment cases in Air Force were closely followed up during the year to ensure that the suppliers adhere to the commitments made by them but there were slippages by the suppliers with the result that the amount could not be paid during the year 1994-95. MOD also stated that these LCs were closely followed up and 16 LCs totalling Rs. 11.8 crores were paid out within the first 14 days of April and 24 LCs totalling Rs. 14.48 crores were paid out within the first 26 days.

(iii) *Grant No. 21—Defence Ordnance Factories*

16. Under Revenue Section (Voted) of Grant No. 21—Defence Ordnance Factories, there was a saving of Rs. 119.01 crores which represented 20 per cent of the total sanctioned provision of Rs. 598.10 crores under this grant.

17. The Committee's examination of this grant revealed the following position in respect of certain minor heads where savings had occurred during 1994-95:

Minor-heads	Savings (Rs. in crores)	Reasons advanced by Ministry
Transportation	2.49	Non-receipt of bills from Railways and lower booking on account of handling charges to embarkation headquarters and also due to economy measures
Renewal & replacement	2.13	Non-materialisation of supplies of certain machines as well as delay in commissioning
Stores	18.89	Non-materialisation of foreign/indigenous supplies
Works	1.43	Strict control of expenditure at the year end.
Other Expenditure	8.34	Control on incidental and miscellaneous expenditure

18. Explaining the specific reasons for large scale savings under this grant, the Secretary, Department of Defence Production and Supplies informed the Committee during evidence that there had been a shortfall to the extent of Rs. 137 crores in supplies of stores during 1994-95. He stated that there were problems which be set development of certain items for the Army. While conceding short supply of certain items to the Army during that year, the witness also deposed that there was a problem in developing the indigenous stores based on reverse engineering and the woes of the department were added to by the fact that supplies of stores were heavily disrupted from certain countries resulting in failure of the plans of the Department.

**(B) Savings in Capital Section**

19. In the voted portion of Grant No. 22—Capital Outlay on Defence Services, there was a net saving of Rs. 108.87 crores during 1994-95.

20. The Committee's scrutiny of the relevant Appropriation Accounts revealed the following cases of savings under various segments of this grant:

<b>Sub-heads</b>	<b>Savings (Rs. in crores)</b>	<b>Reasons advanced by Ministry</b>
<b>ARMY</b>		
Land	6.62	Finalisation of lesser number of land acquisition cases
Heavy & Medium Vehicles	39.25	Non-materialisation of supplies
<b>NAVY</b>		
Aircraft & Aero-engine	2.92	Non-receipt of invoices from supplier towards contractual liabilities of indigenous aircraft procured
Other equipments	4.74	Reduction in Naval contribution towards a project
Naval Dockyards	1.40	Non-receipt of demand of funds from a State Government
<b>AIR FORCE</b>		
Aircraft and Aero-engine	10.07	Lower outgo for contractual payments/New Schemes
Other equipments	60.22	Slippage in delivery of service/overhaul project
Construction works	14.72	Slow progress of works
Special project	4.70	Slow progress of work
<b>DEFENCE ORDNANCE FACTORIES</b>		
Works	6.28	Less expenditure on construction works
<b>RESEARCH AND DEVELOPMENT ORGANISATION</b>		
Works	2.09	Non-materialisation of certain activities
<b>INSPECTION ORGANISATION</b>		
Works	1.07	Slow progress of construction work

21. On being enquired about the reasons for savings of substantial magnitude in this grant, the representative of MoD deposed:—

“.....the largest amount pertains to the Air Force. So far as the Air Force is concerned, the reasons is that in the case of one payment which was to be made in respect of the French Aircraft, there was a change in the rate of exchange, when it was noticed and when the payment was made, this made a difference of Rs. 10 crore savings.....The other major amount was in respect of the Mirage overhaul project where as a result of slippage in deliveries an amount of Rs. 39.6 crore remained unspent. This was in respect of one part of it. There is Rs. 7 crores in respect of engine overhaul project. So this actually is a slippage in respect of certain projects we were entering into, where we were expecting certain payments to take place, but it slipped into next year....”

22. In reply to another related question, the witness stated:—

“The areas of capital is the most difficult part of the Defence Budget.....In the case of capital acquisitions our procedures are quite elaborate, We have to go in for a technical committee which assess the various offers which have been received. Then there are commercial negotiations and then we enter into contracts, there is certain delivery schedule. Quite often, inspite of promises by the suppliers they also enter into some difficulties for one reason or the other. This is one Grant where it is very difficult to visualaise exactly whether the payment will take place or not.”

He also added:—

“Unfortunately despite our best efforts, despite out monitoring, there are slippages.”

#### *Persisting trends of Savings*

23. The Committee's detailed scrutiny has also disclosed that large scale savings have been recurringly occurring under the grants/appropriations relating to the Defence Services. The following table indicates the quantum of overall savings noticed during the five years preceding the year under review:—

(Rs. in Crores)

Year	Savings
1989-90	89.92
1990-91	498.45
1991-92	372.84
1992-93	58.33
1993-94	143.16

24. The results of audit scrutiny has also brought out the following specific minor heads under certain grants where savings continue to persist during the years 1991-92 to 1994-95:—

(Rs. in crores)

Grant No. Minor Head	1991-92	1992-93	1993-94	1994-95
<b>20-Air Force Stores</b>	20.15	8.82	7.66	57.78
<b>21-Ordnance Factories Stores</b>	13.28	30.91	67.59	18.89
<b>22-Capital Outlay on Defence Services Ordnance Factories Works</b>	5.12	2.52	2.73	6.28

25. The Committee note that out of the aggregate savings of Rs. 270.49 crores in 1994-95 in the voted portion of grants relating to Army, Air Force and Defence Ordnance Factories, savings of the order of Rs. 100.78 crores alone had occurred in the minor head "stores" under all these three grants mainly due to non-materialisation or lower materialisation of expected stores and supplies from indigenous and foreign sources. The Committee have been informed during evidence that suppliers had not adhered to the supply schedule in certain cases with the result that budgetary allocations could not be utilised during that year. While conceding that there might be one or two isolated cases of slippages in supplies during a year, the Committee are of firm belief that all round savings in this particular minor head under various grants of the Defence Services are clearly indicative of the deficiencies in the contract management on the part of the Ministry in ensuring that the various suppliers affected timely delivery of stores required to meet defence preparedness of the country. This view of the Committee is further reinforced by the fact that even the Secretary, MoD during his deposition admitted, "Unfortunately, I do not know whether we will be able to attain a situation where we are in a position to utilise the last penny because the number of contracts is too large." The Committee consider this situation as unfortunate particularly because large scale savings under "stores" had been a recurring feature atleast from 1991-92 in the case of grants relating to Air Force and Defence Ordnance Factories. The Committee, therefore, recommend that the shortcomings in the contract management should be thoroughly looked into and appropriate action taken not only to ensure timely procurement of items for defence purposes but also to deal effectively in cases of any defaults.

