

# PUBLIC ACCOUNTS COMMITTEE 1960-61

## THIRTY-FIFTH REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (Defence Services), 1958-59  
and Audit Report, 1960]

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LOK SABHA SECRETARIAT  
NEW DELHI

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Thirty-fifth Report of P.A.C. (Second Lok Sabha)

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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
1960-61**

**CHAIRMAN**

**Shri Upendranath Barman**

**MEMBERS**

2. \*Shri Rohan Lal Chaturvedi
3. Shri Maneklal Maganlal Gandhi
4. Shri R. S. Kiledar
5. Shri Vinayak Rao K. Koratkar
6. Shri T. Manaen
7. Shri G. K. Manay
8. Shri S. A. Matin
9. Shri Baishnab Charan Mullick
10. Shri T. R. Neswi
11. Shri Shamrao Vishnu Parulekar
12. Shri Purushottamdas R. Patel
13. Shri Radha Raman
14. Dr. N. C. Samantsinhar
15. Pandit Dwarka Nath Tiwary
16. Shrimati Sharda Bhargava
17. Shri Jashaud Singh Bisht
18. Shri Surendra Mohan Ghose
19. Dr. Shrimati Seeta Parmanand
20. Shri V. C. Kesava Rao
21. Shri Mulka Govinda Reddy
22. Shri Jaswant Singh

**SECRETARIAT**

**Shri V. Subramanian—Deputy Secretary.**

**Shri Y. P. Passi—Under Secretary.**

---

\*Elected on the 25th November, 1960 vice Shri Feroze Gandhi  
died.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Thirty-fifth Report on the Appropriation Accounts (Defence Services), 1958-59 and Commercial Appendix thereto, and Audit Report, 1960.

2. The Audit Report (Defence Services), 1960, was laid on the Table of the House on the 8th April, 1960. The Minister of Defence laid on the Table of the House, with the special permission of the Speaker, a \*Statement containing brief replies to the various points raised in the Audit Report, on the 28th April, 1960. The Speaker directed that the Public Accounts Committee should take into consideration the Defence Minister's statement when they examined the Audit Report.

3. The Appropriation Accounts (Defence Services), 1958-59 were laid on the Table of the House on the 8th August, 1960.

4. The Committee examined the Appropriation Accounts and Audit Report and the Statement of the Defence Minister at their sittings held on the 6th to 9th and 12th December, 1960 and 23rd February, 1961. A brief record of the proceedings of each sitting has been maintained and forms Part II of the Report.

5. The Committee appointed a sub-Committee to examine the cases referred to in paras 37 (*re*: overpayment of bonus to the Defence Services personnel) and 57 (*re*: contract with a Japanese Firm) of the Audit Report. The conclusions of the sub-Committee relating to para 37 are included in paras 228—233 of this Report. The report on para 57 will be presented separately.

6. The Committee considered and approved this Report at their sittings held on the 20th, 21st and 23rd March, 1961.

7. A statement showing the summary of the main recommendations/conclusions of the Committee has been appended to this Report (Appendix II). For facility of reference, these have been printed in italics in the body of the Report.

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\* Not Printed.

(vi)

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

NEW DELHI;

*Dated 28th March, 1961.*

*Chaitra 7, 1883 (Saka)*

UPENDRANATH BARMAN,

*Chairman,*

*Public Accounts Committee.*



**I**

**FINANCIAL WORKING OF THE GRANTS RELATING TO  
THE DEFENCE SERVICES, 1958-59.**

The following table compares the original and final grants and charged appropriation with actual expenditure for the year, 1958-59.

(In lakhs of Rupees)

	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure
Expenditure met from Revenue (Voted) . . . . .	2,96,98	2,96,98	2,74,65
Expenditure met from Capital (Voted) . . . . .	29,93	29,93	29,63
TOTAL (Voted) . . . . .	3,26,91	3,26,91	3,04,28
Expenditure met from Revenue (Charged) . . . . .	91	94	93
Expenditure met from Capital (Charged) . . . . .	6	6	3
TOTAL (Charged) . . . . .	97	100	96

2. There was thus a saving of about Rs. 23 crores or 6.92 per cent over the final grant (Voted) during the year 1958-59 as against 3.19 per cent (Rs. 10 crores) during the year 1957-58.

3. The following table shows at a glance the savings in Voted grants over a period of 6 years:

(In lakhs of Rupees)

Year	Final Grant	Savings	Percentage
1953-54 . . . . .	2,37,97	24,99	10.5
1954-55 . . . . .	2,43,52	24,97	10.25
1955-56 . . . . .	2,45,07	30,56	12.47
1956-57 . . . . .	2,60,22	20,82	8.00
1957-58 . . . . .	3,15,60	10,05	3.19
1958-59 . . . . .	3,26,91	22,63	6.92

*Surrender of savings in Voted Grants—Para 1(v) (c), page 5—*

4. Out of the total saving of Rs. 22,63,11,000 a sum of Rs. 19,38,94,000 was surrendered on the 31st March, 1959. According to Audit savings of Rs. 10 crores were known at the time the

Revised Estimates were framed and could have therefore been surrendered earlier.

In extenuation the Financial Adviser stated that the saving of Rs. 10 crores was not surrendered earlier as it was expected to be utilised before the financial year was out. He added that even if this amount had been surrendered then it could not have been diverted to other purposes. As for the reasons for the total saving of about Rs. 23 crores, he stated that it was due to non-utilisation of the funds provided for the purchase of stores from abroad. The Committee were assured that necessary steps were being taken to improve budgeting as regards Grants of Defence Services.

Referring to the general question of the surrender of savings on the last day of the financial year, the representative of the Ministry of Finance (Budget Division) stated that, although the Administrative Ministries were required under the rules to surrender savings as soon as they were known, the general practice was to surrender them at the end of the financial year. When questioned about the purpose or utility of surrendering savings at the end of the financial year, the witness expressed the view that in the present context of planned economy, it was not a practical issue inasmuch as such savings would go only to reduce the extent of deficit financing by which the budgetary gap was being met. *The Committee feel that this question should not be looked at from that angle. In their opinion, in the context of deficit financing, it is all the more necessary to exercise strict budgetary control.*

*The Committee would like to observe that large savings in the provision for procurement of Defence stores has become a recurring feature. They would like to reiterate the recommendations made in para 6 of their Sixth Report (Second Lok Sabha) and stress the necessity of closer liaison between the indenting and supplying departments.*

*Rush of expenditure during the month of March, 1959—Para 26 of the Review of MES Expenditure—Page 43 of the Appropriation Accounts, 1958-59—*

5. The expenditure on the MES works in the month of March, 1959 alone was about 3.58 times the average expenditure of the first eleven months and 2.70 times the average expenditure of the year. The rush of expenditure in the last month of the year was stated to be mainly due to greater 'on account' payments, late submission of bills by contractors and suppliers, late completion of works, accelerated progress of works and late finalisation of bills and contracts for various reasons.

In para 5 of their 17th Report (1958-59) the Committee had recommended that the Ministry of Defence should devise specific remedies to remove the bottlenecks resulting in uneven flow of expenditure during the year. The Committee understand from a note submitted to them that the following measures have been taken to facilitate even rates of progress of works and flow of expenditure:—

- (i) Efforts are being made to issue, as far as possible, Administrative Approvals for works in advance of the financial year in which they are scheduled to be undertaken; and
- (ii) to avoid delay in receipt of allotment of funds, allotment will be made direct to Garrison Engineers with copies to intermediate formations.

It has, however, been urged that some imbalance in expenditure towards the closing months of the year is inevitable, so long as the present financial year is continued, as the working season really starts from October. *As far as the Committee are aware, progress in works is difficult during the monsoons which, admittedly can be foreseen for every locality. In their opinion, the pace of work during the earlier part of financial year has been slow in the past due to procedural delays, which, they are glad to note, are now being tackled. The Committee trust that as a result of the remedial measures now introduced, the rush of expenditure in the last quarter of the financial year which has become a recurring feature year after year, will be considerably reduced.*

## II

### PURCHASES OF STORES

AUDIT REPORT (DEFENCE SERVICES), 1960

#### MASTER GENERAL OF ORDNANCE BRANCH

*Defects noticed after purchase—para 2, page 6—*

6. The Audit para disclosed that 880 chassis of 3 ton lorries valued at about Rs. 241 lakhs were purchased during the period from February to June, 1958 through the Director General of Supplies and disposals, after inspection by the Army technical authorities. Bodies on 100 chassis were built by one firm by October, 1958 and on 286 chassis by the firm which supplied the chassis by April, 1959. The 386 lorries received after body building could not, however, be issued to Army units because of certain defects in the chassis noticed by the Electrical and Mechanical Engineer authorities during 'receipt in' inspection. Some defects were rectified by the suppliers of the chassis while others were remedied by the Electrical and Mechanical Engineer authorities.

7. In evidence, the Committee were informed that in all 900 chassis were ordered from the firm of suppliers, of which 880 chassis had been delivered by the firm between March and June, 1958 and the remaining 20 in October, 1959. The chassis were found to be in sound condition during the first inspection at the suppliers' premises by the Army Technical authorities who passed them. The contract for body-building on 800 of the chassis was placed on the firm of suppliers who delivered the 800 vehicles complete with bodies in batches between December, 1958 and October, 1959 as shown below:

Month	Chassis	Chassis with bodies
March 1958	223	..
April 1958	627	..
June 1958 <sup>1</sup>	30	..
December 1958	..	17
March 1959	..	118
April 1959	..	151
July 1959	..	48
August 1959	..	93
September 1959	..	59
October 1959	20	314

8. In extenuation of the delay in body building, it was stated that there was a time-lag in getting the pilot built-up body and the specifications of the timber approved by the Army Technical authorities. Thereafter the firm commenced to build the bodies in bulk (after February 1959). The vehicles with the bodies were inspected by the Army Technical authorities at the premises of the firm of suppliers before they were despatched to Army Depots. The chassis were lying uncovered in the premises of the firm (awaiting body building) during May-September 1958 which, because of the monsoon, was the worst period of the year. Most of the defects noticed at the time of "receipt in" inspection were due to this.

In reply to a question the Director General, Supplies and Disposals stated that the contract for body-building provided that the chassis should be kept under covered accommodation and if this was not available, at least the engine portion should be suitably covered. Attention of the firm was drawn to the unsatisfactory storage condition and at one stage it was proposed to cancel the contract. But at that stage as the firm was reported to have provided protection for the chassis, the question of cancellation of the contract was dropped.

9. The Committee enquired why the defects noticed during the "receipt in" inspection by the E.M.E. authorities could not have been detected by the T.D.E. authorities when they passed the vehicles. They were informed that whatever defects were noticed at that time were got rectified at the firm's cost, before the vehicles were removed to the Army Depots. The Committee were not satisfied with this reply. They, therefore, desired to be furnished with information on the following points:

- (i) What was the scope of the inspection by the T.D.E. after completion of bodies by the firm of suppliers? How did it differ from the first inspection? Were any defects in the chassis detected by the T.D.E. at that stage?
- (ii) When and where were these chassis (with bodies) inspected by the depot authorities? Why all the defects, noticed by the depot authorities, were not detected by the T.D.E. during their second inspection?

*The information is still awaited.*

10. The Committee were informed that the cost of spare parts used by the E.M.E. authorities during repairs to the chassis was being recovered from the firm. *The Committee feel that in the light of the facts placed before them, Government should get reimbursement of the cost of labour also. The Committee would like to know about the progress of the recoveries made from the firm.*

The Committee enquired why Government did not enter into an integrated contract for the supply of complete vehicles with the firm of suppliers of chassis where the bulk of the work of body building was to be done by the firm itself. This, in their opinion, would have ensured greater co-ordination between supply of chassis and building bodies thereon and thus avoided the losses due to exposure of the chassis to the monsoon. The Committee were informed that the contract was deliberately split into two though placed on the firm at the same time. *The Committee could neither see the justification nor the need for it.*

In para 96, of their Twenty-ninth Report (1959-60) the Committee had expressed their concern over the purchase of chassis in another case much in excess of those for which timely body-building arrangements could be made. *The Committee are unhappy that in the present case also there had been delay in body-building which resulted in the deterioration of the chassis.*

*Procurement of unwanted stores—para 4, page 7—*

11. In 1950 two demands were placed by the Master General of Ordnance on the Military Adviser to the High Commissioner for India in United Kingdom for 65 numbers of a certain item of store. The subsequent review as on 1st July, 1950 showed the requirement as nil. But the provision review relating to 1st April, 1951 showed the requirement as 182 units and two further demands were placed on United Kingdom in September, 1951 for the procurement of 116 numbers valued at £3,004 and contract was concluded on 11th September, 1953. The subsequent provision review as on 1st April, 1952 again showed the requirement as nil but no action was taken to cancel the demands. The supply of 65 units against the 1950 demands materialised in October, 1953 and in November, 1953 an attempt was made to cancel the demands placed in September, 1951; but subsequently in March, 1954 they were allowed to stand in view of the financial repercussion involved which was estimated at £628. The supplies against the demands placed in 1951 were received in July, 1955. The entire quantity of 181 numbers valued at £4,687 was surplus to requirement.

12. In evidence, the Committee were informed that by mistake the requirements were shown against a wrong item of store. The records for that period had been destroyed and the officer concerned had retired from service. The surplus stores were being issued to units and utilised, although the item had been superseded by a later type.

*The Committee do not see why even when the provision review as on 1st April, 1952 disclosed for the second time a nil requirement for the item, action was not promptly taken to cancel the*

*indent for the second lot of 116 numbers. They trust that provision reviews will be prepared with due care and timely attention will be paid to the results thereof so as to ensure that such cases do not recur.*

#### ENGINEER-IN-CHIEF'S BRANCH

*Over provisioning of stores—para 6, pages 8-9—*

13. To meet the requirements of the Military Engineer Services during 1952-53, the Engineer-in-Chief placed demands on a central ordnance depot during September, 1950 to June 1951, for 7,000 and 71,610 gallons of two different kinds of paint. These demands were said to be based on anticipated requirements. Necessary action to get the supplies to cover these demands was taken by the depot between December, 1950 and November, 1951. But against the estimated requirements of 7,000 gallons of the first type of paint no quantity was drawn by the Military Engineer Services formations during 1952-53 and against 71,610 gallons of the second type only 615 gallons were drawn.

