

PUBLIC ACCOUNTS COMMITTEE

1954—55

FOURTEENTH REPORT

[Appropriation Accounts (Defence Services), 1951-52 and 1952-53]

Vol. II—Appendices



LOK SABHA SECRETARIAT
NEW DELHI
June, 1955

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*See Appendix I (Vol. I—Report).

APPENDIX I
I.—Statement comparing Expenditure with Grants for 1951-52.

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More+ Less—	Expenditure compared with Final Grant or Appropriation More+ Less—
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>A—Expenditure met from Revenue.</i>					
10.—Defence Services, Effective—Army—Voted	1,40,23,74,000	1,51,08,76,000	1,47,76,61,977	+ 7,52,87,977	—3,32,14,023
11.—Defence Services, Effective—Navy—Voted	9,51,83,000	9,51,83,000	7,62,63,540	—1,89,19,460	—1,89,19,460
12.—Defence Services, Effective—Air Force—Voted	24,97,49,000	24,97,49,000	16,02,50,083	—8,94,98,917	—8,94,98,917
13.—Defence Services, Non-Effective— Charged	7,000	7,000	5,092	—1,908	—1,908
Voted	15,55,19,000	15,55,19,000	14,86,46,759	— 68,72,241	—68,72,241
Total expenditure met from Revenue	1,90,28,32,000	2,01,13,34,000	1,86,28,27,451	—4,00,04,549	—14,85,06,549
Total { Voted	1,90,28,25,000	2,01,13,27,000	1,86,28,22,359	—4,00,02,641	—14,85,04,641
{ Charged	7,000	7,000	5,092	—1,908	—1,908
<i>B—Expenditure met from Capital.</i>					
96.—Defence Capital Outlay—Voted	12,97,00,000	16,15,15,000	10,16,85,028	—2,80,14,972	—5,98,29,972
Total Defence Services	2,03,25,32,000	2,17,28,49,000	1,96,45,12,479	—6,80,19,521	—20,83,36,521
Grand Total { Voted	2,03,25,25,000	2,17,28,42,000	1,96,45,07,387	—6,80,17,613	—20,83,34,613
{ Charged	7,000	7,000	5,092	—1,908	—1,908

II.—Statement comparing Expenditure with Grant for 1952-53.

(Figures are in thousands)

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with original Grant or Appropriation More+ Less—	Expenditure compared with Final Grant or Appropriation More+ Less—
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>A.—Expenditure met from Revenue.</i>					
12.—Defence Services, Effective—Army—Voted	1,66,32,44	1,66,32,44	1,57,64,68	—8,67,76	—8,67,76
13.—Defence Services, Effective—Navy—Voted	11,25,29	11,25,29	8,68,69	—2,56,60	—2,56,60
14.—Defence Services, Effective—Air Force—Voted	23,22,11	23,22,11	15,62,74	—7,59,37	—7,59,37
15.—Defence Services, Non-Effective—Charged	7	7	5	—2	—2
Voted	15,85,70	15,85,70	15,06,39	—79,31	—79,31
Total expenditure met from Revenue	2,16,65,61	2,16,65,61	1,97,02,55	—19,63,06	—19,63,06
Total { Charged	7	7	5	—2	—2
Voted	2,16,65,54	2,16,65,54	1,97,02,50	—19,63,04	—19,63,04
<i>B.—Expenditure met from Capital.</i>					
108.—Defence Capital outlay—Voted	17,00,00	17,00,00	11,12,26	—5,87,74	—5,87,74
Total Defence Services	2,33,65,61	2,33,65,61	2,08,14,81	—25,50,80	—25,50,80
Grand Total { Charged	7	7	5	—2	—2
Voted	2,33,65,54	2,33,65,54	2,08,14,76	—25,50,78	—25,50,78

APPENDIX II

***Note regarding the contracts for the purchase of Jeeps in U.K. and the two contracts for the purchase of Defence Stores in a European Country.**

The Public Accounts Committee has commented adversely in its Ninth Report on the Appropriation Accounts of the Defence Services, on the purchase of warlike stores in foreign countries. The two major items on which attention has been focussed, relate to the contract for the purchase of jeeps in the United Kingdom and the two contracts for the purchase of ammunition in an European country.

2. The Committee has criticised the failure to invite tenders in the first instance, and has also commented upon certain technical and procedural irregularities in the performance of the contracts. Evidence has been led before the Committee, from time to time, in defence of the deviation from normal commercial practices. The recommendations of the Committee are based on an analysis of the explanations furnished and on its inability to accept the justification for the unusual steps being taken.

3. Government feel that for a reconsideration of these cases in their proper perspective, emphasis should be on the circumstances in which these contracts came to be concluded, rather than on matters of details or their implementation. Shortly after Independence, it became evident that transport vehicles of a particular type, and arms and ammunition for the re-equipment of the Armed Forces, were very urgently required for reasons of internal security and defence strategy. The Public Accounts Committee should be aware of the internal post-independence situation in which the reorganisation and the re-equipment of the Defence Services assumed paramount importance. As the defence requirements could not be obtained from the traditional sources of supply, it became imperative to make such other arrangements as were possible in the situation then prevailing and take the consequential risks. If it becomes necessary to purchase stores of this category from sources other than the recognised suppliers, it becomes inescapable to rely upon middlemen. In such a situation, it was not possible to conform fully to the standard pattern of contracts always or to enforce procedures observed in normal times for procurement of stores.

4. The main factors relevant in proper perspective are—

- (1) that the supplies were extremely urgent and demands for the procurement were repeatedly made on the High Commission;
- (2) that the normal sources, such as the Government of the United Kingdom and the United States, and even other foreign sources, had been repeatedly approached and searched and had produced no results;
- (3) the stores were in short supply and there was the post-war sellers' market.

5. Government have given anxious and careful consideration to the observations made by the Public Accounts Committee. They

*Laid on the Table on the 21st December, 1954.

concede that it is possible to point out technical and procedural irregularities and that in the light of results and losses incurred, judgment may be regarded as having been sometimes in error. These above circumstances, however, are inherent and inescapable in arrangements which, as already mentioned, departed somewhat from the normal methods and stores had to be obtained from new sources.

6. In view of the circumstances and the importance that have become attached to the matter, Government decided to constitute a Sub-Committee consisting of the Prime Minister, Finance Minister, the then Defence Minister (Sardar Baldev Singh) and the late Shri Gopalaswami Ayyangar, who was at the time Minister of States, to consider these cases in all their aspects. This Sub-Committee met for several days in 1952 and carefully studied all the relevant papers. They were assisted in this examination by the then High Commissioner in the United Kingdom, Cabinet Secretary and the Defence Secretary. As a result, they came to the conclusion that, though there were procedural and technical irregularities, the *bona fides* of the officers concerned could not be questioned. They found that the officers were actuated by the best of motives and in the interest of securing Defence supplies as speedily as possible. In this connection, the late Shri Gopalaswami Ayyangar, who had then become the Minister of Defence, made a lengthy statement in the House of the People on June 4, 1952. In this statement, he stated categorically that there was "absolutely no warrant" for questioning the *bona fides* of any of the officers concerned. It may also be pointed out that, during the period to which reference is now made, supply of these stores were difficult and required much initiative and ingenuity in their location and procurement.

7. Government trust, therefore, that the Public Accounts Committee will accept that no officer was negligent or acted in a way dishonourable and calling for condemnation.

8. The Public Accounts Committee is no doubt aware of the point made by the late Shri Gopalaswami Ayyangar that, for reasons he then stated, all details of transactions of Defence stores cannot always be made public. This consideration cannot be overlooked in regard to Defence matters.

9. Government are convinced that they have made the most thorough enquiry into this matter and that they have issued the necessary instructions in regard to procedures and that no beneficial result will accrue from any further enquiry.