26. The Committee are also distressed to find that substantial savings amounting to Rs. 47.81 crores had occurred even under the minor head "Pay & Allowances" under various segments of the grants pertaining to Army and Air Force., Astonishingly, the reasons for these savings were attributed to lower bookings than anticipated and lower outgo in respect of pay & allowances to certain officers. In the light of the fact that precise requirement of funds under pay & allowances can always be accurately worked out by maintaining a scientific database, the Committee view these instances of large scale savings under this minor head as clearly reflective of the perfunctory manner in which MoD prepared their expenditure estimates for making routine payments on this account to their officials. Evidently, the monetary requirements for this head under the grants relating to Army and Air Force were calculated merely on guess work without critical and careful examination before making provision therefor. The Committee hope that MoD would now take sufficient care in this regard in future so as to make their budgetary projections more realistic and meaningful.

27. What has caused further concern to the Committee is the quantum of savings of the order of Rs. 108.87 crores which had occurred in the voted portion of the grant relating to "Capital Outlay on Defence Services". During evidence, the representative of MoD pleaded, "the area of capital is the most difficult part of the Defence Budget" and "this is one Grant where it is very difficult to visualise exactly whether the payment will take place or not". The Committee are not at all inclined to accept these assertions made by the Ministry particularly because a substantial part of the savings under this grant during 1994-95 were attributable to slow progress of works, non-receipt of timely invoices from supplier, non-receipt of demand of funds from a State Government and finalisation of lesser number of land acquisition cases. In the opinion of the Committee, these factors for savings were not such which cropped-up suddenly and could not be surmounted in time. The Committee are rather of strong view that MoD being well aware of their elaborate and protracted procedures, should not experience any difficulty in anticipating their precise monetary requirements on account of capital acquisitions for defence purposes by keeping an ever-vigilant eye on the pace of events in each case. The Committee trust that MoD would give a serious thought to the question of managing and controlling this grant in an effective manner so as to ensure efficient and proper utilisation of funds provided thereunder.

28. The Committee also feel that the persisting trends of overall savings in various grants under the Defence Services and the explanations offered therefor under specific minor-heads are indicative of undesirable tendency on the part of MoD to overestimate their requirement of funds. They therefore, suggest that a thorough analysis of expenditure incurred under these grants during preceding three years may be made with a view to rectifying and improving the existing system of assessing the requirements of funds under specific sectors of the Defence Services.



**(V) Budgeting and Control Mechanisms****(A) Supplementary Grants/Appropriations**

29. Government have to obtain necessary supplementary grants or appropriations in accordance with the provision of article 115(1) of the Constitution whenever the amount provided for in the sanctioned Budget for any service in a financial year is found to be insufficient for the purpose in that year or when a need has arisen upon some "new service" not contemplated in the original Budget for that year.

30. In this context, the Ministry of Finance had also issued instructions with the approval of the Cabinet to all Ministries/Departments on 27 March, 1986 stipulating that supplementary demands should be severely restricted to genuine unforeseen expenditure which could not be envisaged at the time of preparing the annual budget or to meet the requirements of decision or developments taking place after the approval of the Budget *i.e.*, in respect of post-budget decision and not for continuing schemes and programmes.

31. The Committee's scrutiny of the Appropriation Accounts of the Defence Services revealed that the supplementary provisions obtained by MoD during 1994-95 in the voted portion of the following two grants had been exceeded by the overall savings in those grants in that year and had ultimately proved unnecessary:—

(Rs. in crores)

Grant No.		Supplementary Grant	Saving
21-Defence	Ordnance	35.84	119.01
	Factories		
22-Capital	Outlay on	102.11	108.87
	Defence Services		
<b>Total</b>		<b>137.95</b>	<b>227.88</b>

32. The Committee's analysis of supplementary grants obtained by MoD during the year under review also indicated that funds to the extent of 34 and 31 per cent of supplementary grants obtained under Grant No. 18 and Grant No.20 respectively had remained unutilised during 1994-95 as would be seen from the following table:—

Grant No.		Supplementary Grant	Saving
18 —	Army	256.98	87.50
20 —	Air Force	205.15	63.98

33. A detailed scrutiny of Appropriation Accounts also revealed cases of substantial savings in the following segments where total of re-appropriation from these segments and final savings under them had exceeded the amount of supplementary grants obtained for these specific services suggesting that supplementary provisions were not required in these cases:

(Rs. in crores)

Grant No.	Supplementary Grant	Reappropriation	Final Savings
18— Army			
Pay & Allowances of Army	31.04	(-) 18.31	25.78
Stores	44.77	(-) 187.33	24.11
19—Navy			
Other Expenditure	6.77	(-) 4.00	12.67
20—Air Force			
Pay & Allowances of Civilians	32.77	(-) 4.89	6.62
21—Ordnance Factories			
Other Expenditure	14.67	(-) 13.24	8.34

34. According to the instructions issued by the Ministry of Finance to All Ministries/Departments of Government of India on 27 March, 1986, the supplementary demands are required to be severely restricted to genuine unforeseen expenditure. The Committee's examination has, however, revealed that the mechanism of obtaining supplementary funds was used by MOD during 1994-95 in a rather casual and routine manner without carefully conducting a proper assessment of the expenditure incurred or likely to be incurred by them against the funds already made available to them. The net result was that supplementary funds of the order of Rs. 137.95 crores obtained under voted portion of two grants relating to Defence Ordnance Factories and Capital Outlay on Defence Services proved unnecessary as the final savings of Rs. 227.88 crores in these cases far exceeded the supplementary allocations. Similar cases of procuring supplementary funds in excess of actual requirements were also noticed in the case of grants relating to Army and Air Force where such funds had remained unutilised to the extent of 34 and 31 percent respectively. What has disturbed the Committee more is the fact that MOD had obtained supplementary funds even for those segments in four grants where original provisions were still more than adequate despite withdrawal of funds through reappropriations therefrom. In the opinion of the Committee the facts brought out above amply prove that MOD have been resorting to obtaining additional allocations without ensuring best and efficient utilisation of funds already sanctioned to them for specific services. The

committees therefore, desire MOD to impress upon their budget controlling authorities to thoroughly examine their proposals for additional funds by exercising due farsightedness. They would also like MOD to ensure proper review and scrutiny of the requests for supplementary demands and restrict these to genuine cases before presenting the same to Parliament for approval.