During the subsequent years 1953-54 to 1958-59 also, the off-take of these paints by the Military Engineer Services was small, being only 660 gallons of the first type and 2,385 gallons of the second type, on the whole.

14. In evidence, the representative of the Ministry of Defence admitted that there was overprovisioning in this case, which was partly due to clerical error in the assessment of the requirements and to the defective system of provisioning at that time. The clerical error first occurred in the E-in-C's office who while totalling two indents treated the one for 5,000 gallons as 5,000 cwts. and later in the Ordnance Directorate (M.G.O. Branch) who while converting cwts. into gallons adopted the rate of 14 gallons per cwt. instead of 8 gallons per cwt. As regards the provisioning system, stores like paints were at that time indented on *ad hoc* basis and because of shortage of the material there was a tendency to over-indent. The defect in the system had since been remedied by laying down that indents should be placed against specific requirements only. As regards the off-take of the paints, the entire stock of the first paint had been issued, and 4,032 gallons of the second had been left in stock, which were expected to be utilised.

15. *The Committee are constrained to observe that the "clerical errors" in this case do not speak well of the working of the Engineer-in-Chief's and M.G.O's Branches. The Committee had commented upon a similar case in paras 18 and 19 of their 6th Report*

(1957-58). They trust that the officers looking after the provisioning work will exercise greater care and vigilance in checking indents, as mistakes in calculations burden Government with unwanted stores worth lakhs of rupees. It also entails problems of storage and disposal.

### DIRECTOR GENERAL, ORDNANCE FACTORIES

*Avoidable expenditure incurred in the procurement of material for mosquito nets—para 7, page 9—*

16. In view of import difficulties involved in the procurement of olive green dye, and on grounds of economy, it was decided by Government in January, 1958 to fabricate mosquito nets in khaki colour instead of olive green. The Director General, Ordnance Factories was asked by the Army Headquarters on 28th February, 1958 to procure netting etc., in Khaki against indents not already covered by contracts specifying olive green. The Director General, Ordnance Factories did not, however, take action to amend his indents on the Central Purchase Organisation although there was time to effect the change, as the contracts for olive green material were concluded only during May to August, 1958. According to Audit, had prompt action been taken by the D.G.O.F. to obtain the material in khaki colour, instead of olive green, a saving of about rupees three lakhs could have been effected in procurement costs.

17. It was urged by the D.G.O.F. in extenuation that, although his Organisation had been asked by the Army Headquarters in February, 1958 to procure the netting etc. in khaki, the specifications of the khaki shade had yet to be drawn up by Director of Research and Development and the sources of supply of the material located by the Director of Supplies. The specification of the shade was finalised by the Director of Research Development towards the end of May, 1958. Regarding procurement of the material of the required shade the Director of Supplies (Textiles) advised in June that indents should continue to be placed for olive green material, as there would be some difficulty in getting the netting of the khaki shade. It was only in the last quarter of 1958 that the Director of Supplies was able to establish sources of supply for khaki shade netting. In order to avoid interruption in the production of mosquito nets and delay in their supply to the Army, for which orders for four lakh numbers were pending with the D.G.O.F., the indents already placed for the olive green material were allowed to stand.



18. *The Committee find it difficulty to accept this explanation. The D.G.O.F. had been experiencing difficulty since 1955 in manufacturing olive green mosquito nets as the required quality of netting was becoming increasingly difficult to obtain—vide para 15 of Audit Report 1959. Therefore, when a decision was taken in February, 1958 to change over to khaki, all cognate matters like specifications, easy availability and sources of supply should have been fully considered at that time, if not before. The Committee regret to observe that failure to do so has resulted in extra expenditure which in their opinion was avoidable.*

*Purchase of stores at high prices—para 11, page 10—*

19. The Captain Superintendent of a naval dockyard purchased through a contractor  $8\frac{1}{2}$  tons of one item of store and 5 tons 14 lbs. of another, during 1958-59 at a cost of Rs. 2,30,300 and Rs. 1,26,157 respectively. Enquiries made by Internal Audit in March, 1959, after the payments had been made, revealed that these were imported stores and that their market prices were about Rs. 720 and Rs. 4,816 per ton as against Rs. 26,320 and Rs. 25,200 respectively at which they were purchased by the Naval Officer. On the basis of these market rates, the cost of these two items worked out to Rs. 30,410 as against a sum of Rs. 3,56,457 paid.

20. In evidence, the Committee were informed that the case was under investigation by the Special Police Establishment since May 1959 and departmental enquiry had not been instituted on the advice of the S.P.E. A foreman who had absented himself from duty had been placed under suspension. The Captain Superintendent had been transferred in the normal course to a senior post on completion of his tenure. The Committee enquired why the officer was promoted to a higher post when the case was under investigation. They were informed that at that time there were no specific charges against him. The Committee find it difficult to accept this view. In this connection they would like to draw attention to the instructions issued by the Ministry of Home Affairs vide their O.M. No. 39|4|56-Ests(A), dated the 3rd November, 1958. These require that in case of a Government Servant whose conduct is under investigation, though his fitness for promotion should be considered at the relevant time, the actual promotion should be made only after he is exonerated of the charges. *This principle should hold good on the Defence side also. In the Committee's opinion, the promotion was wrong in principle.*

## AIR FORCE

*Overprovisioning of stores—para 13, page 11—*

21. *Sub-para (a).*—In January, 1954, an indent for 2,87,900 cartridges of a certain type was placed on the High Commission in London, to meet training requirements for the period February to August, 1954. Another indent was placed on the Director General, Ordnance Factories, in the same month for 5,64,300 cartridges of the same type to meet training requirements from September, 1954 to August 1955.

Out of ,87,880 cartridges costing £39,519 received from U.K. in December, 1954, only 6,030 cartridges had been utilised by February, 1959 and 2,35,289 had deteriorated. The indent on the Director General, Ordnance Factories was cancelled in September, 1956 with a financial repercussion of Rs. 5,93,062.

22. In evidence, the Committee were informed that at the time of placing the orders on the D.G.O.F. and the High Commission in London, the estimated annual training requirement for the ammunition as assessed in 1953, was 5 lakhs cartridges. The low utilisation of the ammunition was due to (i) withdrawal from service in 1956-57 of one of the two types of the aircraft, for which the ammunition was intended, which were expected to remain in service upto the year 1957-58, (ii) non-availability of firing ranges resulting in curtailment of training programme and (iii) use of war-time ammunition of operational type for training as the stock of ammunition used for training was nearing exhaustion.

To a question why the war-time operational ammunition lying in stock was not taken into account while placing the indents in January, 1954, the Committee were informed that it was not usual to use war-time ammunition for training purposes in peace time. In the present case it became necessary to do so, the stock of the training ammunition having been nearly exhausted. This was later continued in order to preserve the stock of the training ammunition.

23. The Committee learnt from Audit that issues of the training ammunition amounted to only 1,01,579 cartridges and 13,930 cartridges during the years 1952-53 and 1953-54, respectively. The assessment of the annual requirement at 5 lakh cartridges at the time of placing the orders was thus *prima facie* excessive. It was urged in extenuation that the requirement was calculated with reference to the number of the aircraft and the rounds that each pilot had to fire. But the expectations were not fulfilled as during the years 1952-53 and 1953-54 practice had to be curtailed because of lack of sufficient stock of training ammunition. *In the opinion of the Committee, there was gross overprovisioning in this case. They feel*

*that the system of provisioning in the Air Force is unsatisfactory. It should be streamlined to ensure that requirements are assessed realistically.*

The Committee were assured that the partially deteriorated stock of ammunition received from U.K. would be utilised for training purposes and that the material rendered surplus in the ordnance factory would be used in the manufacture of another type of ammunition.

24. *Sub-para (b).*—In March, 1958, a demand was erroneously placed by the Air Headquarters, for the procurement from United Kingdom of 2,600 lbs. of silk thread, instead of 2,600 cops of  $\frac{1}{2}$  lb. each. This resulted in an excess acquisition of 1,300 lbs. of imported material valued at Rs. 55,200.

25. In evidence the Committee were informed that the excess provision was due to a clerical error while copying; which was detected only in September 1958, when a major portion of the consignment had already been received. Although it was difficult to fix individual responsibility for the error, action had been taken against certain persons. To a question how the error escaped the notice of Finance, the Financial Adviser replied that in the original indent which was checked by Finance, the unit had been correctly shown as cops of half lb. each, but, while preparing the fair copy thereof after including some new items, the unit was wrongly shown. The Committee were informed that the surplus quantity would be utilised.

*The Committee deprecate such cases of carelessness.*

### III

#### WORK EXPENDITURE

AUDIT REPORT (DEFENCE SERVICES), 1960

#### ENGINEER-IN-CHIEF'S BRANCH

*Infructuous expenditure incurred on a work—para 17, pages 13-14*

26. In December, 1952, Government sanctioned the construction of certain roads approximating in length to 308 miles, at an estimated cost of Rs. 304.47 lakhs. By December, 1958, 98.11 miles only were constructed, at a cost of Rs. 392.64 lakhs. One of the reasons contributing to the increase in cost (nearly four times per mile) was the excessive expenditure on explosives. Against the original estimate of 19.99 lakhs worth of explosives for the entire work, the cost of explosives used, on the portion completed, was Rs. 154.84 lakhs.

In the same project, some stretches of roads were abandoned after construction as detailed below:

- (a) 3.2 miles of road in various stretches had to be abandoned as a result of realignment necessitated by the initial gradients being too steep and unsafe.
- (b) 2 more miles of road, constructed on the left bank of a river, had to be abandoned as linking this part with the main road required the construction of two bridges. The road was subsequently taken to the right bank of the river.
- (c) Connecting road of about 2 miles constructed on the left side of the river had also been abandoned and a fresh one constructed on the right side.

27. The Committee enquired why there was so wide a variation between the estimated cost of explosives for the entire work and the actual cost on the portion of the road completed. They were informed that the original estimate of the expenditure on explosives for the road work in that difficult region was *ad hoc* which had to be revised drastically as a result of reconnaissance survey of the ground carried out in 1955. Audit, however, pointed out that a survey sanctioned at the cost of Rs. 4.5 lakhs had been carried out before the commencement of the work. The Engineer-in-Chief stated that that

was only a quick survey which did not bring out all the necessary topographical, geological and hydrological data about this thickly wooded and unmapped region. Such a quick survey would have served the purpose in an area where results of previous surveys and accurate maps were available. In the present case "for the sake of procedural requirement, an *ad hoc* estimate was given" on the basis of a superficial survey.

28. The Committee drew attention to the reports of two senior engineers connected with the road project who after visiting the work site had recorded that explosives had been used indiscriminately and on jobs which could have been done by manual labour. The Engineer-in-Chief stated that those reports were intended for the guidance of the junior officers to effect economy in the use of explosives. To a question by Audit as to why the cost of construction of the portions of the road constructed by the Army engineers worked out to Rs. 4 lakhs per mile as against Rs. 50,000 or Rs. 60,000 per mile in the case of the portions undertaken by the C.P.W.D., the representative of the Ministry of Defence stated that the C.P.W.D. had been allotted construction of easier portions of the road. The C.P.W.D. handed back to the Army Engineers certain portions which they found difficult to construct.

29. *The Committee are not convinced that the increase in cost of constructing the road was fully justified. In their opinion, there had been unnecessary expenditure which could have been avoided had greater supervision been exercised. They are indeed surprised that the actual expenditure on constructing 98.11 miles of the road amounted to Rs. 392.64 lakhs while the original estimate for 308 miles was Rs. 304.47 lakhs on the basis of a quick survey.*

*While the Committee recognise that road construction in hilly tracts is difficult, they feel bound to point out the danger to financial control arising from the approval based on incomplete data of projects involving large commitments.*

## IV

### DEFENCE FACTORIES

#### AUDIT REPORT (DEFENCE SERVICES), 1960

##### *Abandonment of factory projects—para 20 (a), pages 16-17*

30. In September, 1951, Government accepted the proposal of the Director General, Ordnance Factories, to undertake the manufacture of steel ammunition boxes in an ordnance factory and sanctioned an expenditure of Rs. 10 lakhs for the purchase of the requisite plant and machinery. Accordingly, an expenditure of Rs. 6.53 lakhs was incurred on plant and machinery till December, 1957, when the Director General Ordnance Factories ordered suspension of the project on the ground that the requirements of steel boxes could be better met by purchase from the trade. A sum of Rs. 13.67 lakhs had also been spent in the meantime on construction of buildings for the project. The plant and machinery and the buildings on which Rs. 20.20 lakhs had been spent are awaiting alternative use.

31. In evidence, the Committee were informed that the installation of the steel boxes plant was undertaken in pursuance of a policy decision to use steel boxes for the packing of ammunition in peace-time in preference to wooden packages. The plant was originally decided to be housed in the buildings which had been used during the last World War for the manufacture of wooden packages. But immediately thereafter, these buildings were required for a more urgent project (manufacture of certain ammunition for the Air Force). New buildings had, therefore, to be constructed for the installation of the steel boxes plant, which were completed by 1954. In the meantime, in an attempt by the Air Force Headquarters with the help of the D.G.S. & D. to find out packing cases for the ammunition (referred to above), (apparently because the manufacture of wooden packages had stopped and that of steel boxes had yet to start), capacity for the manufacture of steel packages was found in the trade. The need for proceeding further with the steel boxes project was no longer there. In reply to a question, the Committee were informed that in 1951 when the steel box project was sanctioned, there did not exist any such capacity in the trade. To a further question as to when this industry was set up in the private sector, the D.G.O.F. replied that it was in 1952 but it was perhaps discovered sometime in 1953-54. As regards the utilisation of the newly constructed buildings, it was stated that a new project for the manufacture of another type of ammunition was being undertaken and it

would be housed in the new buildings. The plant and machinery already acquired for the steel box project would be utilised for the replacement of worn-out machinery in other factories having steel boxes production. It was added that there had been no infructuous expenditure as such.