10. In the concluding sub-para. of para. 30 of the Report, the Committee have also suggested an independent enquiry into the circumstances under which some information is stated to have leaked out to a foreign private firm. Government have carefully gone into the matter and find that the actual position was that the information was communicated to the firm in the capacity as agents of the suppliers with a view to procurement of the stores. Definite information has since become available that the firm were appointed as agents as early as the 4th September, 1950 before any information was communicated to them.

NEW DELHI;

December 18, 1954.

APPENDIX III

Statement made by Shri C. D. Deshmukh, Minister of Finance, in the Lok Sabha on 21st December, 1954 in regard to the contracts for the purchase of Jeeps in U.K. and two contracts for the purchase of Defence Stores in an European Country.

The Minister of Finance (Shri C. D. Deshmukh): Sir, with your permission I should like to make a brief statement regarding a matter which has been agitating the public mind for some time and on which the Public Accounts Committee have made certain observations in their Ninth Report. This is in connection with the orders placed for certain jeeps in London and for certain defence stores on the Continent in 1948 for the Defence Services. The Committee have mentioned the various irregularities brought to notice in connection with these contracts and they have suggested that no effective action has been taken by Government against persons who were responsible for transacting such an unbusinesslike deal in disregard of the administrative and financial rules. We have gone into this question over again, and I lay on the Table a *Statement which has been sent to the Public Accounts Committee on these cases. As the hon. Members are perhaps aware, in 1952, these cases formed the subject-matter of a detailed enquiry by a Committee of Ministers under the Chairmanship of the Prime Minister himself, of which the then Defence Minister, the late Shri Gopaldaswami Ayyangar and I were members. This Committee which was assisted by the then High Commissioner in London and senior officials came to the conclusion that though there had been procedural and technical irregularities, there was no reason to doubt the *bona fides* of the officers concerned. This was also made clear on the floor of the House by the late Shri Gopaldaswami Ayyangar on the 4th June, 1952. Necessary instructions have been issued to set right the procedural and other defects, but so far as the officers themselves are concerned, Government have come to the conclusion that there is no need to take any further action. I trust that in the light of the explanation given in the statement sent to the Public Accounts Committee and what I have just said, the House will treat the matter as closed.

* See Appendix II

APPENDIX IV*

No. 2(2)/1/54/A/D.(Prod.)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi-2: the 13th May, 1955

Office Memorandum

SUBJECT:—*Consideration of the Appropriation Accounts (Defence Services), 1949-50 and 1950-51 and Audit Reports thereon.*

During the discussion at the Public Accounts Committee on the 2nd April, 1955, of Para. 14 of Audit Report, Defence Services, 1954, regarding the establishment of a fully equipped modern plant for manufacture of certain latest types of ammunition, the representative of the Ministry of Defence undertook to examine how much of the plant and machinery to be supplied by the foreign company was, in fact, shipped by April 1951—the date according to the agreement by which the factory should have gone into full production, except in respect of fuzes production which was estimated to be established by September, 1951. The periodical statement of supplies made by the Company shows that by the 30th April 1951 only a small portion of the supplies (amounting to 0.12 million Swiss Francs worth) had been shipped by the foreign Company. The Company explained that some delay had taken place due to the changed market conditions of supply of plant and machinery in Europe owing to a change in the political situation. They added that they were being advised by their suppliers that delivery periods agreed upon previously could no longer be adhered to. We on our part found it inexpedient to press them hard because of some delay in the completion of buildings, further discussions about the design of the ammunition, and our anxiety to utilise as many machines as possible from German Reparations Machinery which the Ordnance Factories had acquired comparatively cheaply. This machinery was all in a repairable condition.

2. The Director General of Ordnance Factories has reported to the Ministry that in replying to questions at the P.A.C. meeting on the point raised in para. 1, he gave certain answers based on a misunderstanding of the questions asked. What he intended to convey to the Committee was that by the time all final decisions regarding the types of ammunition to be produced had been reached, most of the plant and machinery had arrived from Switzerland. Unfortunately he failed to appreciate that the questions in the P.A.C. were not directed to finding this out, but towards finding out how much plant and machinery had arrived in India by the date mentioned in the contract as the date of completion of the Project. So far as the latter point is concerned, his answers were incorrect, because of the misunderstanding referred to above. The Ministry of Defence and the Director General, Ordnance Factories, express their regret for the misunderstanding.

N. N. WANCHOO. Joint Secy.

*See also Appendix XII.

APPENDIX* VI
MINISTRY OF DEFENCE

Para. 46 of Audit Report, 1953—Loss of Ordnance stores by fire.

It has been explained by the Army authorities that the original order regarding the deferment of substantive promotion of this officer from March 1950 to March 1951 was interpreted to mean that the notification of the promotion was to be deferred by one year, if in that period of one year a favourable report on the officer was received. Such a report was received and the notification of the promotion was, therefore, made retrospectively. So far as the Ministry of Defence can see, the interpretation of the expression "deferment of promotion" as "deferment of notification of promotion" was incorrect. It was owing to this misinterpretation that misleading information was supplied to Audit. The Ministry of Defence is, however, going into this matter further to find out why this misinterpretation of the original orders was made and who was responsible for it.

No information is available on the present employment of the two Commissioned officers who were released from service.

*Appendix V omitted.

APPENDIX VII

MINISTRY OF DEFENCE

Para. 55 of Audit Report, 1953—Misappropriation of Public Funds.

As has been explained in the Audit Report, the officers involved in the misappropriation were one British Lieut. Colonel and one Indian Lieutenant. There were three courses considered for disciplinary action against the two officers—

- (i) a joint trial by General Court martial;
- (ii) separate trials by General Courts-Martial;
- (iii) a joint trial by a civil court.

(i) A joint trial by General Court Martial was not possible as the British officer was subject to the British Army Act and the Indian officer to the Indian Army Act and common court could not be convened under the two different Acts.

(ii) The legal advice on separate trials by General Court Martial was that as the evidence admissible against one officer was equally admissible against the other, the trials, had to take place simultaneously although in two different Courts Martial. As the material witness in each of these Courts Martial would have been the accused in the other Court martial, it would have been necessary for the prosecution to call that accused. It is, however, laid down both in the British and in the Indian Military Laws that if in any case two or more persons are suspected of complicity in an offence and it is found necessary to call one of these as a witness for the prosecution against the other, the proceedings against him must have been abandoned, or his case must first be disposed of. This would have been unfair to whoever is the person whose case was first disposed of.

(iii) Government of India had decided to prosecute the two officers in a civil court but naturally informed the U.K. authorities of the proposed prosecution of the British officer. Thereupon, the U.K. authorities represented that the British officer should not be tried in a civil court. The reasons they urged were that—

- (i) in their opinion, trial by a civil court was not justified;
- (ii) such a trial was likely to be a protracted affair as is usual in cases in civil courts;
- (iii) a civil court trial would result in undue publicity which would not be desirable; and
- (iv) if the case was tried by a civil court, there would be the question of the responsibility for the heavy expenditure on the defence of the accused.

2. Considering the fact that the British officer was mainly responsible for the misappropriation, it was decided not to proceed against

the Indian officer alone in a civil court. Both the officers were, therefore, released from service, forfeiting release concessions. In effect, this action penalised the officers to the following extent:—

- (i) the difference between the pay and pension of the British officer for the period that he would have otherwise served beyond the date of present release;
 - (ii) forfeiture of 56 days' release leave;
 - (iii) forfeiture of release clothing benefits; and
 - (iv) forfeiture of overseas leave in the case of the British officer.
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APPENDIX VII
MINISTRY OF DEFENCE

Note stating the set up of the Canteen Stores Department as also the steps taken to give it a statutory existence.

1. *SET-UP.*

The Canteen Stores Department (India) is an undertaking run on behalf of and for the benefit of the personnel of the Armed Forces under the general supervision of the Ministry of Defence.

The affairs of this organisation are managed by a Board of Control on which all the three Defence Services are represented. In addition, there is a Board of Administration with its Headquarters at Bombay which is responsible for the day-to-day management of the Department subject to the policy laid down by the Board of Control.