### (B) Surrender of Savings

35. In terms of Rule 69 of General Financial Rules, savings in a grant or appropriation are to be surrendered to Government. A scrutiny of the relevant Appropriation Accounts of the Defence Services brought out the following position of the grant-wise savings and the amount surrendered there against during the year 1994-95:

(Rs. in crores)

Sl. No.	No. & Name of Grant	Amount of saving	Amount Surrendered	Percentage of saving not surrendered
<b>Revenue (Voted)</b>				
1.	18—Army	87.50	19.20	78.1
2.	20—Air Force	63.98	Nil	100.0
3.	21—Ordnance Factories	119.01	101.40	14.8
<b>Revenue (Charged)</b>				
4.	18—Army	3.19	2.09	34.5
5.	19—Navy	1.88	1.28	31.9
6.	20—Air Force	0.15	Nil	100.0
7.	21—Ordnance Factories	1.39	0.80	42.5
<b>Capital (Voted)</b>				
8.	22—Capital Outlay on Defence Services	108.87	Nil	100.0
<b>Capital (Charged)</b>				
9.	22—Capital Outlay on Defence Services	4.95	1.20	75.8
<b>Total</b>		<b>390.92</b>	<b>125.97</b>	<b>67.8</b>

36. It would be seen from the above table that as against final savings of Rs. 390.92 crores in the voted and charged portions of the grants/appropriations pertaining to the Defence Services, the amount surrendered was only Rs. 125.97 crores which represented 32.2 percent of the total savings available for surrender. The above table also indicates that the entire savings amounting to Rs. 173 crores in two voted grants and one

appropriation were not surrendered at all. In the case of other six grants and appropriations, the percentage of savings not surrendered ranged from 14.8 to 78.1.

37. During evidence, the Committee desired to know as to why substantial savings of over Rs. 68 crores could not be surrendered in the voted portion of Grant No.18—Army. In his reply, the representative of MOD conceded that they were not fully aware of the cumulative figures of savings under various heads and they came to know of the savings of over Rs. 68 crores only at the end of the financial year.

38. On being enquired about the reasons for not surrendering the entire savings of Rs. 63.98 crores in the voted portion of Revenue section of Grant No. 20—Air Force, the representative of MOD stated during evidence that most of the items of savings were connected with letter of credit payments which did not materialise during the financial year due to non-adherence to time schedule by the suppliers. He also stated that deliveries in some cases had come in the month of April, 1995.

39. A further scrutiny of the relevant Appropriation Accounts also brought out a case where Rs. 2.62 crores were surrendered in the voted portion of Grant No. 19—Navy although the expenditure in that grant had exceeded the sanctioned provisions by Rs. 6.30 crores and no savings were available for surrender.

40. The Committee are deeply concerned to note that out of the total savings of Rs. 390.92 crores registered in various grants and appropriations operated under the Defence Services during 1994-95, the amount surrendered by MOD was only Rs. 125.97 crores which represented 32.2 percent of the total savings available. Significantly, entire savings amounting to Rs. 64.13 crores in both the voted and charged portions of Grant No. 20—Air Force and Rs. 108.87 crores in the voted portion of Grant No. 22—Capital Outlay on Defence Services were not surrendered at all in total disregard to the prescribed financial principles. On the other hand, there was also an instance of the unusual phenomenon of surrendering Rs. 2.62 crores from voted portion of Grant No. 19—Navy which had actually registered an excess expenditure of Rs. 6.30 crores and no savings were thus available for surrender. To their utter surprise, the Committee were informed during evidence that the substantial savings of over Rs. 68 crores in the voted portion of Grant No. 18—Army could not be surrendered because the Ministry were not fully aware of the cumulative figures of savings under various sub-heads of the grant and it was only at the end of the financial year that Ministry came to know of such savings. While taking a serious view of absence of precise accounting information system and the carelessness displayed by MOD in not surrendering the available savings and also in making erroneous surrender of funds, the Committee desire that MOD should contemplate appropriate steps to

develop their accounting information system on suitable lines so as to avoid such lapses in future. They also desire MOD to ensure that timely surrender of anticipated savings is made in future strictly in accordance with the provisions made in this regard.

**(C) Injudicious re-appropriation of funds**

41. A grant or appropriation is distributed by sub-heads or standard objects (called primary units) under which it is accounted. Re-appropriation of funds can take place between primary units within a grant or appropriation before the close of financial year to which such grant or appropriation relates. Rule 72(2) of General Financial Rules provides that re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or that savings can be affected in the appropriation for the unit.

42. Results of appropriation audit of accounts of the Defence Services for the year 1994-95 revealed several cases where re-appropriations from to various heads were not assessed properly with the result that substantial savings/excesses occurred thereunder after issuance of reappropriation orders. The details of all such cases are given in Appendix-I to this Report.

43. The Committee are extremely unhappy to observe the injudicious manner in which reappropriation of funds was made by MOD from or to various heads of accounts during 1994-95. In fact, the results of the appropriation audit has brought out instances where reappropriation of funds to certain heads was uncalled for as the amount so transferred had remained wholly unutilised. There were also cases where the amount reappropriated from specific heads of accounts was excessive and had consequently resulted in final excesses under those heads. Distressingly, there was also a case where original provisions were inadequate and yet reappropriation was made from that head resulting in final excess being greater than the amount transferred. Significantly, there were atleast 12 heads where further savings ranging between Rs. 5 crores and Rs. 58 crores had occurred despite reappropriations ranging between Rs. 3 crores and Rs. 187 crores having been made from the original provisions thereunder. Evidently, there was complete lack of system for keeping watch over expenditure *vis-a-vis* sanctioned funds under specific heads when reappropriation proposals were considered in the Ministry. The Committee consider this situation highly unsatisfactory particularly because reappropriation orders are generally issued in the closing month of the financial year when the Ministries are expected to possess adequate data on their expenditure incurred and pending liabilities. The Committee therefore, recommend that MOD should undertake a thorough review of

their existing system for reappropriation of funds with a view to identifying the weaknesses in their accounting information and exchequer control systems and plugging lacunae thereagainst so that issuance of injudicious and defective reappropriation orders are avoided in future.