32. *From the facts placed before them, the Committee feel that there was hardly any justification for undertaking this project. When steel boxes for ammunition were already being manufactured by other Ordnance Factories, there was apparently no urgent need for a new project. The fact that this project was relegated to the second place, confirms this view. A wider enquiry from the trade would have disclosed the source which according to the witness was established in 1952 i.e. within a year of the decision of Government to set up a new project. The expenditure on the construction of buildings (Rs. 13.67 lakhs) would have been wasteful but for the second project for manufacture of ammunition—a fortuitous coincidence.*

33. Sub-para (b)—In November, 1951, Government approved the construction of a timber seasoning kiln in a factory, at a total estimated cost of Rs. 2,21,819. The construction of the kiln building was entrusted to the Military Engineer Services and the manufacture of the plant for the kiln to another factory. The kiln building was completed in August, 1955 at a cost of Rs. 2,37,047. After an expenditure of Rs. 59,361 had been incurred on the plant, till November, 1958, further work was suspended on the project which had dragged on for 7 years.

In the same factory, the construction of buildings for a smithy shop, at an estimated cost of Rs. 5,50,000 was sanctioned by Government in December, 1951. An additional expenditure of Rs. 1,08,100 was authorised for the same work in September, 1953. The buildings were completed at a total cost of Rs. 6,84,241 in October, 1957, but were eventually not brought into use, as the idea of having a smithy shop in these buildings was abandoned in May, 1958.

34. In evidence, the Director General, Ordnance Factories, explained the reasons for the construction of the timber-seasoning kiln and smithy shop at the factory and their abandonment later. It was also urged that the additional buildings constructed had been put to use by installing a Jerri-can plant, which could not be installed at the station originally proposed due to inadequate power supply.

*The Committee regret to observe that this is also in case of bad planning and lack of foresight.*

35. *Sub-para (c)*—In January, 1952, Government sanctioned a scheme of Rs. 5·04 lakhs for the mechanical handling of timber between the saw mill and the seasoning kilns in a factory. Accordingly an indent for the import of a shunting tractor and 600 rft. of power roller conveyer was placed by the Director General, Ordnance Factories on the India Store Department, London, in October, 1952. At the same time the factory was also authorised to manufacture 110 trollies estimated to cost Rs. 1,75,300 and to purchase a 15 h.p. Motor.

In December, 1952, the factory management considered certain modifications to the scheme and put up in July, 1955 detailed proposals to the Director General, Ordnance Factories, accordingly. Meanwhile the shunting tractor imported at a cost of Rs. 14,724 was received in May, 1954 and 300 Rft. of power roller conveyer costing Rs. 16,961 had also been erected in February, 1958 at an additional expenditure of Rs. 1,400. Further a sum of Rs. 1,25,107 had been spent on the manufacture of 60 trollies of which only 2 had been completed in October, 1956 while the rest were at various stages of manufacture. The further manufacture of the trollies had been discontinued from October, 1956 and it was also proposed to dispose of the two completed trollies.

The factory had also commenced in December, 1952 the manufacture of 1520 rft. of roller conveyer though this was not included in the scheme approved by Government in January, 1952, but after spending a sum of Rs. 1,27,041, discontinued the manufacture in October, 1956. 696 rft. of roller conveyer had been completed by that time and the balance quantity of 824 rft. was stated to be in different stages of manufacture.

36. It was admitted in evidence before the Committee that this case was indefensible. *The Committee deplore that a sum of Rs. 2·85 lakhs had been spent over a period of four years on a scheme which was subsequently abandoned. In their opinion, this and similar cases require investigation with a view to examining (i) how far they were the result of negligence on the part of the officials concerned and (ii) what steps are necessary to avoid recurrence of such cases of expenditure of doubtful or no utility.*



## STORE KEEPING AND STORE ACCOUNTING

AUDIT REPORT (DEFENCE SERVICES), 1960.

*Irregularities in the store accounts of two Field Ordnance Depots—  
Delay in regularisation by Government, para 21, pages 18-19—*

37. Prior to March-April, 1948, proper store accounts were not maintained in two Field Ordnance Depots, due to the operational conditions under which the stores were initially received and issued. In November, 1948, Government issued orders condoning the non-maintenance or incomplete maintenance of accounts in these depots upto 18th March and 14th April, 1948, respectively. They also decided that the ground balances of stores found on these two dates should be regarded as the basis for future accounting in the two depots.

Proper accounts of stores were, however, not maintained by these depots even after those dates and irregularities in store accounts continued, as indicated below:

- (a) Stores worth Rs. 380·82 lakhs despatched to these depots by other depots were not taken on ledger charge.
- (b) In respect of stores worth Rs. 304·97 lakhs, the certified receipt vouchers on which they were taken on charge could not be linked with the consignors' issue vouchers. The correctness of the receipts taken on charge could not, therefore, be verified.

Apart from these two major irregularities the following deficiencies, losses and irregularities were also noticed:--

- (i) In respect of stores worth Rs. 3·47 lakhs charged off from the ledgers as issued to other units, receipted copies of the issue vouchers were not available.
- (ii) Stores valued at Rs. 5·03 lakhs issued on loan to units were not received back in the depots.
- (iii) In one of the depots fictitious job cards and transfer vouchers for stores were found to have been prepared resulting in a loss of Rs. 4·91 lakhs approximately.

38. In evidence, the Committee were informed that the two field depots in question were located in the Jammu and Kashmir Area and the irregularities related to the period 1948 to 1950. Due to abnormal conditions then existing and lack of experienced staff, store accounts could not be properly maintained. The Director of Ordnance Services stated that the confusion was caused by the transit of the stores through the Pathankot rail head. While the issue vouchers in respect of the stores despatched by the Indian Depots were received by the field depots direct, consignments arriving by rail at Pathankot had to be carried in parts by the army vehicles to the field depots. In this process the consignments got mixed up and on their arrival in the field depots could not be properly identified and linked with consignors' issue vouchers. In some cases even issue vouchers were received late in the field depots, and stores had to be taken on charge by the field depots on certified receipt vouchers which could not be linked with issue vouchers received subsequently due to inadequately trained staff and conditions then prevailing. This resulted in stores worth Rs. 380·82 lakhs despatched by other depots not being linked with the receipts in the ledgers of the field depots. It was presumed that the stores worth Rs. 304·97 lakhs taken on charge on certified receipt vouchers were largely out of those worth Rs. 380·82 lakhs stated to have not been taken on ledger charge.

39. As regards regularisation of the losses, the Committee were informed that it had been decided to condone the irregularities except one item regarding the preparation of fictitious job cards and transfer vouchers for stores involving a loss of Rs. 4·91 lakhs. Nobody could be held responsible for the irregularities. The losses would be formally regularised after the amounts involved had been worked out in consultation with the Internal Audit. The Financial Adviser stated that it was proposed to treat the ground balances as on March, 1950 as the basis for future accounting. He added that technically the losses amounting to Rs. 380·82 lakhs on account of stores not taken on charge and Rs. 304·97 lakhs representing the value of stores taken on charge on certified receipt vouchers were to be regularised separately; nevertheless the real loss in this case would be of the order of about Rs. 76 lakhs i.e. Rs. 380·82 lakhs minus Rs. 304·97 lakhs plus certain other minor losses. Audit pointed out that the stores not taken on charge were from the Indian Depots while those taken on charge on certified receipt vouchers were returned by units. Thus they could not be set off against each other. The representative of the Ministry of Defence stated that units could not have returned stores worth Rs. 304·97 lakhs, the bulk of them would have been received from the base depots.

*The Committee cannot accept that the figure of Rs. 76 lakhs would correctly represent the loss in this case, omitting for the time being the other losses referred to in para 21 of the Audit Report. The value of the stores returned by the units, which would certainly not have been negligible should be added to this figure. Assuming even the modest figure of Rs. 1 crore as representing the real loss, the extent thereof is still alarming.*

40. *The Committee are concerned over the chaotic state of store accounting prevailing in the two field depots prior to March 1950. It is regrettable that even after Government issued orders in November, 1948 condoning the non-maintenance or incomplete maintenance of accounts in these depots upto the 18th March and 14th April, 1948, respectively, no effective measures were taken to improve the standard of store accounting. While the Committee appreciate that emergency conditions continued to prevail in the area during the period April, 1948 to March 1950, they feel that gaining experience from the past irregularities, the depot authorities should have been alive to the difficulties in the proper maintenance of stores accounts. The Committee would like to be assured that the store accounts are properly being maintained by the depots since March, 1950. They would reiterate their oft-repeated observation that unless the quantity and location of stores are known with reasonable accuracy, full operational efficiency of the Services cannot be attained. Laxity in proper store accounting would also lead to losses of stores. The Committee also desire that the losses in the present case should be regularised without further delay.*

*Delay in provision of covered accommodation for ammunition, para 22, page 19—*

41. *An ammunition depot was shifted from one station to another in August, 1948. No covered accommodation was available at the new station and the entire ammunition was stored in the open under tarpaulin covers and in tents, with the result that ammunition worth Rs. 45 lakhs (approximately) had to be downgraded as either unserviceable (Rs. 23 lakhs) or as requiring repairs (Rs. 22 lakhs) during the period August, 1948 to March 1959. In addition, tentage and tarpaulins valued at Rs. 12.12 lakhs were also rendered unserviceable during this period.*

*A proposal was made by the depot authorities in September, 1950 for provision for 274 Nissen huts at a cost of Rs. 6.85 lakhs to provide cover for the ammunition but this was not accepted. Although such Nissen huts were available in stock in Engineer Store Depots in sufficient quantities since the last war, it was only in October, 1958,*

that Government sanction was accorded for provision of 184 Nissen huts in the depot at a cost of Rs. 5.6 lakhs but the work was not taken in hand till December 1959.

42. In evidence the Committee were informed that the ammunition depot had been shifted to another station temporarily for strategic reasons. Pending a decision on the permanent location of the depot, temporary storage accommodation had been made by means of tarpaulin covers and tents. The down-gradation of ammunition was actually caused by normal changes in condition after a specific period, which could not be avoided. The Director of Ordnance Services stated that field storage of ammunition under tarpaulin covers and tents was a recognised and suitable type of storage in the case of forward and non-permanent depots although the wastage of tents and tarpaulins was heavy. In reply to a question he admitted that the deterioration of the ammunition might have been somewhat less had it been stored under Nissen huts, although certain parts such as augmenting charges and primers would deteriorate whatever the nature of storage as they had a fixed life.

43. The Committee enquired why the proposal made by the depot authorities in September, 1950 for provision of 274 Nissen huts at a cost of Rs. 6.85 lakhs was not accepted by the Army Headquarters. The representative of the Ministry of Defence stated that the proposal submitted by the depot authorities in September, 1950 for provision of 274 Nissen huts had been examined by the Army Headquarters and it had been estimated that the provision of temporary covered accommodation to meet the immediate requirements of the depot would cost Government Rs. 34 lakhs. As the question regarding the permanent location of the depot was then under consideration it was not considered appropriate to undertake a project of temporary utility involving an expenditure of Rs. 34 lakhs. To a question why the provision of 184 Nissen huts at a cost of Rs. 5.6 lakhs was sanctioned subsequently in October, 1958 (while earlier in September, 1950, a proposal for the provision of 274 huts had not been accepted) the representative of the Ministry of Defence replied that in 1950 field storage was considered adequate as it was expected that a decision regarding permanent location of the depot would not take long. Later, as the decision on the permanent location of the depot was delayed it was decided to provide some temporary accommodation in the depot.

44. *The Committee are surprised that the authorities should have taken 12 years to decide on the permanent location of the depot. In*

their view, it was an unfortunate decision to provide field storage accommodation for ammunition in peacetime as the provision of permanent accommodation would, in any case, have taken a reasonable amount of time. Non-acceptance of the proposal of the depot authorities for the provision of Nissen huts in September, 1950 (such accommodation was considered necessary in October, 1958 i.e. after 8 years) was a grave error. The Committee desired to be furnished with a note in this regard, which is still awaited. The Director of Ordnance Services had admitted that deterioration of the ammunition would have been less, had it been stored under Nissen huts. The Committee understand from Audit that while sanctioning the temporary accommodation in 1958, it was stated that the savings resulting therefrom in a few years would be more than the cost of such accommodation. It is regrettable that so apparent a fact was not realised in 1950 or shortly thereafter.

*Unsatisfactory storage conditions in an Ordnance Factory and consequent losses—para 23, pages 19-20—*

45. A Board of Enquiry was convened by the Director General, Ordnance Factories in November, 1956, to investigate into the heavy losses of stores in an ordnance factory during the period 1949—57. The Board reported in 1957, that an overall loss of over Rs. 174 lakhs had occurred and that the factory management was to a great extent responsible for the loss.

The loss can be classified under the following categories:

	Rs.
(a) Losses on account of deterioration of stores . . . . .	76,62,485
(b) Losses on account of stores declared obsolete . . . . .	48,62,764
(c) Losses detected during stock verification . . . . .	19,61,216
(d) Losses due to unsatisfactory accounting of stores involving procedural irregularities . . . . .	14,99,795
(e) Other losses, including those written off by Government from time to time . . . . .	14,56,099

The Board found that the bulk of the loss was avoidable and that the factory had not taken suitable action to review the stock and dispose of surplus stock in time. The receipt and issue of stores was not properly recorded and a large volume of stores was irregularly written off on "expense vouchers". Out of the total loss of Rs. 174 lakhs, loss to the extent of Rs. 42 lakhs pertain to post-war stocks.

46. According to the \*statement placed on the Table of the Lok Sabha investigations into one of the categories of the losses had disclosed that except for a small amount of about Rs. 4 lakhs, "the other so called losses are not real losses but are mere paper losses." The losses under another category were awaiting investigation. The

\*Appendix I.

net loss will only be a very small amount. Part of it was a legacy of the war inasmuch as after the cessation of hostilities large quantities of stores were transferred from others to this factory where there was no adequate staff to take charge of the stores.

In evidence the Committee were given to understand that the investigations were still in progress.

*47. The Committee are shocked to see the magnitude of the loss. They understand from Audit that according to the Board of Enquiry the storage conditions in the factory were generally satisfactory during 1949-50. Further, Government had written off Rs. 54 lakhs of "war losses" and the losses referred to in the Audit para are exclusive of this write off. In the face of these facts, the Committee find it difficult to accept the complacent view expressed by the Ministry. They would await the results of the investigation in progress which should be expedited.*

*Store accounting in a naval dockyard—para 24, page 20—*

48. In an electronic workshop of a naval dockyard a physical check of stores carried out in January, 1957, revealed that 3,695 items of stores had been kept unaccounted for.