Objects

The aim of the C.S.D.(I) is to supply canteen goods to Defence Services personnel near their "lines" and at a reasonable and uniform price all over India.

Funds

The funds of the C.S.D.(I) were drawn partly from the profits of the old C.S.D. which was run as a Government Department and partly from some loans taken from Government. The loans were later repaid with interest.

Accounts

The accounts of the Department are maintained on commercial lines. The receipt and expenditure accounts are subject to detailed audit by a firm of Chartered Accountants appointed by the Board of Control. The accounts at present are also subject to the Local Test audit, by the Assistant Director of audit, Defence Services and appear in the Commercial Appendix to the Appropriation Accounts of the Defence Services.

Profits

It is the policy of the Board of control that the Department should work on as small a margin of "profit" as possible consistent with the efficient functioning of the Department. A part of the "profits" is distributed among the three Services for providing amenities to Service personnel. Thus, unlike commercial undertakings in the private sector, this Department is not run with any "profit motive" in the usual sense of the term and any profits made ultimately go to provide amenities to members of the armed forces who form its only clientele.

2. *STATUTORY BASIS.*

From the facts given in the preceding paras., it will be seen that the C.S.D.(I) although supervised by a Board of Control consisting of official members is a commercial undertaking and that it is neces-

sary and desirable that the existing character of the Department and the present system of keeping its accounts on commercial lines be retained as far as possible. The question of giving this undertaking a statutory existence is under consideration.

• 3. This note has been shown to the Director of Audit, Defence Services who has no remarks to offer.

NAGENDRA SINGH, Joint Secy.

NEW DELHI;

The 9th June, 1955.

APPENDIX IX

No. F. 59/14/53/674-E/D (E & Qtg)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 20th January, 1955

Office Memorandum

SUBJECT:—*Appointment of Arbitration Tribunals to decide cases of disagreement under works contracts—points raised in the second sub-para. of para. 6 of the Report of the P.A.C. on the Appropriation Accounts Defence Services 1947-48 (Post-Partition)—(Item 18 of the *Statement of Outstanding Recommendations).*

The undersigned is directed to refer to the correspondence resting with this Ministry's Office Memorandum †No. 59(14)/6187-E/D (Eng), dated the 26th September, 1953, on the above subject, and to say that the recommendation of the Public Accounts Committee relating to the appointment of Arbitration Tribunals, consisting of not less than three persons one of whom should be a high ranking judicial officer, for settling disputes between the Government and contractors, has been further examined. Government is of the considered view that in actual practice it will not be a workable proposition to appoint such Arbitration Tribunals. In the first place, from the point of view of the availability of high ranking judicial officers who must at least be of the status of a District Judge, it is considered that such officers of the State Governments if asked to work for us would be pre-occupied with their regular duties and will not be able to find sufficient time to sit on arbitration tribunals and dispose of cases speedily. This is particularly so when it is realised that the arbitration tribunals have to be constituted in different places at frequent intervals. Looking to the variety and nature of cases we would be required to appoint more than one judicial officers of the status of a District and Sessions Judge and yet face the prospect of not keeping any of them fully employed. A whole time employment of an Officer or two on this type of work would therefore not be justified.

As the Ministry of Works, Housing and Supply deal with a greater number of disputes arising out of the C.P.W.D. contracts, the recommendation made by the Public Accounts Committee has been examined in consultation with that Ministry also. The Ministry of Works, Housing and Supply have stated that no change is considered necessary and desirable in the existing procedure.

As already explained in this Ministry's Office †Memo. No. 59/14/5189-E/D(Q&E), dated the 8th August, 1953, the system of

“Joint Arbitration” tried by this Ministry for settling three war-time cases not only proved to be very expensive but was also found to be very cumbersome and two cases dragged on for about two years. It is, therefore, feared that the system of arbitration by tribunals may also like-wise prove not only costly but prolonged and may not achieve the desired results. In the circumstances explained above, it is the considered opinion of Government that it will not be expedient, at the present juncture, to appoint Arbitration Tribunals.

NAGENDRA SINGH, Joint Secy.

*See Appendix I (Vol. I—Report).

†See para 52 of the Ninth Report of the P.A.C.

‡ See Apper.dix VI I (Ninth Report of the P.A.C.—Vol. II-Appendices).

APPENDIX X

No. 4(16)D(AG)/53/800-E/D(E & Qtg)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 28th January, 1955

Office Memorandum

SUBJECT:—Disciplinary action in cases involving Financial Irregularities—(Item 20 of the Statement of Outstanding Recommendations).

The matter has been examined and the position is as follows:—

A dereliction by a person subject to military law can be dealt with in any of the following ways:—

- (i) if the dereliction amounts to an offence under the Army Act, by a disciplinary tribunal constituted thereunder;
- (ii) if it has caused any loss or damage, by award of stoppages under Army Act section 90 or 91;
- (iii) by way of administrative action. e.g., under Army Rule 205.

There are corresponding provisions under the Air Force Act and the Indian Navy Discipline Bill.

2. So far as (i) above is concerned, the action gets time-barred after 3 years under Army Act 1950 Section 122 except in cases of mutiny, desertion and fraudulent enrolment. This time bar limit also existed under section 67 of the Old Indian Army Act, 1911. [Such a time bar limit exists under section 161 of the (British) Army Act and Article 43 of the U.S. Code of Military Justice]. It may be observed that the period of limitation prescribed in the Service Acts does not oust the jurisdiction of a civil court, so that whenever desired an accused can be prosecuted in a (civil) criminal court.

3. There is also no time limit with regard to proceedings taken under Army Act section 90 or 91 and Army Rule 205. Thus, even though the case may be time-barred for trial by a court martial, action for recovery of the actual loss sustained by the State can always be taken under the aforesaid provisions against any service personnel held responsible for same. This should adequately meet the purpose which the P.A.C. has in view, since in all serious cases a Court Martial would be ordered within the period of limitation and if in any such cases it has not been so done deliberately or through neglect, the Commanders responsible would themselves be seriously dealt with and the persons primarily responsible for the loss or damage of public property would be handed over to civil authorities for prosecution before criminal court.

* See Appendix I (Vol. I—Report).

4. It will therefore be appreciated that there is no need to alter the existing provisions since the three year limitation has no legal effect as in practice it cannot prevent action being taken even after the lapse of that period. However, if the P.A.C. feels strongly on its abolition the Defence Ministry would be prepared to initiate necessary amending legislation.

H. C. SARIN, Joint Secy

APPENDIX XI

MINISTRY OF DEFENCE

Audit Report, Defence Services, 1953. Para. 51—Fraud in a Military Dairy Farm.

A statement giving details of the disciplinary action taken against the 23 Farms employees, is *attached.

2. It will appear from the statement that appropriate disciplinary action was taken against 15 out of the 23 employees.

3. In regard to the remaining 8 employees, no punishment could be awarded. The 'competent authority' on examining the evidence as contained in the Court of Enquiry proceedings and the written defence submitted by them, came to the finding that the charges against them could not be substantiated to warrant any punishment being inflicted.

4. This note has been shown to the Director of Audit, Defence Services who has no remarks to offer.

NAGENDRA SINGH, Joint Secy.

NEW DELHI;

The 9th June, 1955.

• Not Printed.

APPENDIX XII*

No. 2(2)/1/54/B/D.(Prod).

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 13th May, 1955

OFFICE MEMORANDUM

SUBJECT:—*Consideration of the Appropriation Accounts (Defence Services), 1949-50 and 1950-51 and Audit Reports thereon.*

During the discussion of Para. 14 of Audit Report, Defence Services, 1954 on 2nd April 1955 regarding the establishment of a fully equipped modern plant for the manufacture of certain latest types of ammunition, the Public Accounts Committee was informed that we would furnish further information as to the reasons for agreeing to an increase of 8½ per cent. in the advance to be made to the Company under Clause 10 of the Memorandum of Agreement with the foreign Company. The Ministry of Finance (Defence) have been consulted and the position is as follows:—

2. The foreign Company represented on the 28th February, 1952 that due to the changed supply position of plant and machinery in Europe, the foreign Company had had to advance to their suppliers a minimum of 33½ per cent. of the value of orders placed on them. In proof of this they sent a statement showing certain instances where such advances had been made. They desired that the agreement should be modified to provide for the payment of an additional advance of 8½ per cent. to them on the value of orders placed by them for plant and machinery in pursuance of the contract as soon as such orders were placed even though the goods might not have been delivered to the forwarding agents.