**(D) Incurrence of expenditure without Government sanction**

44. The results of appropriation audit of Grant No. 19-Navy revealed that the expenditure under this grant included a case of unauthorised expenditure of Rs. 75.65 lakhs on pay and allowances of a Naval Establishment set up without approval of competent authority.

45. Explaining the circumstances under which the aforesaid unauthorised expenditure was incurred during 1994-95, the representative of MOD deposed during evidence that the case related to an organisation called Action Speed Tactical Training Centre, Vishakapatnam for which equipment was to come from a foreign country and installed in 1993. The witness also informed that this organisation was set up in 1933 and the Government issued the sanction for setting up this establishment in February, 1996.

46. On being asked as to how this organisation was established without proper sanction, the witness further clarified:—

“Actually, Sir, when orders were issued for equipment, sanction for manpower which was required for this unit, was not issued simultaneously....”

47. In this context, the Secretary, MOD also stated in his evidence:—

“What I understand is that the total bill of manpower for this establishment was borne by other departments as this manpower would have continued to work somewhere else. The charges of establishment had not been formally credited and hence the irregularity.... So, it is misapplication of the total bill of non-sanctioned establishment”.

He also added:

“I agree that it should not be encouraged because this establishment was not sanctioned. It has now been regularised...”

48. The Committee regret to note that MOD incurred an unauthorised expenditure of Rs. 75.65 lakhs under Grant No. 19-Navy during 1994-95 on pay and allowances of a Naval Establishment set up without approval of competent authority. In the opinion of the Committee, the perfunctory manner in which MOD ordered for import and installation of equipment for the particular Naval unit in 1993 without caring to issue a simultaneous sanction for manpower required to operationalise that unit speaks volume about the way in which administrative and financial affairs in the strategic areas of defence are being managed by the authorities concerned. While expressing their displeasure over lack of concerted actions and delay in

issuance of proper sanction in the instant case, the Committee trust that the Ministry would be more careful in such cases in future.

**(E) Existing system for monitoring and control of budget.**

49. In a note furnished to the Committee, MOD stated that budget monitoring and control is exercised in the Ministry and Service Headquarters at three stages:—

- (i) Initial distribution of budget grants.
- (ii) Watching expenditure against allotment.
- (iii) Re-appropriation.

MOD further stated that Inter-Departmental Monitoring Groups have been constituted since 1991-92 to make regular review of the progress of expenditure and pending liabilities particularly during the last quarter of the financial year. It has also been stated that these Inter-Departmental Groups have representatives of MOD, service headquarters and CGDA and that these Groups interact through periodical meetings with various spending authorities and take necessary measures from time to time for making best possible use of available resources.

50. The Committee regret to observe that despite existence of Inter-Departmental Monitoring Groups in MOD since 1991-92 to make regular review of the progress of expenditure and pending liabilities particularly during the last quarter of the financial year, an atmosphere of financial indiscipline and non-observance of prescribed financial rules continue to persist year after year. Evidently, the inadequacies in the financial management systems had resulted in cases of excesses, large scale savings, obtaining unnecessary supplementary grants, non-surrender or partial surrender of available savings, injudicious reappropriations and other financial improprieties like incurrence of unauthorised expenditure etc. While expressing their deep concern over this unsatisfactory state of affairs, the Committee desire MOD to review the efficacy of Inter-Departmental Monitoring Groups with a view to making their budgetary processes more realistic as well as effecting strict exchequer control.

**VI. Response to Audit**

**(A) Pendency of Audit Objections**

51. It is seen from item (xii) of Certificate of CGDA on Defence Accounts for 1994-95 that the number of audit objections raised upto

31 March, 1995 but outstanding as on 30 June, 1995 was 1.05.411 as per details given below:

Army	...	88,024
Navy	...	6,901
Air Force	...	2,610
Ordnance Factories	...	7,876

Total: 1,05,411

52. The Certificate of CGDA also revealed that out of these outstanding audit objections, 7173 were raised by statutory audit. The oldest items related to 1971-72 (internal audit) and 1974-75 (statutory audit).

53. During evidence, the Committee desired to know as to how the Ministry proposed to settle such a large number of outstanding objections. In his reply, the Secretary MOD stated:

"I am sorry about this figure. It is a very large figure and I quite concede that it needs to be brought down. A number of instructions have been issued in this regard and, I think, marginally the figure has improved. The figure of 1,05,411 which was referred to by the Audit people, came down to 66260 one year later. But, again during this year, another 36,000 objections came. So, at the end of 1995-96, the figure had come down from about 1,05,000 to 1,02,000. This is a serious problem. There are a large number of objections and many of them are old also. Therefore, the system needs improvement. Instructions have been issued and greater effort needs to go into it."

he also added:

"....I am told that the total number of individual transactions that are locked up during the year would come to one crore transactions.... If you view, in that context, one crore transactions over 8000 offices, then this figure of about 1,05,000 may not be large in absolute terms. But I am again repeating that we do not dispute the need to improve it and to keep it under control."

54. Elaborating on the steps taken to settle the outstanding audit objections, the representative of MOD deposed during evidence:

"During the last year, there has been a drive by the Defence Accounts Department to clear the internal audit objections and the statutory audit objections. The number of internal audit objections that were cleared was 38,057 and the number of statutory audit objections that were cleared were 1,094. If it is equally taken seriously by the Service Headquarters and the subordinate formations, then we can definitely cover more cases."



Another thing is that the Defence Accounts Department has started to send the Internal Audit Report to the Defence Secretary and later to the Service Headquarters at various senior levels, Principal Staff Officers, with the idea of immediate action. If we can bring these items to the notice of the policy making levels and have things rectified, that is actually a better way of doing it.

I would also like to give you one further input regarding the point that some of these objections are very old. The number of objections that are still pending to be cleared for the decade 1971-72 to 1979-80 is 153. In some of these cases, some documents were not produced for audit. These are being pursued definitely."

55. At the instance of the Committee, MOD furnished a written note on the pendency of 153 audit objections pertaining to the period 1971-72 to 1979-80. The Table given below indicates the year-wise position in this regard:

Year	<i>Pendency</i>	
	Internal	Statutory
1971-72	2	---
1972-73	12	---
1973-74	19	---
1974-75	12	1
1975-76	19	---
1976-77	16	---
1977-78	16	3
1978-79	18	5
1979-80	23	7
<b>Total</b>	<b>137</b>	<b>16</b>

56. MOD also stated that 29 more objections relating to the period upto 1979-80 have since been settled leaving a pendency of 124 objections relating to that period.