A Board of Enquiry which investigated into this matter in December, 1957, had remarked that—

- (i) a large number of items of electronic stores and equipment had been accumulating in the naval dockyard over a number of years without their being accounted for;
- (ii) no records were kept of items which were returned to the dockyard after work at outstations was completed;
- (iii) the procedure for carrying out private work on payment in the dockyard during the years preceding 1953 was not satisfactory; and
- (iv) supervision on the part of supervisory officers of the workshop was not adequate.

The Board was of the opinion that there was a possibility of the unaccounted stores being smuggled out by the staff and that evidence existed to show that some individuals had misappropriated Government stores for personal use.

The Board held two supervisory officers responsible for the bad state of affairs and recommended that action should be taken against them and that two other employees should be dismissed from service.

49. The Committee were informed in evidence that the supervisory officers held responsible for the bad state of affairs in the dockyard had been admonished by the Chief of Naval Staff and had also been conveyed the "extreme distress" of Government, which would be recorded in their service records. As regards the other two employees who had been recommended for dismissal from service by the Board, no action could be taken against them for want of evidence; they had been transferred from their previous posts. The Committee do not see why Government have not accepted the recommendations of the Board regarding the two employees. *They would like to be informed of the charges against them and the reasons for their acquittal.*

50. The Committee were given to understand that as many as 3,000 of the items had been accounted for and remedial measures taken to prevent recurrence of such irregularities. The Committee wanted to know the net loss involved. They were informed that it would be "very difficult to estimate (the loss) because these things were brought into the dockyard as junk and were lying there unaccounted for." *The Committee are distressed to find that store accounts should be in such a chaotic state. They have reiterated on many occasions the importance of accurate store accounting and periodic stock verification. Unless the stores are correctly accounted for, there is a grave risk of pilferage. It will not also be possible to know with accuracy the requirements for future. The Committee have pointed out a number of cases of defective provisioning of stores both in the past and in this report which are in no small measure due to defective stock-accounting. Considering the vast quantities of Defence Stores valued at crores of rupees, the Committee feel that verification of stocks and accounting thereof should be prompt and accurate.*

## VI

### LOSSES OF CASH, OVERPAYMENTS, ETC., PERTAINING TO THE POST-PARTITION PERIOD, FINALLY DEALT WITH DURING THE PERIOD 1958-59

#### *Appropriation Accounts (Defence Services), 1959— Appendices—A&B*

51. Appendices A & B to the Appropriation Accounts (Defence Services) detail a number of cases of losses pertaining to the post-partition period, finally dealt with during 1958-59. A number of cases mentioned in the para are fairly old and the Committee are at a loss to understand why Government took so much time to write off the losses. *It is in the interests of Government, that these cases should be investigated promptly.* The Committee deal with a few cases in the following paragraphs.

*S.N. 6, page 50—*

52. A loss of Rs. 5,490 occurred on account of the cost of Government transport used by units in a Cantonment during the period 1st April to 30th September, 1953 for delivery of meat in Unit Lines from Cantonment butchery. Under the contract, the contractor was to supply meat either at the Supply Depot Ration Stand or at the Unit Lines in his own transport. Due to the absence of suitable Ration Stand at the Supply Depot, delivery there was not feasible. The alternative method of asking the contractor to deliver at the Unit Lines which was one of the special conditions attached to the contract was also not adopted resulting in avoidable extra expenditure.

53. The Committee enquired why provision regarding the supply of meat at the Unit Lines was included in the contract, if it was not to be implemented. The Quarter Master General stated that it was in a standard clause in the contract form. But while executing the contract, the Station Commander allowed deviation from this provision under the discretionary powers, vested in him by another clause. Explaining the reasons that weighed with the Station Commander for doing so, the witness stated that the Units being scattered all over the station the contractor's lorries could not keep up the required hygienic standards and their entrance into the Unit Lines was also not advisable from the security point of view. If



*so, the Committee feel that this provision in the standard form of contract needs review. If transport is to be provided by Government, there should be a corresponding reduction in the rate of supply.*

*S. Nos. 1—13, 15—19 & 21, pages 54—57—*

54. The Committee's attention was drawn to a number of cases of losses resulting from misappropriation and misuse of railway forms, railway warrants, military credit notes, etc. In one case, (S. No. 6) 25 complete books of railway forms (each containing 100 forms) which were despatched by a Unit to the Forms Store through the Signal Despatch Service were lost in transit. The Committee were informed that as the forms in this case were intended for the British Military personnel who were not serving in the Indian Army at the time of the loss there was no possibility of their being misused.

Regarding the other cases of losses, the Committee were informed that those were mostly cases of misappropriation and misuse of forms by military personnel by forging signatures of the issuing officers and entering fictitious names and that suitable action had been taken against the delinquent officials in proven cases. The persons presenting the forms at the Railway Station at the time of exchanging them for railway ticket, were not required to produce their identity cards. As soon as losses of forms were detected, the railway authorities were informed about the numbers of the missing forms.

*55. The Committee are concerned to find that the number of cases of losses of railway forms, etc. by misappropriation and misuse is large. They desire that the present procedure for their custody and issue should be reviewed with a view to checking their misappropriation and misuse.*

*S. No. 4, page 65—*

56. This case disclosed a loss of Rs. 1,22,677 being the value of components of vehicles found deficient in an Armoured Vehicles Depot at the time of physical verification during December 1955 to March 1956. According to internal Audit, the deficiencies could not be detected at the time of receipt of the vehicles due to the low standard of technical knowledge of the personnel employed for checking the vehicles.

57. In evidence, the Committee were informed that the vehicles had been received by the Depot from the various Units including those in field areas and from overseas before 1953. Some minor part or other was missing in many of these vehicles but this deficiency could not be detected at that time as each one of the vehicles was not put to cent per cent check. As a result of subsequent inspections approximately 4,500 items covering 1,018 vehicles were found missing. Out of a loss of Rs. 1,22,677, an amount of Rs. 95,000 approximately related to unfit vehicles. The Defence Secretary stated that cent per cent check of the vehicles could not be carried out initially because of the large number of vehicles received in the depot at that time, and staff which was inadequate could not cope with the work. Secondly, exhaustive lists of components were not available for a proper check of the vehicles; a uniform guide list had been introduced since July, 1953. There were certain other defects also in the procedure at that time.

*The Committee are not happy over the manner in which the vehicles had been checked by the depot authorities at the time of their receipt. They trust that "receipt-in" inspection is being done thoroughly now.*

S. No. 20, page 68—

58. In this case, there was a loss of Rs. 49,920 representing the value of stores found deficient in an Ordnance Depot at the time of stock taking held in July 1950. A Court of Inquiry held on 29th February, 1956 came to the conclusion that the loss was due to (a) non-accounting of certain stores and (b) short receipt of stores in the past due to the percentage check prior to the reorganisation and that the exact reasons for the deficiency could not be ascertained as the storeman in charge who got the items checked had been posted away. The stock had since been reorganised.

59. In evidence, the representative of the Ministry of Defence admitted that the delay of 6 years in holding a Court of Inquiry in this case was not justifiable. After the physical stock verification in July 1950, reconciliation of the discrepancies took about two years. Orders for holding a Court of Enquiry were issued in 1954 but it could not be constituted until February 1956 for want of officers who were busy in other enquiries.

The Committee were also informed that the item had been stacked at three or four different places in the depot and the packages had not been put to cent per cent check at the time of receipt. A cent per cent check carried out subsequently revealed:

deficiencies in some places and surpluses in others. The procedure had since been changed and as a result same items were stacked at one place and put to cent per cent check at the time of receipt.

*The Committee consider the delay in instituting an enquiry into the case as unconscionable. They desired to be furnished with a detailed note stating the exact reasons for the deficiencies, delay in holding the Court of Enquiry and for not interrogating the storeman concerned. The note is still awaited.*

S. No. 40, page 72—

60. In this case there occurred a loss of Rs. 6,38,333 representing the value of 373 tons of tinned milk received from a firm in a foreign country between May and October 1950, which was declared unfit for human consumption during 1951. The deterioration occurred during the warranty period. The foreign firm, however, declined liability on the ground that as a result of a sample survey conducted by them long after the warranty period, only a small proportion was found to be bad. After negotiations, a compensation of Rs. 41,160 only was received from the firm and the balance of loss was written off on 5th March, 1959.

61. In evidence, the Quarter Master General stated that out of the total quantity of 672 tons of tinned milk purchased from the foreign firm, 373 tons were found unfit for human consumption within the warranty period. On the advice of the Indian High Commission in U.K. who had placed the order on the firm, a survey of the milk declared bad was ordered to be carried out by three firms, but 69 tons only could be got surveyed, as the firms were not prepared to check the milk stored in certain distant depots and stations. The firm of suppliers did not agree with the analysis that the entire milk had gone bad and offered only 5% of the cost thereof as compensation. Because of lack of sufficient evidence the case was not considered fit for being taken to a court of law and was decided to be settled out of court. The representative of the Ministry of Defence stated that the 200 cases of milk which were sent to the firm of suppliers for sample survey, were selected on an overall basis and not particularly from the lot of 373 tons which had been found to be bad. It was admitted to be a mistake in not sending tins for sample survey from the lot considered defective. *The Committee regret to observe that the claim of Government for compensation has been set at naught by the perfunctory manner in which the officers had acted.*

*The Committee were assured that in order to safeguard the interests of Government in future a new clause would be inserted in the contract, according to which there would be a testing of the milk by the surveyors appointed by Government on its receipt in the supply depots, the results of which would be binding on the suppliers for determining their liability in the transaction. This will be in addition to the warrantly clause ibid.*

## VII

### MISCELLANEOUS IRREGULARITIES AUDIT REPORT (DEFENCE SERVICE) 1960

#### MINISTRY OF DEFENCE

##### *Payment of outstation allowance by Hindustan Aircraft Limited— para 27, pages 21-22—*

62. The Audit para disclosed that, since 1951, the maintenance of Indian Air Force aircraft, at certain stations outside Bangalore, had been entrusted to the Hindustan Aircraft Limited. Employees of the HAL deputed for maintenance work to these outstations were paid daily allowance at the rate of two per cent of the monthly pay, subject to a minimum of Rs. 6 per day for the first 15 days of halt, and at two-thirds of that rate thereafter subject to a minimum of Rs. 4 per day, irrespective of the period of absence from their headquarters which in many cases extended to three years. According to Audit, the payment of minimum rate of Rs. 4 as daily allowance, unrelated to pay, and for continuous halts lasting months or even years was unjustified.

63. It was urged before the Committee that the payment of daily allowance in question to the employees of the HAL was necessary to induce the technical personnel of the HAL (who were recruited to work at Bangalore) to work at the various IAF outstations like Srinagar, Jorhat, Barrackpore, etc. for continuously long periods. The Committee were given to understand by Audit, that the rates of daily allowance paid to the HAL employees deputed to these same outstations for doing HAL work were lower. In extenuation the representative of the HAL stated that the deputation of employees for HAL work was for short periods and was not so frequent. In order to remove the disparity in the rates of daily allowance in these cases HAL were progressively increasing the number of local recruits at the various outstations.

The Financial Adviser added that despite those attempts, deputees from the HAL continued to be in large numbers at certain stations viz. *Agra and Begumpet.*

*The Committee feel that payment of different rates of D.A. at the same station for doing identical work to persons deputed from the*

*same Organisation is not conducive to efficiency. They trust that the process of replacement of the deputees by local recruits at the various stations will be hastened as it will, apart from reducing expenditure, provide more employment opportunities to the local people.*

*Overpayment of compensation—para 29, pages 22-23*

64. In February, 1947, Government sanctioned the acquisition of certain property comprising 147·38 acres of land with some buildings, etc. thereon, at a cost not exceeding Rs. 46,00,910. Government authorised 'on account' payments aggregating Rs. 46,21,447 (Rs. 36 lakhs in December, 1948 and Rs. 10,21,447 in July, 1949) to the managing agents of a Company who were considered to be the owner of this property. These advance payments were made between December, 1948 and November, 1949 without an indemnity bond or a stipulation that necessary refunds would be made in case the ultimate compensation fixed by agreement or awarded by law was found to be less than the sums paid. Contrary to the normal procedure both the payments were made to the party direct by the Defence authorities, instead of through the Land Acquisition Collector of the State Government concerned and without waiting for the latter's award which was to be the basis for payment of compensation.

In september, 1950, the Ministry of Defence come to know that some persons with a superior right on the land had also preferred claims for a share in the acquisition value of the land. Subsequently, it came to light that the Company had been paid Rs. 1,54,438 in excess of their dues. The excess payment had yet to be recovered but in the meanwhile the company had gone into liquidation. The entitlement to the compensation due to one of the superior landlords was decided by the Land Acquisition Collector in August, 1951 and the final amount was assessed as Rs. 3,04,002 in July, 1956. The payment was made to him in March, 1957 only. Because of the belated payment of compensation, Government had also to pay the claimant, *ex-gratia* interest amounting to Rs. 46,718.

65. In evidence, the Committee were informed that the property which had been requisitioned in May, 1943 at an annual compensation of Rs. 15 lakhs, was notified for acquisition in December, 1946. In view of the delay likely in the acquisition proceedings, direct negotiations with the company were initiated for the purchase of the property. A reputed firm of surveyors had evaluated the the property—lands and buildings only—at Rs. 47 lakhs. The Company were prepared to consider an offer of Rs. 45 lakhs for the lands, buildings, railway siding etc. and Rs. 1,00,910 for the machinery to be retained by Government. Government sanctioned in February, 1947, compulsory acquisition of the property at a cost not exceeding Rs. 46,00,910.

As a result of further negotiations with the company, Government sanctioned two payments aggregating Rs. 46,21,447 (Rs. 36 lakhs in December, 1948 and Rs. 10,21,447 in July, 1949) towards the acquisition of the property.

66. Three reasons were advanced in justification of the direct negotiations with the Company instead of through the Land Acquisition Collector. First, the Company agreed to forgo their claim for loss of business in consideration of a speedy settlement. Secondly, Government would not have to pay any amount by way of interest to the Company. Thirdly, Government would be saved of the payment of a large sum of Rs. 15 lakhs annually paid since 1943 as compensation for requisitioning the property.