3. The request of the foreign Company was considered by the Ministry of Defence in consultation with the Ministry of Finance and it was agreed that in view of the then current market trends, the request of the Company should be acceded to in order to get supplies regularly from the Continent. It may be stated that by April, 1952 large supplies of Plant and Machinery had been shipped to India. The actual payments that had been made upto that time were less than the amounts that were due to the Company under the terms of the original Contracts in respect of both the projects. Further, the increase by 8½ per cent. involved an additional payment of approximately Rs. 7 lakhs only, as this increase was to be restricted to the Plant and Machinery which had yet to be delivered. Later, with the advice of the Ministry of Law, the agreement was modified on 24th May, 1952 to the extent indicated below by an Exchange of Letters:—

(a) That in respect of machinery, equipment and paraphernalia, etc., still to be received by the Government of India under the terms of the two contracts referred to above, to

• See also Appendix IV.

the extent that orders for such machinery, etc., have already been placed by the Company for supply to the Government, the Company shall be entitled to receive a further advance of $8\frac{1}{2}$ per cent. of the value of such machinery, etc., in addition to the advance payment of 25 per cent. already provided for. To the extent that orders for any machinery, equipment and paraphernalia still to be received by the Government under the terms of the two contracts have not yet been placed by the Company, the additional advance payment of $8\frac{1}{2}$ per cent. shall become due only on the date when orders for the machinery, etc., are so placed by the Company for supply to the Government. The payment of this additional advance of $8\frac{1}{2}$ per cent. will be authorised by the D.G.O.F., Calcutta, on receipt of intimation from you of particulars of machinery, equipment and paraphernalia referred to in this para.

- (b) In cases where an additional advance payment of $8\frac{1}{2}$ per cent. becomes due under the preceding clause in respect of machinery, equipment and paraphernalia, etc., to be supplied by the Company to the Government the balance of payment to be made at the time of the actual supply of the machinery will be $66\frac{2}{3}$ per cent. of the cost of each consignment instead of 75 per cent. of the price as mentioned in the relevant clauses of the contracts.
- (c) The payment of the balance $66\frac{2}{3}$ per cent. of the price of each consignment under clause (b) above will be made by the High Commissioner for India in the U.K., London, on the production before him of shipping documents relating to the consignment by the Company. The claim for payment submitted to the High Commissioner for India will specifically mention that payment of $33\frac{1}{2}$ per cent. has been received in advance from the D.G.O.F. in respect of that claim. Copies of D.G.O.F.'s letters authorising payment of the advance of $33\frac{1}{2}$ per cent. will be attached to the claim to enable the High Commissioner to pass on debits to the Director General of Ordnance Factories and for the latter to link his advance payment with the final payment.

N. N. WANCHOO, Joint Secy.

The D.A.D.S. to whom the above note was sent has observed as follows:—

“It is said that ‘the increase by $8\frac{1}{2}$ per cent. involved an additional payment of approximately Rs. 7 lakhs only, as this increase was to be restricted to the Plant and Machinery which had yet to be delivered.’ If $8\frac{1}{2}$ per cent. amounted to Rs. 7 lakhs, the total cost of machinery should be Rs. 84 lakhs. It is said that this amount was paid in respect of machinery yet to be delivered. If it is so, the statement earlier in the paragraph that “it may be stated that by April, 1952, large supplies of Plant and Machinery had been shipped to India” does not seem to be correct. The

total value of the cost of services, the machinery, equipment, fuzes and raw materials to be supplied by the Company including packing and freight charges was not to exceed Rs. 125.27 lakhs. Obviously only a minor portion of the machinery supplied should have been despatched by April, 1952. The discrepancy between the two statements may be reconciled. Further, if a part of the machinery was supplied then under the contract the balance payment due, viz., 75 per cent. could have been paid. In respect of the machinery despatched to India, therefore, there should have been no difficulty at all. In any case the connection between the large supplies of machinery said to have been shipped to India by April, 1952, and the payment of additional Rs. 7 lakhs being 8½ per cent. may be indicated.

It is said that "the foreign Company had had to advance to their suppliers a minimum of 33½ per cent. of the value of the orders placed on them. In proof of this they sent a statement showing certain instances where such advances had been made." The point for consideration is whether Government ascertained whether in *all* cases the firm had to make advances of 33½ per cent."

The comments of the Ministry of Defence are as follows:—

There appears to be some misunderstanding about the supplies to which the statement made in our note 'it may be stated that by April, 1952 large supplies of plant and machinery had been shipped to India' applied. As the next sentence in the note shows, the reference was to supplies made under both contracts. In adjudging the extent to which the Company was in our debt or credit we have all along treated both contracts together. It might also be recalled that the modification allowing for an enhanced advance on account of supplies still due was made to both the Machine Tool Prototype Factory and the present Project agreements. By the 31st December, 1954 the value of supplies shipped by the foreign Company was SF. 27.334 million against both contracts. As against this, the value of supplies shipped by the 30th April, 1952 was SF. 19.478 million. It would be seen that the value of supplies shipped by the time the modification to the agreement was accepted was about three-quarters of the total supplies shipped by the end of 1954. As the D.A.D.S. rightly assumed, the total cost of machinery on the additional advance of Rs. 7 lakhs should have been Rs. 84 lakhs. As against this, the value of supplies shipped after the 30th April, 1952 but before the end of 1954 was SF. 7.85 million or 86 lakhs approximately. We trust that the D.A.D.S. will now agree that there was no inconsistency in the statement made in para. 3 of the Office Memorandum No. 2(2)/1/54/B/D.(Prod), dated the 13th May, 1955.

As for the Government satisfying itself whether in all cases the foreign firm had to make advances of 33½ per cent., it might be stated that the foreign Company while repre-

senting for increase in the amount of advance, had forwarded on the 28th February, 1952 a statement showing certain instances where advances had been made. Government had no reason to doubt the claim of the foreign Company that such higher advance payment was required in all cases.

N. N. WANCHOO, Joint Secy.

APPENDIX XIII
MINISTRY OF DEFENCE

SUBJECT:—Audit Report, Defence Services, 1954—Para. 15—Attempted manufacture of Dry batteries in an Ordnance Factory.

1. (a) What is the value of the batteries which were purchased from the following firms and other sources, if any, during the years 1952-53 and 1953-54:—

- (1) Solar Batteries;
- (2) National Carbons; and
- (3) Estrellas.

	1952-53		1953-54	
	Batteries Rs.	Cells Rs.	Batteries Rs.	Cells Rs.
National Carbons	203,286·2	9,573	784,098·10	212,577·5
Estrellas	195,234·0	9,846	387,424·0	12,646·0

No batteries were procured from Messrs. Solar Batteries Ltd. None of the batteries purchased was of the layer type which we were trying to develop. The batteries purchased were "Can" type.

1. (b) How the prices are negotiated? Are they settled directly with the suppliers or through some intermediary firms?

The indents for these stores are placed on the Director General, Supplies and Disposals. He then advertises in the Indian Trade Journal inviting tenders for these batteries on an annual rate contract basis. Attention of the likely suppliers is drawn to the tender advertisement. On the basis of tenders received from the trade, rate contract is concluded bearing in mind the suitability of the stores to the required specification. The rate contract is awarded directly to the suppliers and not through any intermediary firms.

1. (c) Does there exist any long term contract with any firm for the supply of these batteries and whether it stands in any way in the re-starting of the factory?