57. As regards the monetary implications of outstanding audit objections, MOD stated in their note that a review of the 108 objections out of 124 referred to in the preceding paragraph, has revealed that 35 objections have monetary implications of Rs. 4.36 lakhs while the remaining 73 involved procedural aspects. Explaining their system in vogue for processing audit objections, MOD in their written note stated that the objections remaining outstanding are noted in the Audit Progress Registers

which are reviewed every month and concerned authorities requested to speed up the settlement of objections. It was also stated that an Internal half-yearly Audit Report is also being submitted to the Defence Secretary which includes items of considerable importance. These items are also processed with the Principal Staff Officers at the Service Headquarters. For expeditious settlement of these objections periodical reviews are also stated to have been held in the local Audit Officers' Conferences held by various Controllers of Defence Accounts and also jointly by the Controllers of Defence Accounts and Administrative Authorities. These objections are also stated to have been reviewed during the internal inspections and super reviews carried out by the Controller and their officers at different levels. MOD also informed that in order to expedite settlement of all the pending audit objections, instructions have again being issued by the CGDA to all the Controllers to immediately undertake a special review, particularly for the older ones, to achieve clearance in the time bound manner.

58. The Committee are perturbed to note the startling number of 1,05,411 audit objections pending settlement in MOD at the end of June, 1995 of which 88,024 objections i.e., 83.5 percent of total pendency pertained to "Army" alone. Distressingly, some of these outstanding audit observations relate to the period commencing from 1971-72 and could not be cleared even after a lapse of over 23 years. The Committee are dismayed at the plea put forth by the Secretary, MOD during evidence that the pendency of 1.05 lakh audit objections might not be much in absolute terms if viewed in the context of one crore transactions in a financial year spread over 8,000 offices in the Ministry. The Committee are not at all inclined to accept this plea of the Ministry and they are of the firm belief that this tellingly shocking extent of outstanding audit observations over a long period of time is clearly indicative of the laxity being displayed by the various authorities of the Ministry in settling the audit objections thus negating the very objects of internal and statutory audit of financial transactions undertaken in a large number of field formations of MOD. Although an elaborate system is stated to be in existence in MOD for processing audit objections, the Committee are in no doubt that the present poor spectacle of affairs will not improve unless a rigid time limit is fixed for settlement of audit objections and appropriate action taken to fix responsibility in cases of defaults. They therefore, recommend that MOD should issue suitable instructions in this regard to their officers for future compliance. Considering the slow pace of progress in settlement of long outstanding objections, the Committee also desire MOD to take urgent and effective steps under a special time-bound programme with a view to wiping out outstanding audit objections particularly those pending for over a year. The Committee would like to be apprised of the specific progress made in this direction.

**(B) Non-verification of credit of imported stores**

59. Paragraph 8 of Chapter-I of C&AG's Report No. 8 of 1996 revealed that the total number of cases where certified Receipt vouchers/specification certificates of quality in respect of imported stores were not made available to Audit, had gone up from 1226 during 1993-94 to 1307 during 1994-95.

60. In this context, it was seen from item (vii) of certificate of CGDA that the credit for imported stores and equipments valued at approximately 683.67 crore could not verified in the ledgers of certain Store Depots of Army, Navy and Air Force as the certified receipt vouchers and corresponding invoices in the aforementioned 1307 cases were not made available to internal audit. The oldest item related to 1968-69.

61. The Committee are distressed to find that the credit for imported stores and equipments valued at Rs. 683.67 crores in 1307 cases could not be verified upto 1994-95 in the ledgers of certain stores depots of the Defence Services as the certified receipt vouchers and the corresponding invoices were not made available to internal audit. Significantly, the oldest item so remaining outstanding related to as far back as 1968-69. In the opinion of the Committee, the extent of these cases is clearly indicative of an atmosphere of non-accountability prevalent in store depots of Defence Services where audit officers are unable to verify whether the stores paid for, have actually been received fully and accounted for properly. Considering the fact that accountability of every officer entrusted with the task of receipt and accountal of stores procured on Government account is total and undivisible, the Committee wonder as to why MOD have not *suo moto* instituted enquiries in all such cases where the controlling officers failed to render relevant documents to internal audit for verifying the credit for imported stores particularly when such failures continued to persist for considerably longer periods. While expressing their unhappiness over this, the Committee desire that suitable action should now be taken by MOD in all these pending cases of verification of imported stores. They would also like the Ministry to draw a plan of action for achieving cent per cent targets of scrutiny and verification of the credit for the imported stores received in various stores depots of the Defence Services.

**(VII) Outstanding claims/dues**

62. The audit scrutiny of the Defence Accounts has also brought out the following position on increasing trends of outstanding claims against Railways/Shipping Corporations for losses or damages of stores in transit and outstanding dues for supplies and services rendered on payment by the Defence Services to others including Central Civil Departments, State Governments, Private individuals and institutions etc.

“(i) The outstanding against Railways/Shipping Corporations increased from Rs. 27.74 crores as on 30 June., 1994 to Rs. 29.34 crores as on 30 June, 1995.

- (ii) The outstanding dues for the services rendered on payment by the Defence Services to others rose from Rs. 101.13 crores as on 30 June, 1994 to Rs. 107.69 crores as on 30 June, 1995.
- (iii) The outstanding dues on account of licence fee and allied charges rose from Rs. 6.34 crores as on 30 June, 1994 to Rs. 7.61 crores as on 30 June, 1995.
- (iv) The amount due for recovery in respect of work done or stores supplied by Ordnance Factories to Civil Departments, Railways and outside bodies etc., rose from Rs. 3.97 crores as on 30 June, 1994 to Rs. 14.32 crores as on 30 June, 1995 showing an increase of 261 per cent."

63. The Committee's examination has also revealed an increasing trend in the outstanding claims of MOD against Railways/Shipping Corporations for losses or damages of stores in transit and outstanding dues for supplies and services rendered on payment by the Defence Services to Central Civil Departments or State Governments or private individuals and institutions etc. In fact such outstanding claims/dues have increased from Rs. 139.18 crores at the end of June, 1994 to Rs. 158.96 crores at the end of June, 1995. The Committee consider this situation as far from Satisfactory and they emphasise that urgent and appropriate measures should be taken by MOD for expeditious recovery of their outstanding dues from the agencies concerned.