Explaining the reasons for not stipulating that the company should refund the amount found to be paid in excess of the compensation fixed finally, the Defence Secretary stated that while sanctioning the first payment such a stipulation had been made, but later, on a representation from the Company, it was deleted in consultation with the Ministry of Law as it was thought that the compensation fixed would not be less than the amount paid. However, an undertaking was obtained from the Company for the refund of any amount paid in excess. But, while making the second payment no such undertaking was taken, considering it to be the final payment. In reply to a question, the Committee were informed that Government came to know of the existence of another claimant to the land only in September, 1950, when a claim was preferred by him for his share of the value of the property. The officer who had failed to obtain an indemnity bond at the time of making payment to the Company had retired from service.

67. The Committee were given to understand by Audit that at the time of making the second payment to the Company, the Collector had objected to its being made direct. But the Deputy Director, Land and Hirings replied that it was done under the orders of Government although the Government orders in question merely placed the money at the disposal of the officer who under the usual procedure was required to make the payment through the Collector. While admitting that the officer followed a wrong procedure resulting in an excess payment to the Company, the representative of the Ministry stated that Government had not suffered any loss ultimately, for a considerable amount of interest might have become payable because of the delay involved had the payment been made through the Collector.

68. *While the Committee do not see any serious objection for directly negotiation with the Company to facilitate expeditious acquisition of the property, they consider that payment of compensation*

*direct to the Company was wrong. The Land Acquisition Collector was by-passed even while making payment to the Company. The plea that the payments, if made through the Collector, would necessarily have been delayed is not a valid one, especially when the value of compensation had been mutually agreed to by the parties concerned. Had the prescribed procedure been followed, the overpayment and consequent loss to Government could well have been avoided. It is inexplicable why the Deputy Director of Land, Hirings and Disposals did not pay any heed to the Collector's objection to direct payment on the second occasion. The Committee do not also see why no undertaking was taken from the Company (as was done at the time of first payment) when the second (final) payment was made. In their opinion the fact that it was the final payment was in itself a strong ground for taking such undertaking to guard against any overpayment.*

The Committee were given to understand that the Government of West Bengal had been approached for the recovery of the excess payment from the liquidators of the company and the matter was under consideration of the State Government. *The Committee would like to be informed about the outcome of the case.*

*Down-gradation of vehicles—para 39, para 27—*

69. About 15,500 pre-1948, but post-war 'B' category mechanical transport vehicles were held in the various vehicle depots, in a condition described as Class V, i.e., repairable. As a result of cent. per cent. examination of these vehicles by a Board of three Electrical and Mechanical Engineer Officers during September to December, 1956, about 8,500 of these vehicles valued at more than Rs. 5 crores, were downgraded to class VI, i.e., unserviceable and beyond economical repair.

The Ministry of Defence stated in March, 1959 that in spite of periodical/technical maintenance of these vehicles while in storage, deterioration occurred due to their long retention in the open, though the normal precautions like jacking up and covering with tarpaulins had been taken. It had been further stated that an improved system of inspection and maintenance of such vehicles lying in the open as well as under cover, had been introduced recently. According to Audit it was not clear why these steps were not taken much earlier to avoid 8,500 vehicles with a depreciated value of Rs. 5 crores approximately being completely scrapped.

70. In evidence, the Committee were informed that these vehicles which had been purchased during the last war had been in class V since 1948 and they were downgraded to class VI as a result of a



further examination by a board of officers in 1956. The downgradation of the vehicles was due to their ageing. The Director of Mechanical Engineering stated that the new system of maintenance could not have been introduced earlier as it was the result of the subsequent technological developments. According to him even under the new system of maintenance, downgradation of the vehicles could not be avoided, for, with the lapse of time deterioration of parts like electric wires, tyres, brake system etc. was bound to occur. The new system of maintenance helped more to effect economy of expenditure on maintenance than to improve the preservation of vehicles. He added that Government did not suffer any loss in the disposal of these vehicles as their disposal fetched more than their stock value of Rs. 5 crores. But the representative of the Ministry of Defence stated that nearly 50% of their book value was realised in that disposal, and so the stock value of Rs. 5 crores in the present case could not be considered the actual loss. The Committee understand from Audit that a sum of Rs. 2.34 crores only was realised in the disposal of 8528 vehicles. *The Committee do not understand how the D.M.E. gave the disposal value of the vehicle as more than their book value of Rs. 5 crores. They desired to be furnished with a note stating the factual position in this behalf which is still awaited.*

71. It was admitted before the Committee that the vehicles would have fetched a better price had they been kept under covered accommodation. But due to a scarcity of funds covered accommodation could not be provided for them. According to a phased programme of providing covered accommodation in the depots, some progress had been made during the last three years and further progress was expected to be made in the next two-three years. *The Committee had recommended in their previous reports that due priority should be given to bring the stores lying in the open under covered accommodation, as in the long run the financial effect of the deterioration due to exposure might well be greater than the expenditure in constructing covered accommodation. They hope that the Ministry of Defence would adhere to the schedule drawn up in this behalf.*

*Infructuous expenditure caused by unwarranted downgradation of vehicles—para 40, pages 27-28—*

72. In April 1954, the Master General of Ordnance issued an instruction that all vehicles found having loose rivets should be downgraded to Class V, and ordered for 4th Echelon repair. This order was amended in December, 1954, to prescribe that where loose rivets were reasonably accessible for repairs they should be replaced by Fitted H. T. steel bolts; but if the replacement of rivets was estimated to

take a period longer than 14 days due to the necessity for considerable stripping in order to get access to the rivets, the defective vehicle would be downgraded to Class V. Both these orders were issued without concurrence of Finance and without an assessment of the financial implication. Further, the amended order made the downgradation of vehicles depend not on their mechanical condition but on the time likely to be taken in their repair by Field Workshops. The vehicles downgraded to Class V for loose rivets numbered about 1,700 in 1956.

73. Explaining the justification for the issue of orders for downgradation of vehicles with loose rivets, the Director of Mechanical Engineer stated before the Committee that serious defects had been noticed in the pre-1948 vehicles during exercises in the Eastern Command due to loose rivets in the chassis, steering, spring hangers, etc. As a result, instructions were issued to ground such vehicles as a precautionary measure. These vehicles had in fact other defects also although that relating to the loose rivets had been highlighted in the orders because of its seriousness involving likelihood of accidents. Instructions had been laid down that the vehicles which could be repaired by using high tensile bolts should be repaired in field areas, while those requiring extensive repairs should be downgraded to class V and returned to depots.

74. Audit, however, pointed out that according to a letter of the Ordnance Depot dated the 7th May, 1956 out of 331 vehicles downgraded to class V in 1954 in pursuance of these orders, 97 had been reinspected by the Resident Inspector, E.M.E., and as a result 60 were upgraded to classes I/II. In regard to the remaining 271 vehicles, the letter in question mentioned that a review of the relevant records revealed that these vehicles had been downgraded primarily because of loose rivets; no other major defects had been recorded. It was probable, according to the letter, that the vehicles had subsequently developed other defects requiring rectification. The representatives of the E.M.E. Directorate stated that the letter in question was submitted by an officer of the Depot who being a non-technical person did not analyse the technical defects in the vehicles and highlighted the one relating to the loose rivets only. In a sample survey, the records of 80 vehicles had been reviewed, which revealed that the condition of the vehicles warranted their repair classification as class V, although only loose rivets had been highlighted.

75. The Committee enquired why Finance was not consulted before issuing the orders in April 1954 and December 1954 regarding the downgradation of vehicles with loose rivets to class V. The Director of Mechanical Engineering stated that those orders were

only in the nature of technical directions and instructions issued to the technical officers who were already aware of the criteria for grading of vehicles as class V under the normal orders. The intention was that while classifying the vehicles, in addition to their normal mechanical condition, loose rivets should also be taken into account. The representative of the Defence Ministry stated that the orders had been cancelled in 1957 in order to avoid any possibility of their misinterpretation. The Financial Adviser stated that it was not proper to have issued general orders regarding the downgradation of vehicles in this case, without prior consultation with Finance. Although Finance had been assured that all the 1,700 vehicles downgraded to class V had not been subjected to complete strip and rebuild, they (Finance) had not verified this fact.

*76. As stated earlier the orders for downgrading the vehicles with loose rivets to Class V were issued mainly on considerations of time likely to be taken for their repairs. Before doing so it is unfortunate that financial advice was not taken nor the financial implications thereof were considered. The fact that the orders were cancelled in 1957 "to avoid misinterpretation", shows apparently that vehicles had been downgraded to class V because of loose rivets only. The report of the Resident Inspector of the Depot on 331 such vehicles confirms this. While vehicles with loose rivets should be grounded in order to avoid the likelihood of accidents, the proper course would have been to mark them for specified repairs by the Field workshops or 4th Echelon Workshops instead of downgrading them to class V and making them lie in the unfit Park for long periods involving further deterioration before being attended to. The Committee find it difficult to accept the plea that the records of a few vehicles so downgraded showed that besides loose rivets there were other defects which warranted their classification as class V. As observed by the Resident Inspector in his report on 331 such vehicles the other defects might have developed subsequently during the long storage of the vehicles in the unfit park.*

77. The Committee were informed that all these vehicles in class V were not as a matter of course put through a complete 'strip and rebuild' unless their mechanical condition warranted. The Committee desired to be furnished with a note stating the numbers of vehicles put through complete 'strip and rebuild' and restricted repairs, respectively, out of the 1700 downgraded as class V in 1956. *The information is still awaited.*

In para 108 of their Seventeenth Report (1958-59) the Committee had suggested that in order to ensure economic utilisation of the funds allotted for Army vehicles without at the same time impairing

their efficiency the existing procedure of classification, condemnation and disposal of vehicles should be reviewed. *The Committee regret to observe that this is another case where the orders regarding classification of vehicles for repairs had been defective. Considering the large outlay on Army vehicles and on their periodical replacement, the Committee feel that this review of the procedure should be expedited.*

#### QUARTER MASTER GENERAL'S BRANCH

*Short recovery of rent—para 43, pages 29-30—*

78. *Sub-para (a).*—Two Government buildings with a floor area of 6,000 sq. ft. and adjoining land measuring about 29,000 sq. ft. were occupied by an ex-Army Officer for running a piggery, without proper authority, from January, 1951. In May, 1955, the Station Commander issued an *ex-post-facto sanction* authorising the occupation of the buildings by the officer from January, 1951 at a concessional rent of Rs. 1/8/- per mensem for the two buildings.

The fixation of rent at Rs. 1/8/- per mensem was objected to in Internal Audit in November, 1955, as under the rules rent was recoverable at market rate, which according to Military Engineer Service authorities was Rs. 160 in January, 1951 and Rs. 250 per mensem in 1955.

79. From the facts placed before them in the course of evidence, it appeared to the Committee that the then General Officer Commanding, Southern Command gave this as a personal concession to the ex-Army Officer in 1951. On receipt of an objection from the Internal Audit in November, 1955, the matter remained under consideration of the Southern Command authorities till June, 1958, when it was referred to the Army Headquarters for obtaining the sanction of Government to the treatment of the piggery as a regimental shop and recovery of rent on that basis. Government after consulting the Ministry of Law decided that the piggery should not be treated as a regimental shop but in consideration of the assurance given to the individual by the G.O.C., he might be charged the nominal rent of Rs. 1/8/- per mensem upto the 31st December, 1959, and thereafter, the rent payable under the normal rules. The individual paid the normal rent from January to March, 1960 and then vacated the buildings following a theft in his shop. Government orders had been issued on the 22nd November, 1960 regularising the allotment of the buildings at a nominal rent of Rs. 1/8/- per mensem from January 1951 to December, 1959.

*The Committee do not see any convincing reason either for the grant of the unauthorised financial concession in this case or for its continuation for 4 years even after receipts of an audit objection. They would emphasise that delegated powers should not be misused in this manner.*

80. *Sub-para (b).*—In May, 1957, Government issued an order charging rent at a concessional rate of Rs. 1.50 nP. per month from shops run for the benefit of the cadets of the National Academy, Khadakvasla. The rent was a fixed charge irrespective of the area occupied by the shop and was to have retrospective effect from 1st January, 1955.

A tailoring firm occupying a shop of an area over 4,000 sq. ft. was being charged rent fixed in terms of an agreement at Rs. 480 per mensem. As a result of the Government order which was made applicable to the tailoring shop retrospectively a sum of Rs. 14,463 was reduced from its outstanding dues of Rs. 14,508 and recovery was effected, for the 4,000 sq. ft. of the shop area, at Rs. 1.50 nP. per mensem only.

81. In evidence, the Committee were informed that contract for the period 1st January 1954 to 1st April, 1959 had been entered into with the firm at Dehra Dun for allotment of a tailoring shop in the Academy at the rent assessed by the M.E.S. The firm was, however, being charged a concessional rent of Rs. 1.50 nP. at Dehra Dun that was applicable to regimental shops. On the Joint Services Wing's moving from Dehra Dun to Khadakvasla, the firm was provided with a shop having an area of 4,000 sq. ft. in the new premises. The M.E.S. assessed a rent of Rs. 480 per mensem for the shop area. However, as in the contract in force prior to 1st January, 1954 (when only the concessional rent of Rs. 1.50 nP. per mensem was charged for the shop), the new agreement also envisaged that the tailoring rates payable to them would be fixed by a Board of Officers appointed by the Commandant of the Academy. From the proceedings of the Board it was noticed that the tailoring rates had been fixed after taking into account the concessional rate of rent. It was, therefore, thought that there was an understanding with the firm that it would be charged the concessional rate of rent, although the contract provided for recovery of the assessed rent. Government, therefore, decided in 1957 to apply the concessional rate of Rs. 1.50 nP. per month to the new premises also.