Annual rate contracts are arranged for these stores every year. The present rate contract is for the period 1st January 1955 to 31st December 1955 and has been concluded with the following firms:—

- (1) Messrs. National Carbon Co. (India) Ltd., Calcutta;
- (2) Messrs. Siemens Brothers & Co. Ltd., Calcutta;
- (3) Messrs. Estrella Batteries Ltd., Bombay.
- (4) Messrs. Flash Lights (India) Ltd., Calcutta.

The contracts are valid only up to the 31st December 1955. The contract conditions do not stand in the way of re-starting production in a Government factory. The following considerations have, however, to be taken into account.

Although a number of batteries was produced by the Ordnance Factories which passed the technical tests, experience showed that further improvement of the technique would be necessary. Besides, considerable difficulty was experienced in finding the plastic trays which were an important component. Owing to these factors, it was later thought more suitable to try to have the store manufactured through commercial firms experienced in battery making and to discontinue further effort in the Ordnance Factories. The information available with us was passed on to two firms in July 1952. It is interesting to note that upto now none of these firms has been successful in establishing the manufacture layer type batteries, i.e., the type whose manufacture was attempted to be established at the Ordnance Factory, Dehra Dun. It is understood that a third firm (to whom, however, our technique was not passed on and which is a foreign firm) has developed samples of layer type batteries which have been submitted for approval to the Technical Development Establishments. These samples are still undergoing life tests.

N. N. WANCHOO, Joint Secy.

I. The Director of Audit, Defence Services, to whom the above note was sent, has observed as follows:—

“The factual information presented in the note is not susceptible of verification from the records in this office.”

In connection with the question as to whether any long term contract stands in the way of re-starting of production of batteries in Ordnance Factories, the following question would naturally arise in the proposed note to the Public Accounts Committee. It has been stated that the present Defence requirements are being met by “Can type” of Batteries supplied by local firms [Item 1(a) of the note refers]. The question obviously arises as to whether it would not suffice to establish manufacture of this type (Can type) in Ordnance Factories, provided it could be done without encountering the difficulties (e.g., supply of plastic trays, etc.) met with in the manufacture of “Layer type” and also if the “Can type” can serve equally well the Defence requirements.

It may also be useful to set out—

- (i) The difference between the two types of batteries;
- (ii) Why the attempt in the Ordnance Factories till now has been on the manufacture of “Layer type” and no attempt has been made to make the “Can” type?”

II. *Comments of the Ministry of Defence.*—Can type batteries are made up of round cells. Owing to the circular shape of the cells, the inter-cell space cannot be utilised advantageously. The space has to be filled with sealing compound to keep the cells in position. This results in increase in the weight without any commensurate increase in the Service life of the battery.

“Layer” type battery is a comparatively recent development. This type of battery employs flat cells so that there is no inter-cell space to be filled with sealing compound. “Can” type battery is yielding place to the “Layer” type batteries in the U.K., the U.S.A. and other countries.

For the same electrical output, the volume, weight and requirements for zinc (which is an imported material) for both the types, are given below:—

	Can Type	Layer Type
Volume	100%	50%
Weight	100%	50%
Zinc requirement	100%	20%

Manufacture of "Can" type batteries is already well-established in the country. It is generally the policy of Government not to undertake the manufacture of articles which are being indigenously produced by the trade in the country. The limited resources of the Ordnance Factories are concentrated on the development and production of stores which are imported or which, for other strategic reasons, it is not considered desirable to leave to the trade to manufacture. The manufacture of "Layer" type batteries was attempted mainly for the reason that they were more compact, less bulky and less heavy and offered greater advantages over the conventional "Can" type batteries. Because of the greater life for the same weight and volume, considerable economy was also expected to be effected.

N. N. WANCHOO, Joint Secy.

NEW DELHI;
The 31st May, 1955.

APPENDIX XIV
MINISTRY OF DEFENCE

Note regarding item No. 17 of the *Statement of Outstanding Recommendations.

The above recommendation (Item 17) was based on certain irregularities reported in para. 9 of Audit Report, Defence Services, 1952, in which the cost of a large number of Military Credit Notes issued to M.E.S. contractors during wartime in one M.E.S. Division, for movement of stores, could not be recovered from them. The M.C. Note seems to have been issued to speed up movement of stores, so that war effort might not be hampered. Such an irregularity has not been noticed in the post-war period either by statutory audit or by internal audit.

2. The use of Military credit notes by the M.E.S. is restricted to the following two occasions:—

- (i) Stores consigned to, or from Engineer Park/Engineer Stores Depot in connection with operations.
- (ii) Stores consigned to or by an officer not in charge of Engineer Park/Engineer Stores Depot i.e., to or by a Garrison Engineer, etc., provided the consignor certifies on the Military Credit Notes that the stores are required in connection with operations, mobilization or war.

In all other cases, Civil Credit Notes are required to be used. The use of credit notes by M.E.S. is permissible only for movement of Government stores and the M.E.S. contractors are not entitled to the issue of Military or Civil credit notes under the existing rules. The possibility of issue of credit notes (Military or Civil) to them does not, therefore, arise.

3. The existing orders on the issue of Military/Civil Credit Notes have already been reiterated and are being rigidly followed by all concerned. The last letter issued on the subject is Army HQ. No. 27734/E3A. dated 26/27th November 1953 (See Annexure). The instance reported in the Audit Report occurred during the period of war prior to the issue of these instructions. The chances of similar malpractices in the use of credit notes are now almost non-existent and in the circumstances explained, it is hoped that the PAC will not press their suggestions.

4. The Defence Audit Department has seen this note.

NAGENDRA SINGH, Joint Secy.

Dated the 21st June, 1955.

• See Appendix I (Vol. I Report).

ANNEXURE

Copy of Army Headquarters letter No. 27734/E3A, dated the 26/27th November, 1953 to Engineer Stores Depots

SUBJECT:—Issue of Credit Notes.

1. In spite of instructions issued from time to time by this HQ regarding the correct use of Credit Notes, cases are still coming to light where MES formations have used MC Notes for despatch of stores instead of Civil Credit Notes.

2. To remove any doubt that may exist at present the position is recapitulated in the following paras.

3. The use of MC Notes by the MES has been restricted to the following two occasions:—

- (i) Stores consigned to or from Engineer Park/ESD in connection with operations.
- (ii) Stores consigned to or by an officer not in charge of Engineer Park/ESD, i.e., to or by GEs, etc. provided the consignor certifies on the MC Notes that the stores are required in connection with Operations, Mobilization or War.

In all other cases Civil Credit Notes are required to be used.

4. "Ops/Immediate Priority" marked on the Issue Orders is normally intended to indicate the degree of priority to be accorded to the despatch of stores and is in no way the determining factor for the type of Credit Notes on which movement is to take place.

5. OsC, ESDs while effecting despatch of stores will ensure that they invariably use Civil Credit Notes unless otherwise stated on the Issue Orders.

6. Please acknowledge receipt.

APPENDIX XV
MINISTRY OF FINANCE (DEFENCE)

Note regarding Item 31 of the *Statement of Outstanding Recommendations.

Out of the total amount of £3,788,100 a sum of £632,900 has since been cleared and a further clearance of £35,400 is expected shortly. The balance of £3,119,800 is made up of (1) claims amounting to £2,558,000 representing shipping charges incurred on the despatch of stores on behalf of the U.K. Government after 1st April, 1947 and (2) other claims of a miscellaneous nature amounting to £561,800.