NEW DELHI;  
19 April, 1997

*Chaitra 29, 1919 (Saka)*

DR. MURLI MANOHAR JOSHI,  
*Chairman,*

*Public Accounts Committee.*

**APPENDIX—I**  
(Vide Paragraph 42)

**CASES OF INJUDICIOUS RE-APPROPRIATION**

(Rs. in crores)					
Grant No.	Sanctioned Grant	Reappropriation	Final Grant	Actual Expenditure	Excess (+) Saving (-)
1	2	3	4	5	6
<b>18-Army</b>					
Pay and allowances of Army	4500.34	(-)18.31	4482.03	4456.25	(-)25.78
Pay and allowances of civilians	611.99	(-)6.51	605.48	592.66	(-)12.82
Research and Development Organisation	870.15	(+ )70.00	940.15	938.43	(-)6.72
Stores	4025.16	(-)187.33	3837.83	3813.72	(-)24.11
Works	775.99	(+ )45.80	821.79	815.45	(-)6.34
Rashtriya Rifles	14.87	(+ )3.90	18.77	36.69	(+ )17.92
National Cadet Corps	121.25	(-)2.58	118.67	113.66	(-)5.01
Other expenditure	233.56	(+ )34.31	267.87	261.05	(-)6.82
<b>19-Navy</b>					
Pay and allowances of Navy	293.00	(-)8.01	284.99	291.08	(+ )6.09
Stores	600.00	(-)1.98	598.02	608.45	(+ )10.43
Works	135.99	(+ )6.01	142.00	147.92	(+ )5.92
Other expenditure	170.00	(-)4.00	166.00	153.33	(-)12.67

1	2	3	4	5	6
<b>20-Air Force</b>					
<b>Pay and allowances of Civilians</b>					
	148.89	(-)4.89	144.00	137.38	(-)6.62
<b>Stores</b>					
	2632.37	(-)8.10	2624.27	2566.49	(-)57.78
<b>Works</b>					
	219.34	(+)34.60	253.94	246.46	(-)7.48
<b>Other expenditure</b>					
	57.00	(-)3.00	54.00	63.48	(+)9.48
<b>21-Ordnance Factories</b>					
<b>Stores</b>					
	1270.95	(-)137.11	1133.84	1114.95	(-)18.89
<b>Other expenditure</b>					
	195.00	(-)13.24	181.76	173.42	(-)8.34
<b>22-Capital Outlay on Defence Services</b>					
<b>Army</b>					
<b>Land</b>					
	40.00	(-)20.80	19.20	12.58	(-)6.62
<b>Heavy and Medium Vehicles</b>					
	117.70	(-)30.35	87.35	48.10	(-)39.25
<b>Other equipment</b>					
	1508.08	(+)94.05	1602.13	1637.36	(+)35.23
<b>Navy</b>					
<b>Naval fleet</b>					
	1132.97	(+)175.11	1308.08	1318.66	(+)10.58
<b>Air Force</b>					
<b>Aircraft and Aero-Engine</b>					
	2264.74	(+)10.09	2274.83	2264.76	(-)10.07
<b>Other equipment</b>					
	336.10	(+)41.45	377.55	317.33	(-)60.22
<b>Construction works</b>					
	111.45	(+)13.55	125.00	110.28	(-)14.72
<b>Ordnance Factories</b>					
<b>Machinery and Equipment</b>					
	219.35	(-)137.35	82.00	84.95	(+)2.95
<b>Works</b>					
	91.07	(-)28.07	63.00	56.72	(-)6.28

## APPENDIX — II

### STATEMENT OF CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Deptt. Concerned	Conclusions and Recommendations
1	2	3	4
1.	25	Defence	<p>The Committee note that out of the aggregate savings of Rs. 270.49 crores in 1994-95 in the voted portion of grants relating to Army, Air Force and Defence Ordnance Factories, savings of the order of Rs. 100.78 crores alone had occurred in the minor head "stores" under all these three grants mainly due to non-materialisation or lower materialisation of expected stores and supplies from indigenous and foreign sources. The Committee have been informed during evidence that suppliers had not adhered to the supply schedule in certain cases with the result that budgetary allocations could not be utilised during that year. While conceding that there might be one or two isolated cases of slippages in supplies during a year, the Committee are of firm belief that all round savings in this particular minor head under various grants of the Defence Services are clearly indicative of the deficiencies in the contract management on the part of the Ministry in ensuring that the various suppliers affected timely delivery of stores required to meet defence preparedness of the country. This view of the Committee is further reinforced by the fact that even the Secretary, MOD during his deposition admitted, "Unfortunately, I do not know whether we will be able to attain a situation where we are in a position to utilise the last penny because the number of contracts is too large." The Committee consider this situation as unfortunate particularly because large scale savings under "stores" had been a</p>

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recurring feature atleast from 1991-92 in the case of grants relating to Air Force and Defence Ordnance Factories. The Committee, therefore, recommend that the shortcomings in the contract management should be thoroughly looked into and appropriate action taken not only to ensure timely procurement of items for defence purposes but also to deal effectively in cases of any defaults.

2. 26

Defence

The Committee are also distressed to find that substantial savings amounting to Rs. 47.81 crores had occurred even under the minor head "Pay & Allowances" under various segments of the grants pertaining to Army and Air Force. Astonishingly, the reasons for these savings were attributed to lower bookings than anticipated and lower outgo in respect of pay and allowances to certain officers. In the light of the fact that precise requirement of funds under pay & allowances can always be accurately worked out by maintaining a scientific database, the Committee view these instances of large scale savings under this minor head as clearly reflective of the perfunctory manner in which MOD prepared their expenditure estimates for making routine payments on this account to their officials. Evidently, the monetary requirements for this head under the grants relating to Army and Air Force were calculated merely on guess work without critical and careful examination before making provisions therefor. The Committee hope that MOD would now take sufficient care in this regard in future so as to make their budgetary projections more realistic and meaningful.