The Financial Adviser stated that according to a Government order issued on the 11th January, 1960, the concessional rent of Rs. 1.50 nP. per mensem would be applicable to regimental shops

not exceeding 120 sq. ft. in area. In case any additional area was allotted to a contractor at his own request, assessed rent or market rent, whichever was higher, would be charged. In cases where it was not administratively feasible to restrict the floor area of the existing accommodation, no extra rent was chargeable for the excess accommodation. In this connection the local Army authorities had been vested with powers to allot an area not exceeding 150 sq. ft., while the sanction of Government was required, if the area exceeded 150 sq. ft. In pursuance of this order, the Controller of Defence Accounts had been asked in July, 1960 to bill the tailoring firm in the present case at the assessed rent for the area in excess of 150 sq. ft. The matter would be examined when the case came up for sanction of Government.

*The Committee see no justification for the tailoring shop being charged a nominal rent of Rs. 1.50 nP. p.m. (the rate applicable to regimental shops) for a floor area about 33 times of that fixed for regimental shops regardless of the provision in the agreement that the assessed rent should be recovered from the firm. They desire that the position should be reviewed early in the light of the Government orders issued in January, 1960.*

#### ENGINEER-IN-CHIEF'S BRANCH

*Retention of unwanted stores—para 47, pages 31-32—*

83. A quantity of 6.856 tons of bitumen of high melting point was being held at an engineer store depot since 1946. Though there had been no demand for this store since that date, a Survey Board held in 1953 recommended the retention of the store for another 7 to 10 years. With the passage of time the metal containers of the bitumen were found to have deteriorated rendering it difficult to transport the store. In March 1958, after retaining 50 tons to meet possible future requirements, 6,806 tons of the bitumen, with a book value of Rs. 20,39,560 was declared for disposal and sold between October, 1958 and March, 1959, for Rs. 8,33,400, resulting in a loss of about Rs. 12 lakhs.

84. In evidence, the Secretary, Ministry of Defence stated that the Survey Board which had been appointed to go into the question of retention or disposal of the accumulated stores had recommended retention of the bitumen—an imported item—in view of the possibility of its being used in the manufacture of Prefabricated Bitumen Sheets with changed specifications in cases of emergency. But with the advent of the jet aircraft in large numbers after 1953, the use of P.B.S. for landing purposes became outmoded. As there had

been no issue since 1952 and deterioration had set in in the containers, the position was reviewed in June, 1955 with a view to examining the possibility of the utilisation of the material or its disposal. After examining the matter in consultation with the College of Military Engineering and two oil companies, it was concluded that the store could not be put to any alternative use economically. The store was, therefore, declared surplus in August, 1957. *This is another case in which there had been unnecessary delays in the disposal of unwanted material.*

*Non-recovery of hire charges—para 48, page 32—*

85. Hire charges for refrigerators issued to officers' messes were being worked out on the basis of original capital cost. In February, 1952 by an amendment to the basic regulations it was decided that the hire charges should be worked out on the basis of replacement cost, in view of rising prices. Prompt action was, however, not taken to revise the rates, and in one Command the revised rates were notified only in January, 1957, but made applicable from February, 1952. Arrears of hire charges were claimed from the messes on this basis but most of the messes in the Command refused to pay the arrears, amounting in all to Rs. 47,235.

86. Explaining the reasons for delay of five years in the notification of the revised rates, the Quarter Master General stated that the matter had been under discussion among the Command authorities, Army Headquarters and the Ministries of Defence and Finance (Defence). Because of the various types of refrigerators in use, there was some difficulty in assessing their replacement cost. The users were also reluctant to pay the hire charges of the war-time refrigerators on the basis of their replacement cost which were much higher than those based on the original capital cost. Government decided to recover the hire charges with effect from the 1st September, 1959 on the basis of the capital cost of the refrigerators. The question of giving effect to the revised rates retrospectively was under consideration of Government.

*The Committee are not convinced of the justification for the delay of 5 years in notifying the revised hire charges by the Command authorities. The clarifications required by the Command authorities should be have been resolved by the Army Headquarters and the Ministry of Defence expeditiously. The Committee desire that necessary steps should be taken to ensure that in future once a decision is taken to revise the hire charges of Army Stores, etc., the revised rates are notified within a reasonable time and recovery effected expeditiously. The longer the delay the more difficult the recovery of arrears.*

## NAVY

*Acquisition of a Store Carrier for the Navy—para 50—page 33—*

87. In August, 1951, the Naval Headquarters proposed as an urgent measure the procurement of a Store Carrier fitted with repair facilities. As the chances of acquiring a new ship of the requisite type were not considered promising and as construction of the vessel either in this country or abroad would have taken about 2½ to 3 years, it was decided in February, 1952 to purchase a second hand cargo vessel from abroad and to convert it into a Store Carrier.

Accordingly, a cargo vessel was purchased from a foreign country in June, 1952 at a cost of Rs. 38.30 lakhs. According to Audit, at the time of purchasing the vessel no assessment was made either of the time required or of the cost that would have to be incurred for converting the vessel into a Store Carrier and equipping it with the necessary machinery.

After purchase, an expenditure of Rs. 8,31,007, was incurred in structural alterations to the ship, and machinery worth Rs. 19,14,152 was acquired. A contract had also been entered into, in June, 1958, with a firm for carrying out further structural alterations and the installation of the machinery at a cost of Rs. 16,22,742. The vessel was put into commission in April, 1959, that is after seven years. During this period a large expenditure was incurred on the complement of officers and ratings earmarked for looking after this ship.

88. In evidence, the Committee were informed that before purchasing the second hand cargo vessel, enquiries had been informally made through the Indian Missions abroad for the acquisition of a new store carrier, but none was available. There was a great demand for such vessels in the world market. As regards the 7 years' time taken for refitting the second-hand vessel, it was urged that the Hindustan Shipyard Limited who were entrusted with the work in 1952 were unable to carry out certain additional structural alterations ordered subsequently in 1954. The vessel was withdrawn from the Hindustan Shipyard Limited in 1956 with a view to carrying out the alterations in a naval dockyard, but it was not possible for the dockyard to handle the work. Finally, it was got done by a private dockyard and the vessel was put into commission in April, 1959.

89. The Committee were given to understand by the representative of the Ministry that a new vessel of comparable size would



have cost Rs. 188 lakhs as against Rs. 82 lakhs spent on this vessel. But the Committee's attention was drawn by Audit to a demi-official letter addressed to the Director of Audit, Defence Services, by the then Joint Secretary, Ministry of Defence, giving the estimated cost of a comparable new vessel as Rs. 50 lakhs (excluding special equipment). The Committee found it difficult to reconcile the two estimates and desired that the basis of the two estimates should be checked up and a note furnished to them. The note is still awaited. *In the absence of this information, the Committee are unable to judge whether the purchase of the second hand vessel was economic.*

90. *The Committee regret to point out that it was on the plea of urgent requirement (a new vessel would take 2½ to 3 years to be built) that the purchase of a second hand vessel was decided. The fact that this vessel could be Commissioned only 7 years after the purchase, makes the Committee wonder whether the plea of urgency was really so. The Committee are distressed at the complete lack of prior planning and the unbusinesslike manner in which the conversion work was allowed to proceed. The delay has resulted not only in more expenditure on the complement of officers and ratings appointed to look after the ship but also in loss due to non-availability of repair facilities to the Navy for a longer period.*

*Erection of a steel foundry in a naval dockyard—para 51, pages 33-34—*

91. In May, 1950, Government sanctioned the establishment of a steel foundry in a naval dockyard involving a capital expenditure of about Rs. 5.5 lakhs on equipment. Further expenditure aggregating Rs. 3,30,814 was also sanctioned subsequently for the installation of equipment and additions and alterations to the building. Some of the items of equipment were received in 1953 and the rest in 1957, costing in all Rs. 5 lakhs. The Foundry has yet to be commissioned.

92. It was admitted in evidence that the project was not properly planned as the Navy had no previous experience of such work. Part of the delay was due to late arrival of the equipment and delay in erecting it. There was also delay in the supply of drawings by the firm of suppliers. The foundry was expected to be commissioned by September, 1961.

*The Committee are surprised that even after a lapse of 11 years the foundry (sanctioned in 1950) has not been commissioned. This is another case of bad-planning and delayed execution.*

## AIR FORCE

*Loss of revenue in the leasing of a cinema building—para 53—pages 34-35—*

93. A cinema building owned by Government was leased to a contractor, free of rent, for a period of five years from 1st September, 1947. This cinema was at that time open only to Service personnel. On 1st January, 1949, it was thrown open to public and from that date the contractor started paying Rs. 872 per mensem during summer and Rs. 727 per mensem during winter, as rent and electric charges, etc.

In April, 1949, Government issued orders that the lease of military buildings for use as cinema houses by private parties should be auctioned. Accordingly tenders were called for letting out this cinema in November, 1952 (2 months after the expiry of the lease period). In response to the tender, the highest offer received was Rs. 3,500 per mensem but the existing contractor who had quoted only Rs. 1,500 per mensem was allowed to use the cinema building provided he paid Rs. 1,650 per mensem with effect from 1st January, 1953. The contractor continued to run the cinema but did not pay any enhanced rent beyond what he was paying prior to November, 1952. Later, it was decided to run the cinema departmentally with effect from 1st January, 1955. The contractor, thereupon, obtained an injunction against eviction from the Court, on 26th May, 1955, pending settlement of his claim for compensation, by an arbitrator, in terms of the lease agreement of 1st September, 1947.

94. In evidence, the representative of the Ministry of Defence stated that on being served with a notice to vacate the premises the contractor demanded arbitration under the terms of the agreement of 1947. The court granted the contractor an injunction against his eviction pending arbitration in the matter. On appeal, the High Court upheld the decision of the lower court on the 26th May, 1959. The arbitrator, however, could not commence the arbitration proceedings till the disposal of the appeal by the High Court. Later, on his death further action to be taken in the matter was under consideration in consultation with the Solicitor General. *The manner in which the original contract was entered into and subsequently renewed is most unsatisfactory. In view of the inordinate delay that has occurred, the Committee urge that the case be dealt with expeditiously.*

APPROPRIATION ACCOUNTS (DEFENCE SERVICES), 1958-59

*Controller General of Defence Accounts' Certificate. para 15*

95. *Sub-para 11, page 8—Outstanding dues on account of stores supplied and services rendered by the Defence Services (other than*

Ordnance Factories) up to 31st March, 1959 to outside parties, including Central Civil Departments and State Governments, amounted to approximately Rs. 1.26 crores as on 30th June, 1959. In respect of work done or stores supplied by the Ordnance Factories upto 31st March, 1959 to Civil Departments, Railways and private bodies etc., the amount due for recovery was approximately Rs. 2.15 crores as on 30th June, 1959.

In evidence, the Committee were informed that the amounts due from the Central Civil Departments and the State Governments for the stores supplied and services rendered by the Defence Services (other than Ordnance Factories) had been reduced from Rs. 1.26 crores as on 30th June, 1959 to Rs. 66.32 lakhs as on 30th June, 1960. As regards the amount outstanding in respect of the work done or stores supplied by the Ordnance Factories, it had been reduced from Rs. 2.15 crores as on 30th June, 1959 to Rs. 1.75 crores as on 30th June, 1960.

*The Committee desire that all possible steps should be taken to bring down the outstanding recoveries due from Government Departments and private bodies, etc. In para 92 of their 17th Report (1958-59), the Committee had recommended that the procedure should be reviewed with a view to seeing whether a system of advance payment or "cash and carry basis" could be introduced in order to avoid outstandings from private individuals or parties. The Committee would like to know the action taken in the matter.*

*Sub-para 12, page 9—*

96. Outstandings on account of rent as on 31st March, 1959 from State Governments, Central Ministries, private bodies, Messes and Clubs of Officers, etc., amounted to approximately Rs. 2.69 crores.

The Committee were informed in evidence that the amount of outstanding rent dues had been reduced from Rs. 2.69 crores to Rs. 2.13 crores as on 30th June, 1960, of which an amount of Rs. 1.79 crores was due from the Ministry of Rehabilitation, other Central Departments and Ministries and State Governments.

*The Committee learn that various measures are being adopted to expedite clearance of the outstanding dues and that the matter is under constant review. The Committee would like to be apprised of the position when they consider the next year's accounts.*

*Statement showing some specific cases involving financial and procedural irregularities—Annexure II to para 15, page 27—*

97. Item 4—In one Command quite a large number of units could not produce petrol, oil and lubricants accounts (POL account) relating to certain periods in spite of repeated demands by the Audit authorities. The period extended to three years in some cases.

The Controller General, Defence Accounts, stated that the objection related to the store accounts of certain static units located in Jammu and Kashmir, which were also consuming units. The controller of Defence Accounts had held that the accounts of such units should be audited. The Western Command authorities had referred the matter to the Army Headquarters suggesting that the Accounts of static formations who are also consuming units should not be subject to Audit.

The Financial Adviser stated that under the orders issued in 1955, supply depots and other static formations in the J. & K. Area were required to maintain POL Accounts on the peace system of accounting and these were subject to audit, but the Command authorities had held the view that such of the static units as were also consuming units should not be required to maintain accounts that were subject to Audit. The matter was still under the consideration of the Army Headquarters. The Quarter Master General held the view that units in field areas should not be required to maintain accounts as they had to work under onerous conditions.

*The Committee feel that the whole question should be reviewed in consultation with the Financial Adviser and the Controller General, Defence Accounts, to determine the extent to which the various relaxations from normal procedure at present allowed to the Units in different operational areas be continued.*

NEW DELHI;

UPENDRANATH BARMAN,

*Dated 28th March, 1961.*  
*Chaitra 7, 1883 (Saka).*

*Chairman,*  
*Public Accounts Committee*

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**P A R T   I I**

**Proceedings of the sittings of the Public Accounts  
Committee held on the 6th to 9th and 12th December,  
1960, 23rd February, 1961 and 20th, 21st and  
23rd March, 1961.**

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**Proceedings of the sitting of the Public Accounts Committee held  
on Tuesday the 6th December, 1960**

98. The Committee sat from 15.00 to 17.00 hours.

**PRESENT**

Shri Upendranath Barman—*Chairman*

**MEMBERS**

2. Shri T. Manaen
3. Shri S. A. Matin
4. Shri Baishnab Charan Mullick
5. Shri T. R. Neswi
6. Shri Radha Raman
7. Dr. N. C. Samantsinhar
8. Pandit Dwarka Nath Tiwary
9. Shrimati Sharda Bhargava
10. Shri Jashaud Singh Bisht
11. Shri Surendra Mohan Ghose
12. Shri V. C. Kesava Rao
13. Shri Mulka Govinda Reddy
14. Shri Jaswant Singh.