2. As the Committee is aware, the clearance of transactions relating to shipping charges has presented certain difficulties. The debits were based on payments made in respect of more than 1,500 freight bills. As these are now required to be supported by more than 15,000 vouchers in order to satisfy the U.K. Government as to their liability for these charges, special arrangements have been made for collecting these documents. As a first step the records that were originally sent to U.K. at the time the debits were raised, have been called back and re-examined. All other available records with the Accounts as well as the administrative authorities in India have also been segregated. A special drill has been laid down by the Controller General of Defence Accounts in consultation with this Ministry and the administrative authorities and special teams of staff have been deputed to examine all the available documents and collect those required by the War Office. This work is in progress and is being carried out in the offices of the Controller of Defence Accounts, Southern Command, Poona, and Joint Controller of Defence Accounts, Patna. According to the latest progress report received from them the documents required have been collected in respect of debits totalling £825,000. The work is still in progress and it may take some time before one is in a position to appreciate the extent to which all the documents will be forthcoming and what alternative proofs may have to be furnished in respect of debits for which all the documents are not available. Nevertheless, in order to effect early settlement in respect of debits for which the necessary documents have already been collected, instructions have been issued to these two offices to forward all these vouchers and bills. On receipt of these documents, they will be examined carefully and arranged in the form desired by the U.K. Government. They will then be forwarded to our High Commissioner in London as a first instalment for further immediate action by him, informing him at the same time that vouchers in respect of the remaining debits will be forwarded to him as soon as the collection of documents has been completed. Suitable instructions will also be issued to our High Commissioner to ensure that the matter is pursued at a suitably high level with the U.K. Government as suggested by the Committee.

3. The clearance of debits amounting to £561,800 in respect of items of miscellaneous nature is being progressed by our High Commissioner in consultation with the Commonwealth Relations Office.

* See Appendix I (Vol. I—Report).

The latest amount outstanding under this Head is being ascertained and will be reported to the Committee in due course.

4. The clearance of all these outstandings is engaging the constant attention of the Controller General of Defence Accounts and this Ministry and every effort is being made to complete it as early as possible.

5. The Director of Audit, Defence Services, has seen this note.

J. DAYAL. Financial Adviser,
MINISTRY OF FINANCE (DEFENCE).

Dated the 6th January, 1955.

APPENDIX XVI

MINISTRY OF DEFENCE/D(Q)

SUBJECT:—*Statement showing profit/loss made by individual Military Farm during the year 1951-52.*

“32. The Committee observed that the only trading account of Military Farms which was furnished in the Appendix was a consolidated account of all farms. As the number of farms had greatly increased they desired that separate trading accounts for farms by Commands or circles should be furnished in future in order to enable them to see which set of farms was being run at a profit and which at a loss. This would enable them to exercise better control.”

In accordance with para. 32 (reproduced above) of the proceedings of the Military Accounts Committee on the Accounts of 1943-44, Commandwise accounts of Military Farms are furnished to the members of the Public Accounts Committee to enable them to see which set of farms is being run at a profit and which at a loss. In consultation with the financial and audit authorities, a statement (Annexure—A) showing profit/loss made by each individual Military Farm in each of the three Commands is furnished for the information of the members of the Public Accounts Committee. The reasons for variation in loss/profit are also shown separately in the form of a statement (Annexure—B).

2. The data contained in the statement (Annexure—A) have been test checked by the Director of Audit, Defence Services.

H. C. SARIN, Joint Secy.

Dated the 3rd February, 1955.

ANNEXURE A

Tabular Statement showing the working results of all Military Farms in India for 1951-52 as compared with those for the Year 1950-51

Military Farms	1950-51		1951-52		Variation	
	Loss	Profit	Loss	Profit	Worse	Better
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Southern Command</i>						
Ahmadnagar	1,55,546	..	..	37,486	..	1,93,032
Bangalore	..	2,53,668	..	2,26,807	26,861	..
Belgaum	..	15,038	..	26,750	..	11,712
Deolali	..	32,786	..	66,360	..	..
Deolali	..	..	..	..	..	33,574
Jabalpur	25,839	..	..	98,123	..	1,239,62
Kalyan	49,446	..	..	18,314	..	67,760
Kirkee	1,12,743	..	..	48,507	..	1,61,250
Pimpri	1,98,938	..	..	54,498	..	2,53,436
Secunderabad	1,23,304	..	..	13,823	..	1,37,127
Wellington	12,875	..	..	30,058	..	42,933
TOTAL	6,78,691	3,01,492	..	6,20,726	26,861	10,24,786
Net result	3,77,199	..	..	6,20,726	..	9,97,925
<i>Eastern Command</i>						
Agra	37,666	..	72,600	..	34,934	..
Allahabad	..	20,852	..	31,894	..	11,042
Bareilly	23,250	..	1,04,704	..	81,454	..
Dehra Dun	..	1,59,484	37,286	..	1,96,770	..
Jhansi	..	45,326	21,223	..	66,549	..
Kanpur	..	1,30,659	..	28,028	1,02,631	..
Lucknow	..	13,262	2,77,148	..	2,90,410	..
Meerut	..	3,55,860	..	85,731	2,70,129	..
Namkum	8,902	..	53,907	..	45,005	..
Panagarh	..	2,64,413	..	3,31,696	..	67,283
TOTAL	69,818	9,89,856	5,66,868	4,77,349	10,87,882	78,325
Net result	..	9,20,038	89,519	..	10,09,557	..
<i>Western Command</i>						
Ambala Cantt.	..	2,12,170	3,30,662	..	5,42,832	..
Delhi Cantt.	1,39,723	..	..	2,90,722	..	4,30,445
Ferozepore	..	1,10,562	..	51,046	59,516	..
Jullundur	..	48,746	..	5,29,572	..	4,80,826
Mhow	..	1,52,232	..	54,719	97,513	..
Pathankot	..	4,04,094	..	6,09,770	..	2,05,676
TOTAL	1,39,723	9,27,804	3,30,662	15,35,829	6,99,861	11,16,947
Net result	..	7,88,081	..	12,05,167	..	4,17,086
<i>All India.</i>						
TOTAL	8,88,232	22,19,152	8,97,530	26,33,904	18,14,604	22,20,058
Net result	..	13,30,920	..	17,36,374	..	4,05,454
M.A.D. Charges adjusted	..	(-)3,600	..	(+)2,487	..	..
Final result	..	13,27,320	..	17,38,861	..	..

ANNEXURE B

Reasons for variations

The better result at Military Farm, Ahmednagar is due to:—

1. Overall reduction in expenditure.
2. Increased receipts of fodder from land.

The worse result at Military Farm, Bangalore is due to:—

Payment of boarding charges of animals to Military Farms Belgaum and Secunderabad.

The better result at Military Farm, Belgaum is due to:—

Increased receipts of fodder from farm land.

The better result at Military Farm, Deolali is due to:—

1. Less expenditure under cultivation as Nasik Road and other areas were relinquished during the year.
2. More valuation of Young Stock during the year.

The better result at Military Farm, Jabalpur is due to:—

1. More issues of fodder to the Army Service Corps.
2. Reduction in temporary staff.
3. Decrease in expenditure on repairs to Plant and Machinery as compared with previous years.
4. Economy in expenditure on Water and Electricity.
5. Less repairs to buildings carried out during the year.
6. Less expenditure on transportation due to less movement of stores.
7. All round economy.

The better result at Military Farm, Kalyan is due to:—

1. All round economy.
2. Adjustment during the year 1950-51 of maintenance charges of motor vehicles for 1948-49 and 1950-51.
3. Decrease in establishment.
4. Less casualties of cattle during the year.

The better result at Military Farm, Kirkee is due to:—

1. Adjustment of maintenance charges on vehicles for 1948-49 and 1949-50 in 1950-51.
2. Less repairs to buildings from revenue.
3. Decrease in administrative charges.
4. Increased trade as a result of opening of depots at Ahmedabad and Baroda.
5. Less casualties and condemnations during the year 1951-52.

6. Increased expenditure on purchase of dairy produce during 1950-51 as a result of increase in the rate of S.M. Powder.
7. Transport during the year 1950-51 of baled fodder transferred from other farms, which resulted in high expenditure under head transportation charges.