3. 27

Defence

What has caused further concern to the Committee is the quantum of savings of the order of Rs. 108.87 crores which had occurred in the voted portion of the grant relating to "Capital Outlay on Defence Services". During evidence, the representative of MOD pleaded,

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1	2	3	4
			<p>“the area of capital is the most difficult part of the Defence Budget” and “this is one Grant where it is very difficult to visualise exactly whether the payment will take place or not”. The Committee are not at all inclined to accept these assertions made by the Ministry particularly because a substantial part of the savings under this grant during 1994-95 were attributable to slow progress of works, non-receipt of timely invoices from supplier, non-receipt of demand of funds from a State Government and finalisation of lesser number of land acquisition cases. In the opinion of the Committee, these factors for savings were not such which cropped-up suddenly and could not be surmounted in time. The Committee are rather of strong view that MOD being well aware of their elaborate and protracted procedures, should not experience any difficulty in anticipating their precise monetary requirements on account of capital acquisitions for defence purposes by keeping an ever-vigilant eye on the pace of events in each case. The Committee trust that MOD would give a serious thought to the question of managing and controlling this grant in an effective manner so as to ensure efficient and proper utilisation of funds provided thereunder.</p>
4.	28.	Defence	<p>The Committee also feel that the persisting trends of overall savings in various grants under the Defence Services and the explanations offered therefor under specific minor-heads are indicative of undesirable tendency on the part of MOD to overestimate their requirement of funds. They therefore, suggest that a thorough analysis of expenditure incurred under these grants during preceding three years may be made with a view to rectifying and improving the existing system of assessing the requirements of funds under specific sectors of the Defence Services.</p>

1	2	3	4
5.	34. Defence	<p>According to the instructions issued by the Ministry of Finance to all Ministries/ Departments of Government of India on 27 March 1986, the supplementary demands are required to be severely restricted to genuine unforeseen expenditure. The Committee's examination has, however, revealed that the mechanism of obtaining supplementary funds was used by MOD during 1994-95 in a rather casual and routine manner without carefully conducting a proper assessment of the expenditure incurred or likely to be incurred by them against the funds already made available to them. The net result was that supplementary funds of the order of Rs. 137.95 crores obtained under voted portion of two grants relating to Defence Ordinance Factories and Capital Outlay on Defence Services proved unnecessary as the final savings of Rs. 227.88 crores in these cases far exceeded the supplementary allocations. Similar cases of procuring supplementary funds in excess of actual requirements were also noticed in the case of grants relating to Army and Air Force where such funds had remained unutilised to the extent of 34 and 31 percent respectively. What has disturbed the Committee more is the fact that MOD had obtained supplementary funds even for those segments in four grants where original provisions were still more than adequate despite withdrawal of funds through reappropriations therefrom. In the opinion of the Committee, the facts brought out above amply prove that MOD have been resorting to obtaining additional allocations without ensuring best and efficient utilisation of funds already sanctioned to them for specific services. The Committee therefore, desire MOD to impress upon their budget controlling authorities to thoroughly examine their proposals for additional funds by exercising due farsightedness. They would also like MOD to ensure proper review and scrutiny of the requests for supplementary demands and restrict</p>	

1	2	3	4
6.	40.	Defence	<p>these to genuine cases before presenting the same to Parliament for approval.</p> <p>The Committee are deeply concerned to note that out of the total savings of Rs. 390.92 crores registered in various grants and appropriations operated under the Defence Services during 1994-95, the amount surrendered by MOD was only Rs. 125.97 crores which represented 32.2 percent of the total savings available. Significantly, entire savings amounting to Rs. 64.13 crores in both the voted and charged portions of Grant No. 20-Air Force and Rs. 108.87 crores in the voted portion of Grant No. 22-Capital Outlay on Defence Services were not surrendered at all in total disregard to the prescribed financial principles. On the other hand, there was also an instance of the unusual phenomenon of surrendering Rs. 2.62 crores from voted portion of Grant No. 19-Navy which had actually registered an excess expenditure of Rs. 6.30 crores and no savings were thus available for surrender. To their utter surprise, the Committee were informed during evidence that the substantial savings of over Rs. 68 crores in the voted portion of Grant No. 18-Army could not be surrendered because the Ministry were not fully aware of the cumulative figures of savings under various sub-heads of the grant and it was only at the end of the financial year that Ministry came to know of such savings. While taking a serious view of absence of precise accounting information system and the carelessness displayed by MOD in not surrendering the available savings and also in making erroneous surrender of funds, the Committee desire that MOD should contemplate appropriate steps to develop their accounting information system on suitable lines so as to avoid such lapses in future. They also desire MOD to ensure that timely surrender of anticipated savings is made in future strictly in accordance with the provisions made in this regard.</p>

1	2	3	4
7.	43.	Defence	<p>The Committee are extremely unhappy to observe the injudicious manner in which reappropriation of funds was made by MOD from or to various heads of accounts during 1994-95. In fact, the results of the appropriation audit has brought out instances where reappropriation of funds to certain heads was uncalled for as the amount so transferred had remained wholly unutilised. There were also cases where the amount reappropriated from specific heads of accounts was excessive and had consequently resulted in final excesses under those heads. Distressingly, there was also a case where original provisions were inadequate and yet reappropriation was made from that head resulting in final excess being greater than the amount transferred. Significantly, there were atleast 12 heads where further savings ranging between Rs.5 crores and Rs. 58 crores had occurred despite reappropriations ranging between Rs. 3 crores and Rs. 187 crores having been made from the original provisions thereunder. Evidently, there was complete lack of system for keeping watch over expenditure <i>vis-a-vis</i> sanctioned funds under specific heads when reappropriation proposals were considered in the Ministry. The Committee consider this situation highly unsatisfactory particularly because reappropriation orders are generally issued in the closing month of the financial year when the Ministries are expected to possess adequate data on their expenditure incurred and pending liabilities. The Committee therefore, recommend that MOD should undertake a thorough review of their existing system for reappropriation of funds with a view to identifying the weaknesses in their accounting information and exchequer control systems and plugging lacunae there against so that issuance of injudicious and defective reappropriation orders are avoided in future.</p>

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*3.	48.	Defence	<p>The Committee regret to note that MOD incurred an unauthorised expenditure of Rs. 75.65 lakhs under Grant No. 19—Navy during 1994-95 on pay and allowances of a Naval Establishment set up without approval of competent authority. In the opinion of the Committee, the perfunctory manner in which MOD ordered for import and installation of equipment for the particular Naval unit in 1993 without caring to issue a simultaneous sanction for manpower required to operationalise that unit speaks volume about the way in which administrative and financial affairs in the strategic areas of defence are being managed by the authorities concerned. While expressing their displeasure over lack of concerted actions and delay in issuance of proper sanction in the instant case, the Committee trust that the Ministry would be more careful in such cases in future.</p>
9.	50	Defence	<p>The Committee regret to observe that despite existence of Inter-Departmental Monitoring Groups in MOD since 1991-92 to make regular review of the progress of expenditure and pending liabilities particularly during the last quarter of the financial year, an atmosphere of financial indiscipline and non-observance of prescribed financial rules continue to persist year after year. Evidently, the inadequacies in the financial management systems had resulted in cases of excesses, large scale savings, obtaining unnecessary supplementary grants, non-surrender or partial surrender of available savings, injudicious reappropriations and other financial improprieties like incurrence of unauthorised expenditure etc. While expressing their deep concern over this unsatisfactory state of affairs, the Committee desire MOD to review the efficacy of Inter-Departmental Monitoring Groups with a view to making their budgetary processes more realistic as well as effecting strict exchequer control.</p>