Shri A. K. Roy, *Comptroller & Auditor General of India.*

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

Shri P. K. Basu, *Director of Audit (Defence Services).*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

**WITNESSES**

*Ministry of Defence*

1. Shri O. Pulla Reddy, *Secretary.*
2. Shri R. P. Sarathy, *Addl. Secretary.*
3. Shri M. M. Sen, *Joint Secretary.*

4. Lt. Gen. K. P. Dhargalkar, *Master General of Ordnance.*
5. Maj. Gen. W. T. Wilson, *Director of Ordnance Services.*
6. Maj. Gen. S. P. Vohra, *Director of Mechanical Engineering.*
7. Brig. P. V. Subramanian, *Director of Vehicles & Engineering.*
8. Col. M. M. L. Chabra, *EME Directorate.*

*Ministry of Works, Housing & Supply*

Shri N. E. S. Raghavachari, *Director General, Supplies and Disposals.*

*Ministry of Finance (Defence)*

1. Shri S. Jayasankar, *Financial Adviser.*
2. Shri Phul Chand, *Controller General, Defence Accounts.*

*Ministry of Finance (Budget Division)*

Shri A. G. Krishnan, *Under Secretary.*

99. The Committee took up consideration of the Audit Report (Defence Services 1960), relating to the Master General of Ordnance and Adjutant General's Branches.

MASTER GENERAL OF ORDNANCE BRANCH

*Defects noticed after purchase—Para 2, page 6—*

100. In this case separate contracts were entered into through the D.G.S. & D. for supply of 900 chassis of 3 ton lorries and building of bodies on them. Certain defects were detected in the chassis complete with bodies by the Electrical and Mechanical Engineer authorities during "receipt-in" inspection. Some of the defects were rectified by the suppliers of chassis while others were remedied by the Electrical and Mechanical Engineer authorities.

101. It was stated in evidence that the chassis were found to be in sound condition during the first inspection at the suppliers premises by the Army Technical authorities who passed them. Of the 900 chassis, 100 were given to a firm for body building and 800 left with the suppliers for body-building. Chassis were supplied and paid for as follows:—

	Chassis
March 1958 . . . . .	223 „
April 1958 . . . . .	627 „
June 1958 . . . . .	30 „
October 1959 . . . . .	20 „

The chassis were with two suppliers for varying periods awaiting body-building and the work of body-building was completed as follows:

December 1958	. . . . .	17
March 1959	. . . . .	118
April 1959	. . . . .	151
July 1959	. . . . .	48
August 1959	. . . . .	93
September 1959	. . . . .	59
October 1959	. . . . .	314
TOTAL	. . . . .	<hr/> 800 <hr/>

The Director of vehicles and Engineering informed the Committee that all steering defects subsequently noticed by the EME authorities were the result of the exposure of the chassis to the inclemencies of weather for about two years, when they were in the suppliers premises awaiting body-building. In regard to the defect in the steering also there was a difference of opinion between the Technical Development Establishment and EME authorities on the point whether the steering was light enough or not. Three prototypes originally developed by the parent Organisation of the suppliers in the U.S.A. had been rejected by the T.D.E. because of defects in the steering. Later, the suppliers having broken with their parent Organisation, the redesigning of steering was done by the T.D.E. on their own responsibility. After certain adjustments the T.D.E. authorities had been satisfied about the working of the steering. The Defence Secretary stated that all the major manufacturing defects had been rectified by the suppliers free of cost and necessary action was in hand to claim reimbursement of the cost of spare parts used during the repairs done by the EME authorities.

102. The Committee then enquired the reasons for the delay in body-building, which resulted in deterioration of the chassis. The representative of the Ministry of Defence stated, that the chassis suppliers who were given contract for building bodies also for 800 chassis had also at that time in hand another contract for body-building. Although they undertook to complete the body-building within the stipulated period, they failed to do so and had to be given repeated extensions. At one stage it was proposed to cancel the contract but legal advice was in favour of granting a further extension.

103. The Director General, Supplies and Disposals, informed the Committee that body-building was partly delayed owing to the time-lag in approving of a pilot built-up body by the Army technical authorities. The technical authorities had pointed out certain defects



in the pilot body which had to be rectified by the firm (suppliers). Subsequently, the question of the timber specifications arose which could not be settled before February, 1959, after which body-building in bulk was started by the firm. To a question whether the firm of suppliers were asked to keep the chassis covered, the witness replied that the contract for body-building provided that all vehicles should be kept under covered accommodation and if this was not available, at least the engine portion should be suitably covered. In May 1958 it was brought to his notice by his Inspecting staff at the factory premises that storage conditions for the chassis were not satisfactory at the firm's end and it was pointed out to the firm that they were responsible for proper protection of the chassis. Because of improper maintenance of chassis by the firm at one stage it was even proposed to cancel the contract. In September, 1958, the D.G.S. & D's organisation were informed that the chassis were being properly maintained and protected by the firm except for the batteries. The chassis were thus left uncovered during the period May to September, 1958 which, because of the monsoons, was the worst period of the year. In reply to another question why a single contract was not entered into with the firm for supply of vehicles complete with bodies (if they were to build the bodies on the bulk of the chassis) in order to avoid the risk of possible deterioration of chassis during the period of body-building, the D.G.S. & D. stated it was thought necessary to enter into separate contracts. He, however, mentioned that both the contracts were given at the same time.

104. The Committee enquired whether there were three inspections in respect of the 800 vehicles viz. first at the time of supply of chassis, second when the bodies were built thereon and third at the Depots on receipt of the vehicles. The Director of Vehicles and Engineering stated that in the case of 800 chassis on which bodies were built by the supplier of the chassis, the second inspection was done by the Inspectors of the TDE and EME at the premises of the firm after completion of bodies and whatever defects were noticed in them were got rectified by the firm before the vehicles were removed to the depots. If so, the Committee desired to know how there was a question of further defects in vehicles detected at the depots for which claims had been lodged with the suppliers. The witness could not give a definite answer and promised to send the information later.

*Procurement of unwanted stores—Para 4, page 7—*

105. In this case demands were placed in 1960 and September, 1951 by the MGO Branch on the Military Adviser to the High Commissioner for India in UK for 65 and 116 numbers of a certain item

of store respectively, the latter demand being based on provision review as on 1st April, 1951. The earlier provision review as on 1st July, 1950 and the subsequent provision review as on 1st April, 1952 showed the requirement as Nil and the entire quantity of 181 numbers valued at £4,687 was rendered surplus to requirement.

106. The Committee enquired of the reasons for fluctuations in the requirements of the store. The Defence Secretary stated the requirements were shown against this item, by mistake. The records for that period had since been destroyed and the officer concerned had also retired from service. However, the surplus stores were being issued to units and utilised, although the item had been superseded by a later type.

*Irregularities in the store accounts of two Field Ordnance Depots—  
Delay in regularisation by Government—Para 21—pages 18-19—*

107. This case revealed that proper accounts of stores were not maintained by two Field Ordnance Depots and serious irregularities in stores accounts as shown below were noticed.

- (a) Stores worth Rs. 380.82 lakhs despatched to these depots by other depots were not taken on ledger charge;
- (b) In respect of stores worth Rs. 304.97 lakhs, the certified receipt vouchers on which they were taken on charge could not be linked with the consignors' issue vouchers. The correctness of the receipts taken on charge could not, therefore, be verified.

108. The Committee enquired about the circumstances leading to irregularities in stores accounts of the two Field Ordnance Depots. The representative of the Defence Ministry stated that the depots in question were located in the Jammu and Kashmir Area and the irregularities related to the period of operations and immediately thereafter. Due to abnormal conditions then existing and inexperienced staff, store accounts could not be properly maintained. Stores worth Rs. 280.82 lakhs despatched by other depots on issue vouchers could not be linked with receipts in the ledgers of these field depots. Instead of linking of receipts with the consignors issue vouchers, stores were taken on charge on the certified receipt vouchers which were subsequently required to be linked with the issue vouchers. As the two sets of stores were alike it was likely that a good part of the stores worth Rs. 304.97 lakhs taken on charge on certified receipt vouchers were out of those worth Rs. 380.82 lakhs stated to have not been taken on ledger charge. The witness

added that it had been decided to condone the irregularities except one item regarding preparations of fictitious job cards and transfer vouchers for stores involving a loss of Rs. 4.91 lakhs. Nobody could be held responsible for the irregularities. The loss would be formally regularised after the amounts involved had been worked out in consultation with the internal audit. In reply to a question the Financial Adviser stated that technically the losses amounting to Rs. 380.82 lakhs on account of stores not taken on charge and Rs. 304.97 lakhs representing the value of stores taken on charge on certified receipt vouchers were to be regularised separately, nevertheless the real loss in this case would be of the order of Rs. 76 lakhs only, i.e. Rs. 380.82 lakhs minus Rs. 304.97 lakhs plus certain other minor losses. It was pointed out by Audit that the stores not taken on charge were from the Indian depots, while those taken on charge on certified receipt vouchers were returned by units, which could not be set off against each other. The representative of the Ministry of Defence stated that units could not have returned stores worth Rs. 304.97 lakhs, the bulk of them would have been received from the depots. The Financial Adviser informed the Committee that the ground balances as on March 1950 would be the basis for future accounting of stores.

109. Explaining the reasons for non-linking of the consignors issue vouchers with the credits in the field depots, the Director of Ordnance Services stated that the confusion was caused by the transit of the stores through the Pathankot rail head. While the issue vouchers were received by the field depots direct, consignments arriving by rail at Pathankot had to be carried in parts by the army vehicles to the field depots. In this process the consignments got mixed up and on their arrival in the field depots, they could not be properly identified and linked with consignors' issue vouchers. In some cases even issue vouchers were received late in the field depots and stores had to be taken on charge by the field depots on certified receipt vouchers which could not be linked with issue vouchers received subsequently due to inadequately trained staff and conditions then prevailing.

*Delay in provision of covered accommodation, Para 22, page 19—*

110. The Audit para disclosed that in an ammunition depot which had been shifted to another station, ammunition worth Rs. 45 lakhs had to be downgraded as either unserviceable (Rs. 23 lakhs) or as repairable (Rs. 22 lakhs) during the period August 1948 to March 1959 as a result of its storage in the open under tarpaulin covers and tents.

111. In evidence, the representative of the Ministry of Defence stated that the ammunition depot had been shifted to another station temporarily for strategic reasons. Pending a decision on the permanent location of the depot temporary arrangement for storage had been made by providing tarpaulin covers and tents. The down-gradation of ammunition was actually caused due to normal changes in condition after a specific period, which could not be avoided. The Committee enquired why the proposal made by the depot authorities in September, 1950 for provision of 274 Nissen huts at a cost of Rs. 6.85 lakhs was not accepted by the Army Headquarters. The representative of the Ministry of Defence stated that the proposal submitted by the depot authorities in 1950 had been examined by the Army Headquarters and it had been estimated that the provision of temporary covered accommodation to meet the immediate requirements of the depot would cost Government Rs. 34 lakhs. As the question regarding the permanent location of the depot was then under consideration it was not considered appropriate to undertake a project of temporary utility involving an expenditure of Rs. 34 lakhs which would have become infructuous on shifting of the depot to its permanent site. But the decision regarding the permanent location of the depot could not be taken as yet due to strategic and other considerations on which the views fluctuated from time to time. The Director of Ordnance Services stated that field storage of ammunition under tarpaulin covers and tents was a recognised and suitable type of storage in the case of forward and non-permanent depots although the wastage of tents and tarpaulins was heavy. The deterioration of ammunition in the present case might have been somewhat less had it been stored under Nissen huts although certain parts such as augmenting charges and primers would deteriorate whatever the nature of storage because of their fixed life. To a question why the provision of 184 Nissen huts at a cost of Rs. 5.6 lakhs was sanctioned subsequently in October, 1958, while earlier in September, 1950, a proposal for the provision of 274 huts had not been accepted, the representative of the Ministry of Defence replied that in 1950 field storage was considered adequate as it was expected that a decision regarding permanent location of the depot would not take long. Later, as the finalisation of the permanent location of the depot was delayed it was decided to provide some temporary accommodation in the depot. Intervening, the Comptroller and Auditor General pointed out that temporary accommodation was sanctioned because "The saving caused thereby providing cover for the stores now lying in the open will be more than the cost of such accommodation in a few years and the question of infructuous expenditure should not arise." The Committee desired to be furnished with a note stating the

reasons for not accepting the proposal for the provision of 274 Nissen huts in September, 1950 and subsequently sanctioning of 184 huts in October, 1958.

*Down-gradation of vehicles—Para 39, page 27—*

112. As a result of cent percent examination of about 15,500 pre-1948 post-war 'B' category mechanical transport vehicles held in class V condition (i.e. repairable) by a Board of the Electrical and Mechanical Engineer Officers during September to December, 1956 about 8,500 of these vehicles valued at more than Rs. 5 crores were downgraded to Class VI i.e., unserviceable and beyond economical repair. The Ministry of Defence stated in March 1959 that inspite of periodical/technical maintenance of these vehicles while in storage, deterioration occurred due to their long retention in open, though the normal precautions like jacking up and covering with tarpaulin had been taken. According to Audit it was not clear why an improved system of inspection and maintenance which had been recently introduced was not enforced earlier in order to avoid these vehicles being completely scrapped.

113. In evidence, the Director of Mechanical Engineering stated that the new system of maintenance of vehicles could not have been introduced earlier as it was the result of the subsequent technological developments. He held the view that even under the improved system of maintenance, downgradation of vehicles could not have been avoided, for with the lapse of time deterioration was bound to occur in certain parts like electric wires, tyres, brake system etc. The witness added that Government did not suffer any loss in the disposal of these vehicles as their disposal fetched more than the stock value of Rs. 5 crores.