The better result at Military Farm, Pimpri is due to:—

1. Adjustment of electricity charges for the year 1948-49 and 1949-50 during the year 1950-51.
2. Reduction in Temporary establishment.
3. Reduction in feeding charges on account of transfer of 146 young stock to Military Farm, Bangalore.
4. Culling of uneconomical old animals.
5. Adjustment of special depreciation charges in 1950-51 on animals purchased during 1949-50.
6. Purchase during the year 1950-51 of fodder at Rs. 50-4-0 per 100 lbs. against Rs. 37-6-0 during 1951-52.
7. Less casualties during 1951-52 as compared with 1950-51.
8. Adjustment during the year 1950-51 of maintenance charges of vehicles for the year 1949-50.
9. Decrease in the purchase rate of ice. It was purchased at Rs. 0-13-0 per 100 lbs. against Rs. 1-11-0 per 100 lbs. during 1950-51.
10. Adjustment during the year 1950-51 of full pay of the Veterinary Officer, whereas during the year 1951-52 he worked only for part time.

The better result at Military Farm, Secunderabad is due to:—

1. Decrease in administrative charges.
2. Decrease in establishment charges.
3. Decrease in transportation charges as a result of less transportation of grains and stores.
4. Less purchases of spare parts and repairs to machinery.
5. Less casualties in the herd.
6. Realizations on account of rearing of boarders of Military Farm, Bangalore and compensation on transfer of milch cattle.

The better result at Military Farm, Wellington is due to:—

1. Reduction in temporary establishment.
2. More receipts from valuation of young stock.
3. Less casualties in the herd.
4. Increase in sales of dairy produce.
5. Adjustment in 1950-51 of rail charges for 1949-50.
6. Adjustment during 1950-51 of Maintenance charges for motor vehicles for 1948-49 and 1949-50.
7. Adjustment during 1950-51 of railway freight on animals from Military Farms, Ahmadnagar and Kirkee.

Eastern Command

The worse result at Military Farm, Agra is due to:—

1. Less receipts from sale of dairy produce due to move of troops.
2. Payment to Building contractors as a result of court decrees and arbitration award.
3. Loss through condemnation of uneconomical animals.
4. Special depreciation on newly purchased cattle.
5. Payment of rent of old trenching ground for previous 2 years.
6. Payment of increased dearness allowance to staff.

The better result at Military Farm, Allahabad is due to:—

1. Increase in production of fodder and seeds from farm land.
2. More interest charges on Government Account "C" during 1951-52 than during 1950-51.
3. Disposal of uneconomical animals.

The worse result at Military Farm, Bareilly is due to:—

1. Conversion of surplus milk into butter/ghee.
2. Extra young stock reared.
3. Increase in the rate of dearness allowance.
4. Less receipts of fodder from farm land due to failure of Monsoon.
5. Reconstruction of buildings from Revenue.
6. Extra depreciation charges on newly purchased cattle.
7. Less receipts for maximum and minimum charges.
8. Extra concentrate mixture fed to young stock due to revised scale of ration.

The worse result at Military Farm, Dehra Dun is due to:—

1. Decrease in sale of dairy produce due to move of troops from the station.
2. Less valuation of young stock.
3. Increased depreciation on purchased animals and adjustment of depreciation charges on a pasteurizer for previous years.
4. Increase in the dearness allowance.
5. Payment of lease of land and buildings for the year 1951-52 and previous years during the year 1951-52.
6. Issue of 145 new paulins.

The worse result at Military Farm, Jhansi is due to:—

1. Reduction in sale of dairy produce owing to move troops.
2. Increase in the dearness allowance.

The worse result at Military Farm, Kanpur, is due to:—

1. Reduction in sale of dairy produce.
2. Conversion of surplus butter into ghee.

3. Increase in the dearness allowance.

4. Failure of crops due to no rains.

The worse result at Military Farm, Lucknow is due to:—

1. Less trade due to move of troops from the station.
2. Less receipts of fodder from land due to failure of monsoon.
3. High rates of concentrates.
4. Increase in the dearness allowance.
5. Condemnation of large number of cattle and less realization by their sale.
6. Compensation paid to 2 Class IV servants.

The worse result at Military Farm, Meerut is due to:—

1. Decrease in sale of dairy produce due to move of Division from the Station.
2. Increase in the dearness allowance.
3. Payment to building contractors as a result of Court decrees.

The worse result at Military Farm, Namkum is due to:—

1. Increase in the pay and allowances under the New Pay Code.
2. More travelling allowance paid to establishment.
3. More casualties and condemnations.

The better result at Military Farm, Panagarh is due to:—

1. Increased sales of dairy produce at the Military Farm Depot, Calcutta.

Western Command

The worse result at Military Farm, Ambala is due to:—

1. Reduction in trade due to move of troops.
2. Less supply of fodder to the Army Service Corps.
3. Increase in establishment and increase in dearness allowance.
4. Increase in interest charges on capital due to increased capital value.
5. Increase in transportation charges due to transfer of fodder from other sources.
6. Increase in the audit charges.
7. Reduction of rates of stocks due to revision of rates wrongly charged in the accounts of 1950-51.

The better result at Military Farm, Delhi Cantt. is due to:—

1. Adjustment of rent of land for two years, viz., 1948-49 and 1949-50, in the accounts for 1950-51.
2. Adjustment of rent of MES buildings for two years, viz., 1948-49 and 1949-50, in the accounts for 1950-51.
3. Minus adjustment of the cost of temporary buildings of Military Poultry Farm, Delhi in the accounts for 1950-51.
4. Increase in receipts due to opening of Military Farm Depots, Badopal, Sirsa and Hissar.

5. Increase in the trade.

6. Supply of fodder to the Army Service Corps at higher rates.

The worse result at Military Farm, Ferozepore is due to:—

1. Increase in dearness allowance.
2. Reduction in trade.
3. High rates of concentrates.
4. Rearing of more calves.
5. Reclamation of more land.

The better result at Military Farm, Jullundur is due to:—

The issue of purchase milk which was purchased at rates much lower than the sale rate.

The worse result at Military Farm, Mhow is due to:—

1. Construction of buildings out of revenue.
2. Compensation paid to Military Farm, Agra on cow herd.
3. Adjustment of cost of oats purchased from overseas.
4. More profit earned in 1950-51 due to supply of purchased fodder to Army Service Corps and other farms.

The better result at Military Farm, Pathankot is due to:—

1. Increase in sales of dairy produce due to opening of Military Farm Depot at Jammu.
 2. More receipts on account of interest charges.
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APPENDIX XVII
MINISTRY OF DEFENCE/D(Q)

SUBJECT:—*Statement showing profit/loss made by individual Military Farm during the year 1952-53.*

“32. The Committee observed that the only trading account of Military Farms which was furnished in the Appendix was a consolidated account of all farms. As the number of farms had greatly increased they desired that separate trading accounts for farms by Commands or circles should be furnished in future in order to enable them to see which set of farms was being run at a profit and which at a loss. This would enable them to exercise better control.”

In accordance with para. 32 (reproduced above) of the proceedings of the Military Accounts Committee on the Accounts of 1943-44, Commandwise accounts of Military Farms are furnished to the members of the Public Accounts Committee to enable them to see which set of farms is being run at a profit and which at a loss. In consultation with the financial and audit authorities, a statement (Annexure A) showing profit/loss made by each individual Military Farm in each of the three Commands is furnished for the information of the members of the Public Accounts Committee. The reasons for variation in loss/profit are also shown separately in the form of a statement (Annexure B).

2. The data contained in the statement (Annexure A) have been test checked by the Director of Audit, Defence Services.

NAGENDRA SINGH, Joint Secy.

Dated the 7th February 1955.