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10.	58.	Defence	<p>The Committee are perturbed to note the startling number of 1,05,411 audit objections pending settlement in MOD at the end of June, 1995 of which 88,024 objections i.e., 83.5 per cent of total pendency pertained to "Army" alone. Distressingly, some of these outstanding audit observations relate to the period commencing from 1971-72 and could not be cleared even after a lapse of over 23 years. The Committee are dismayed at the plea put forth by the Secretary, MOD during evidence that the pendency of 1.05 lakh audit objections might not be much in absolute terms if viewed in the context of one crore transactions in a financial year spread over 8,000 offices in the Ministry. The Committee are not at all inclined to accept this plea of the Ministry and they are of the firm belief that this tellingly shocking extent of outstanding audit observations over a long period of time is clearly indicative of the laxity being displayed by the various authorities of the Ministry in settling the audit objections thus negating the very objects of internal and statutory audit of financial transactions undertaken in a large number of field formations of MOD. Although an elaborate system is stated to be in existence in MOD for processing audit objections, the Committee are in no doubt that the present poor spectacle of affairs will not improve unless a rigid time limit is fixed for settlement of audit objections and appropriate action taken to fix responsibility in cases of defaults. They therefore, recommend that MOD should issue suitable instructions in this regard to their officers for future compliance. Considering the slow pace of progress in settlement of long outstanding objections, the Committee also desire MOD to take urgent and effective steps under a special time-bound programme with a view to wiping out outstanding audit objections particularly those pending for over a year. The Committee would like to be apprised of the specific progress made in this direction.</p>

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11.	61	Defence	<p>The Committee are distressed to find that the credit for imported stores and equipments valued at Rs. 683.67 crores in 1307 cases could not be verified upto 1994-95 in the ledgers of certain stores depots of the Defence Services as the certified receipt vouchers and the corresponding invoices were not made available to internal audit. Significantly, the oldest item so remaining outstanding related to as far back as 1968-69. In the opinion of the Committee, the extent of these cases is clearly indicative of an atmosphere of non-accountability prevalent in store depots of Defence Services where audit officers are unable to verify whether the stores paid for, have actually been received fully and accounted for properly. Considering the fact that accountability of every officer entrusted with the task of receipt and account of stores procured on Government account is total and indivisible, the Committee wonder as to why MOD have not <i>suo moto</i> instituted enquiries in all such cases where the controlling officers failed to render relevant documents to internal audit for verifying the credit for imported stores particularly when such failures continued to persist for considerably longer periods. While expressing their unhappiness over this, the Committee desire that suitable action should now be taken by MOD in all these pending cases of verification of imported stores. They would also like the Ministry to draw a plan of action for achieving cent per cent targets of scrutiny and verification of the credit for the imported stores received in various stores depots of the Defence Services.</p>
12.	63	Defence	<p>The Committee's examination has also revealed an increasing trend in the outstanding claims of MOD against Railways/Shipping Corporations for losses or damages of stores in transit and outstanding dues for supplies and services rendered on payment by the Defence Services to Central Civil Departments or State</p>

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**Governments or private individuals and institutions etc. In fact such outstanding claims dues have increased from Rs. 139.18 crores at the end of June, 1994 to Rs. 158.96 crores at the end of June, 1995. The Committee consider this situation as far from satisfactory and they emphasise that urgent and appropriate measures should be taken by MOD for expeditious recovery of their outstanding dues from the agencies concerned.**

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**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATION**

Sl. No.	Name of Agent	Sl. No.	Name of Agent
<b>ANDHRA PRADESH</b>		<b>UTTAR PRADESH</b>	
1.	M/s. Vijay Book Agency, 11-1-477, Mylargadda, Secunderabad-500 306.	12.	Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad, U.P.
<b>BIHAR</b>		<b>WEST BENGAL</b>	
2.	M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar).	13.	M/s. Madimala, Buys & Sells, 123, Bow, Bazar Street, Calcutta-1.
<b>GUJARAT</b>		<b>DELHI</b>	
3.	The New Order Book Company, Ellis Bridge, Ahmedabad-380 006. (T.No. 79065)	14.	M/s. Jain Book Agency, C-9, Connaught Place, New Delhi, (T.No. 3515308 & 350806)
<b>MADHYA PRADESH</b>		15.	M/s. J.M. Jain & Brothers, P. Box 1020, Mori Gate, Delhi-110006. (T.No. 2915064 & 230936)
4.	Modern Book House, Shiv Vilas Place, Indore City. (T.No. 35289)	16.	M/s. Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-110 001. (T.No. 3315308 & 45896)
<b>MAHARASHTRA</b>		17.	M/s. Bookwell, 2/72, Sant Nirankari Colony, Kingsway Camp, Delhi-110 009. (T.No. 7112309).
5.	M/s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400 002.	18.	M/s. Rajendra Book Agency, IV-DR59, Lajpat Nagar, Old Dobule Storey, New Delhi-110 024. (T.No. 6412362 & 6412131).
6.	The International Book Service, Deccan Gymkhana, Poona-4.	19.	M/s. Ashok Book Agency, BH-82, Poorvi Shallmar Bagh, Delhi-110 033.
7.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400 001.	20.	M/s. Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi.
8.	M/s. Usha Book Depot, Law Book Seller and Publishers' Agents Govt. Publications, 585, Chira Bazar, Khan House, Bombay-400 002.	21.	M/s. Central News Agency Pvt. Ltd., 23/90, Connaught Circus, New Delhi-110 001. (T.No. 344448, 322705, 344478 & 344508).
9.	M & J Services, Publishers, Representative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor, 68, Jyotiba Fuele road Naigaum, Dadar, Bombay-400 014.	22.	M/s. Amrit Book Co., N-21, Connaught Circus, New Delhi.
10.	Subscribers Subscription Service India, 21, Raghunath Dadaji Street, 2nd Floor, Bombay-400 001.	23.	M/s. Books India Corporation Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110 052. (T.No. 269631 & 714465).
<b>TAMIL NADU</b>		24.	M/s. Sangam Book Depot, 4378/4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi-110 002.
11.	M/s. M.M. subscription Agencies, 14th Maruti Street, (1st Floor), Mahalingapuram, Nungambakkam, Madras-600 034. (T. No. 476558)		