ANNEXURE A

Tabulated Statement showing the working results of all Military Farms in India for 1952-53 as compared with those for the year 1951-52

Military Farm	1952-53		1951-52		Variation	
	Loss	Profit	Loss	Profit	Worse	Better
<i>Southern Command</i>	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Ahmednagar	66,346	..	..	37,486	1,03,832	..
Bangalore . . . . .	..	1,29,673	..	2,26,807	97,134	..
Belgaum . . . . .	..	70,670	..	27,750	..	43,920
Deolali . . . . .	..	1,35,144	..	66,360	..	68,784
Jabalpur . . . . .	..	73,552	..	98,123	24,571	..
Kalyan . . . . .	..	64,148	..	18,314	..	45,834
Kirkee . . . . .	..	2,12,289	..	48,507	..	1,63,782
Pimpri . . . . .	..	25,399	..	54,498	29,099	..
Secunderabad . . . . .	..	47,062	..	13,823	..	33,179
Wellington . . . . .	..	19,277	..	30,058	10,781	..
TOTAL	66,346	7,77,154	..	6,20,726	2,65,417	3,55,499
Net Result . . . . .	..	7,10,808	..	6,20,726	..	90,082
<i>Eastern Command</i>						
Agra . . . . .	..	86,090	72,600	..	..	1,88,690
Allahabad . . . . .	..	8,986	..	31,894	22,908	..
Bareilly	45,038	..	1,04,704	..	..	59,666
Dehra Dun . . . . .	..	1,64,198	37,286	..	..	2,01,484
Jhansi . . . . .	..	1,33,033	21,223	..	..	1,54,256
Kanpur . . . . .	..	86,620	..	28,028	..	58,592
Lucknow . . . . .	..	78,208	2,77,148	..	..	3,55,356
Meerut . . . . .	..	1,11,277	..	85,731	..	25,546
Namkum . . . . .	..	51,845	53,907	..	..	1,05,752
Panagar . . . . .	..	3,66,972	..	3,31,696	..	35,276
TOTAL	45,038	10,87,229	5,66,868	4,77,349	22,908	11,54,618
Net Result . . . . .	..	10,42,191	89,519	..	..	11,31,710
<i>Western Command</i>						
Ambala Cantt . . . . .	..	1,53,448	3,30,662	..	..	4,84,110
Delhi Cantt . . . . .	..	1,33,322	..	2,90,722	1,57,400	..
Ferozepore . . . . .	..	70,823	..	51,046	..	19,777
Jullundur . . . . .	..	1,28,644	..	5,29,572	4,00,928	..
Mhow . . . . .	..	69,229	..	54,719	..	14,510
Pathankot . . . . .	..	13,60,693	..	6,09,770	..	7,50,923
TOTAL . . . . .	..	19,16,159	3,30,662	15,35,829	5,58,328	12,69,320
Net Result . . . . .	..	19,16,159	..	12,05,167	..	7,10,992
<i>All India</i>						
TOTAL	1,11,384	37,80,542	8,97,530	26,33,904	8,46,653	27,79,437
Net result . . . . .	..	36,69,158	..	17,36,374	..	19,32,784
Charges Centrally adjusted (Defence Accounts Department)	..	+ 3,338	..	+ 2,487		
Final result . . . . .	..	36,72,496	..	17,38,861		

ANNEXURE B

Reasons for Variations

The loss at Military Farm, Ahmednagar is due to:—

1. Decreased production of fodder due to failure of monsoon and prevalence of famine conditions. Receipts from lands were very little as compared with the last year (1407968 lbs. during 1952-53 against 4021847 lbs. during 1951-52).
2. Feeding of cattle on 'A' Scale due to very little green fodder being available.
3. Adjustment of cost of grains received during the last year but no liability for same taken during that year.
4. Conversion of surplus milk into Ghee.
5. Adjustment of conservancy charges for the past years.
6. Adjustment of depreciation charges on machinery received in previous years.
7. Deletion of cost of packing material from the value of stocks on hand.

The worse result at Military Farm, Bangalore is due to mainly that the farm had to pay Rs. 34,539 as interest charges on Government Account 'C' instead of any receipts on that account. During the year 1951-52 the Farm got a receipt of Rs. 73,892 on that account.

The better result at Military Farm, Belgaum is due to:—

1. Readjustment of excess rail charges adjusted during 1948-49.
2. Less repairs carried out to buildings.
3. More valuation of livestock at the age of 2 years.
4. More receipts on account of maximum and minimum charges.

The worse result at Military Farm, Jabalpur is due to:—

1. Increased establishment charges due to posting of one additional Manager and one Supervisor during 1952-53.
2. More repairs to buildings and adjustment of departmental charges at 11½ per cent.
3. Less receipts of fodder from Farm land.
4. Payment of interest charges on Government Account 'C'.
5. Payment of cost of fodder purchased during 1945-46.

The better result at Military Farm, Kirkee is due to:—

1. Increased sales of dairy produce and fodder to the Defence Services.
2. More valuation of young stock at the age of 2 years.
3. Reduction in establishment.

4. Decrease in the interest charges paid on Government Account 'A' due to reduction in rate.
5. Receipt of interest charges on Government Account 'C'.

The worse result at Military Farm, Pimpri is due to:—

1. Special depreciation on livestock purchased.
2. Less receipts of fodder during the year from Farm land.

The better result at Military Farm, Secunderabad is due to mainly the benefit derived on account of valuation of young stock and calves.

The worse result at Military Farm, Wellington is due to:—

Decrease in sales due to closing down of depots.

The better result at Military Farm, Agra is due to:—

1. Increase in trade over last year.
2. Reduction in establishment.
3. More realizations by sale of grazing rights of plots.

The worse result at Military Farm, Allahabad is due to:—

1. Increase in expenditure on production of milk.
2. Less yields of milk from Sindhi cows.

The loss at Military Farm, Bareilly is due to:—

1. Conversion of surplus milk into Ghee instead of selling as blended milk.
2. Less receipts of fodder and seeds from land due to failure of monsoon and winter rains.

The better result at Military Farm, Dehra Dun is due to:—

1. Feeding of cheap fodder to the cattle.
2. Increased trade.

The better result at Military Farm, Jhansi is due to:—

1. Increased in trade.
2. Less condemnations.
3. More valuation of young stock and transfer of Plant and Machinery from Revenue to Capital.

The better result at Military Farm, Kanpur is due to:—

1. Increase in trade.
2. Better receipts of fodder from Farm land.

The better result at Military Farm, Lucknow is due to:—

1. Increase in trade.
2. Better receipts of fodder from Farm land.

The better result at Military Farm, Meerut is due to:—

1. Transfer of buildings constructed from Revenue in previous years but transferred to Capital during the year.
2. Decrease in administrative charges.

The better result at Military Farm, Namkom is due to:—

Increased trade in the station and the attached depots.

The better result at Military Farm, Panagar is due to:—

1. Reduction in establishment.
2. Decrease in expenditure on feed of animals.
3. Cost of two tube wells transferred from Revenue to Capital.

The better result at Military Farm, Ambala is due to:—

1. Increased trade.
2. Increase in valuation of young stock.

The worse result at Military Farm, Delhi Cantt. is due to:—

Decreased issues of dairy produce to the Defence Services.

The better result at Military Farm, Mhow is due to:—

Adjustment during 1951-52 of the cost of oat seed received during the years 1946-47 and 1947-48 for which no liability was taken during these years.

The better result at Military Farm, Pathankot is due to:—

1. Increased trade.
2. Increased receipts of maximum and minimum charges.

The better result at Military Farm, Deolali is due to:—

1. More receipts on account of maximum and minimum charges.
2. More valuation of live stock at the age of 2 years.
3. Decrease in the expenditure on feed of animals during the year to the tune of Rs. 42,764.

The better result at Military Farm, Kalyan is due to:—

1. Reduction in herd and staff and all round expenditure.
2. More issues of fodder to the Army Service Corps.
3. Reduction in interest charges on Government Account "C" amounting to Rs. 30,532.
4. Profit made on fodder issued to Army Service Corps due to difference between the purchase price and the General Supply rate of fodder and levy of 10 per cent. departmental charges.

The better result at Military Farm, Ferozepore is due to:—

More valuation of young stock at the age of 2 years.

The worse result at Military Farm, Jullundur is due to:—

Decreased issues of dairy produce to the Defence Services. During the year 1951-52 there have been abnormal issues at this Farm.