The representative of the Ministry of Defence stated that these vehicles which had been purchased during the last war had been in class V since 1948 and these had been downgraded to class VI as a result of a further examination in 1956. The downgradation of these wartime vehicles was not attributable to their wrong maintenance but to their ageing. The witness added that the new method of maintenance had been introduced in order to effect economy in expenditure on maintenance rather than improve preservation of vehicles. Referring to the disposal value of vehicles the witness stated that nearly 50 per cent of their book value was realised in disposal, and so the stock value of Rs. 5 crores in the present case could not be considered the actual loss. In reply to a question the witness stated that the vehicles might have fetched better price, if they had been kept under covered accommodation. But due to the

paucity of funds covered accommodation could not be provided for the vehicles. During the last three years sufficient covered accommodation had been provided in the depots and further provision was proposed to be made in the next 2-3 years.

*Infructuous expenditure caused by unwarranted downgradation of vehicles—Para 40, pages 27-28—*

114. An order issued by the Master General of Ordnance in April, 1954, as modified in December, 1954, laid down that vehicles having loose rivets should be downgraded to Class V—requiring complete strip and rebuild—if the replacement of rivets was expected to take a period longer than 14 days. The number of vehicles downgraded to class V for loose rivets was stated to be 1,700 in 1956.

115. Explaining the justification for the issue of orders for downgradation of vehicles with loose rivets, the Director of Mechanical Engineering stated that serious defects had been noticed in the pre-1948 vehicles during the exercises in the Eastern Command due to loose rivets of the chassis, steering spring hangers etc. As a result, instructions were issued to ground such vehicles in order to avoid serious accidents. These vehicles had in fact other defects also although that relating to the loose rivets had been highlighted in the orders because of its seriousness. An analysis of the records of the vehicles so downgraded revealed that they had actually other defects also which necessitated their overhauling. Instructions had laid down that the vehicles which could be repaired by using high tensile bolts should be repaired in field areas, while those requiring extensive repairs should be downgraded to class V and returned to depots.

116. The Additional Deputy Comptroller & Auditor General referred to a letter dated the 7th May, 1956 disclosing that of 331 vehicles downgraded to class V in 1954 in accordance with the orders issued by the Army Headquarters, 97 had been reinspected by the resident inspector, EME and as a result 60 were upgraded to classes I/II. In regard to the other 271 vehicles the inspection reports mentioned that a review of the relevant records revealed that these had been downgraded primarily because of loose rivets; no other major defects had been recorded. It was probable, according to letter, that the vehicles had subsequently developed other defects requiring rectification. The representative of the E.M.E. Directorate stated that the letter in question was submitted by an officer of the Depot who being a non-technical person did not analyse the technical defects in the vehicles and highlighted the one relating to the loose rivets only. In a sample survey, the records of 80 vehicles had been reviewed which revealed that the condition of the vehicles warranted

their repairs as class V, although only loose rivets had been highlighted. The witness added that the occurrence of loose rivets in the vehicles was suggestive of their being put through rigorous conditions of utilisation.

The Committee asked the reasons for issuing orders of general nature in April 1954 and December, 1954 regarding the downgradation of vehicles with loose rivets to class V without an assessment of financial implication and obtaining financial concurrence. The Director of Mechanical Engineering stated that these orders were only in the nature of technical directions and instructions issued to the technical officers who were already aware of the criteria for grading of a vehicle as class V under the normal orders. The intention was that in addition to the mechanical condition of the vehicles, loose rivets should also be taken into account. The representative of the Ministry of Defence stated that the orders had been cancelled in 1957 in order to avoid the possibility of their misinterpretation. He assured the Committee that according to the records of the depot none of the vehicles downgraded to class V under these orders was put through strip and rebuild because of loose rivets alone. Explaining the procedure followed by the Army workshops, the witness stated that a repairable vehicle even though graded as class V was re-examined on its arrival in the workshop and was not put through complete strip and rebuild if it had loose rivets only. The Financial Adviser stated that Finance were not satisfied with the issue of general orders regarding downgradation of vehicles in this case. They had been informed that all the 1,700 vehicles downgraded to class V had not been subjected to complete 'strip and rebuild' but they had not verified this fact. The Director of Mechanical Engineering informed the Committee that in order to avoid misinterpretation, 2 sub-classifications had been introduced under class V viz. vehicles requiring complete overhaul and those requiring specified repairs.

#### ADJUTANT GENERAL'S BRANCH

*Irregular grant of pay and allowance to an individual not in service—  
Para 49, pages 32-33—*

117. In July, 1955, an engineer graduate was granted a provisional Short Service Regular Commission in the Army and placed for training in the Military College. He completed his training on 8th December, 1956 but was found to be medically unfit for a permanent commission. The Army Headquarters thereupon informed the Pay Accounts Officer that the gentleman cadet would be granted a permanent Commission as soon as he was found fit by a Medical Board.

The Pay Accounts Officer did not, however, seek a clarification as to whether the provisional Commission of the cadet had become non-effective, and continued to pay him as a provisional Commissioned Officer, till end of January, 1958. In February, 1958, on a reference from the Pay Accounts Officer, the Army Headquarters stated that the provisional Commission of the cadet became non-effective from 9th December, 1956 and that he was not entitled to any payment from that date. The amount paid from 9th December, 1956 to 31st January, 1958 was Rs. 6,184.

118. In evidence the representative of the Ministry of Defence stated that originally the Army Headquarters had been advised by the Judge Advocate General that the cadet was not entitled to any pay and allowances during the period following the completion of his training. The Army Headquarters had accordingly decided in December, 1958 to recover the overpayment of Rs. 6,184 made to the officer. Subsequently, on a reference made to them, the Ministry of Law advised in February 1960 that the cadet was entitled to be paid as a provisional commissioned officer until his Commission was terminated and, therefore, no recovery should be made from him.

119. To a question whether the Short Service Commission of the cadet did not become non-effective from the date of his being declared in medical category 'B', the witness replied that there was lacuna in the rules which had been removed. It was proposed to amend the rules further to provide that each case of extending the Commission beyond a maximum term of one year would be specifically considered. In this case, had the provisional commission of the cadet been terminated immediately on his being declared in a lower medical category he might have declined to serve in the army and the training imparted to him would have become infructuous. In consideration of the training given to the officer and the shortage of officers, the cadet was allowed to continue till his medical category improved. In regard to the cadet's entitlement to pay and allowances after his being declared medically unfit in the present case, the Financial Adviser stated that although the Judge Advocate General had originally contended that the provisional commission became non-effective from that date, on a re-examination of the case after receipt of the Law Ministry's advice, he expressed the view that there was no automatic termination of the commission under the pay rules and the cadet was entitled to be paid as a provisional commissioned officer until the receipt of a formal communication by him terminating his Commission.

120. The Committee then adjourned till 14.30 hours on the 7th December, 1960.



**Proceedings of the Thirtieth Sitting of the Public Accounts  
Committee held on Wednesday, the 7th December, 1960**

121. The Committee sat from 15.00 to 17.00 hours.

**PRESENT**

Shri Upendranath Barman—*Chairman*

**MEMBERS**

2. Shri T. Manaen
3. Shri G. K. Manay
4. Shri S. A. Matin
5. Shri Baishnab Charan Mullick
6. Shri Radha Raman
7. Dr. N. C. Samantsinhar
8. Pandit Dwarka Nath Tiwary
9. Shrimati Sharda Bhargava
10. Shri Jashaud Singh Bisht
11. Shri Surendra Mohan Ghose
12. Shri V. C. Kesava Rao
13. Shri Mulka Govinda Reddy
14. Shri Jaswant Singh.

Shri A. K. Roy, *Comptroller & Auditor General of India.*

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

**WITNESSES**

**Ministry of Defence**

1. Shri O. Pulla Reddi, *Secretary.*
2. Shri J. S. Lal, *Joint Secretary.*
3. Shri H. C. Sarin, *Joint Secretary.*

4. Shri M. G. Kaul, *Joint Secretary*.
5. Lt. General B. M. Kaul, *Quarter Master General*.
6. Maj. Gen. Harkirat Singh, *Engineer-in-Chief*.

*Ministry of Finance (Defence)*

1. Shri S. Jayasankar, *Financial Adviser*.
2. Shri Phul Chand, *Controller General, Defence Accounts*.

*Ministry of Finance (Budget Division)*

Shri A. G. Krishnan, *Under Secretary*.

122. The Committee took up consideration of the Audit Report (Defence Services) 1960 and the statement laid on the Table of the House by the Minister of Defence on the 28th April, 1960, in so far as these related to the Quarter Master General's and Engineer-in-Chief's Branches.

QUARTER MASTER GENERAL'S BRANCH

*Short recovery of rent—para 43, pages 29-30—*

123. *Sub-para (a)*—An ex-Army Officer who had been in unauthorised occupation of two Government buildings having a floor area of 6,000 sq. ft. and adjoining land measuring about 29,000 sq. ft. from January 1951, was under an *ex post facto* sanction issued in May, 1955 authorised occupation from January 1951, at a concessional rate of Rs. 1-8-0 per mensem. In spite of an objection from the internal Audit in November, 1955, to the fixation of rent at Rs. 1-8-0, p.m. the individual was allowed to continue in occupation of the building at the concessional rate upto 31st December, 1959.

124. The Committee enquired about the circumstances leading to the occupation of the buildings by the ex-army officer. The Secretary, Ministry of Defence, stated that the General Officer Commanding, Southern Command, on being approached by the ex-Army Officer allowed him to run a piggery in the buildings for supply of pork to the Army personnel, hospitals, etc. and also gave him an assurance that only a nominal rent of Rs. 1-8-0 therefor would be charged from him. Written orders authorising occupation of the buildings at concessional rent with retrospective effect were, however, issued only in May, 1955. The concession was shown to the individual to enable him to run a piggery partly as a measure of rehabilitating him and also considering the indirect benefit from this shop to the troops stationed there. Explaining the reasons for allowing the individual to continue to pay the concessional rent even after receipt

of an objection from the Internal Audit in November, 1955, the witness stated that the matter remained under consideration of the Southern Command authorities till June, 1958, when it was referred to the Army Headquarters for obtaining the sanction of Government to the treatment of the piggery as a regimental shop and recovery of the rent on that basis. Government after consulting the Ministry of Law decided that the piggery should not be treated as a regimental shop but in consideration of the assurances given to the individual by the G.O.C., he might be charged the nominal rent of Rs. 1-8-0 per mensem upto the 31st December, 1959 and thereafter the rent payable under the normal rules. The individual paid the normal rent from January to March, 1960 and thereafter vacated the buildings following a theft in his shop. The witness added that Government orders had been issued on the 22nd November, 1960 regularising the allotment of the buildings at a nominal rent of Rs. 1-8-0 p.m. from January, 1951 to December, 1959.

To a question whether the nominal rent of Rs. 1-8-0 had been fixed in consideration of the dilapidated condition of the buildings, the Quarter Master General replied that the buildings were not so dilapidated as to warrant a rent of Rs. 1-8-0 p.m. The Southern Command authorities, in fact, wanted to allow a concession to the individual by treating the piggery as a regimental shop, although unlike a regimental shop, the piggery was not intended for the benefit of any single unit. On receipt of the audit objection, the individual had been asked to pay the rent as assessed by the M.E.S. authorities but he did not, saying, he had no money. The demand of pork at the station was inadequate. In 1957, the eviction of the allottee was ordered by the Station Commander but it could not be effected as the original allotment order was not available. The matter had, therefore to be referred to the Army Headquarters for obtaining Government sanction to the treatment of the piggery as a regimental shop. In reply to another question the witness stated that in the absence of any document, it could be presumed that the *ex-post facto* sanction given by the Station Commander in May 1955 was in implementation of verbal orders earlier given by the G.O.C.

125. *Sub-para (b)*—In May, 1957 Government issued an order charging rent at a concessional rate of Rs. 1.50 nP. per month from shops run for the benefit of the cadets of a National Academy. The rent of a tailoring shop occupying an area of 4,000 sq. ft. which had been previously charged a rent fixed in terms of an agreement at Rs. 480 per mensem was retrospectively revised at Rs. 1.50 nP. p.m. and the outstanding dues reduced accordingly.

126. In evidence the representative of the Ministry of Defence stated that a contract had been entered into with the firm at Dehra Dun for allotment of a tailoring shop in the Academy with effect from 1st January, 1949 which remained in force till the end of 1953. Under this contract, the shop premises were provided by the Academy at the rental of Rs. 1-8-0 per month. Before the Joint Services Wing moved to Khadakvasla, another contract was signed with the same firm which covered the period 1st January, 1954 to 1st April, 1959. Although in terms of this agreement, the firm was to be charged rent assessed by the M.E.S., concessional rent of Rs. 1.50 nP. continued to be charged from this firm at Dehra Dun. When the Joint Services Wing moved from Dehra Dun to Khadakvasla, the contractor was provided with a shop having an area of 4,000 sq. ft. in the new premises. The M.E.S. assessed a rent of Rs. 480 per mensem therefor. However, as in the contract in force prior to 1st January, 1954, the new agreement envisaged that the tailoring rates payable to the firm would be fixed by a Board of Officers appointed by the Commandant of the Academy. From the proceedings of the Board it was noticed that the tailoring rates had been fixed taking into account the concessional rate of rent. This led to the assumption that there was an understanding with the firm that they would be charged the concessional rate of rent, although the contract provided for recovery of the assessed rent. Government, therefore, decided in 1957 to apply the concessional rate of Rs. 1.50 nP. per month to the new tailoring shop.

127. The Financial Adviser stated that according to a Government order issued on the 11th January, 1960, the concessional rent of Rs. 1.50 nP. p.m. would be applicable to the regimental shop not exceeding 120 sq. ft. in area. In case additional area was allotted to a contractor at his own request, assessed rent or market rent, whichever was higher would be charged. In cases where it was not administratively feasible to restrict the floor area of the existing accommodation, no extra rent was chargeable for the excess accommodation. Discretion rested in the Officer Commanding the Units to give accommodation not exceeding 150 sq. ft. to a contractor. The sanction of Government was required, if the area exceeded 150 sq. ft. The witness added that in pursuance of this order, the Controller of Defence Accounts had been asked in July 1960 to bill the tailoring firm in the present case at the assessed rent for the area in excess of 150 sq. ft. The representative of the Ministry of Defence stated that in the present case a floor area of 1,400 sq. ft. constituted a common place that had been provided for the convenience of cadets. The Defence Secretary stated that past cases could not be opened under the Government order referred to by the Financial Adviser.

Disagreeing with the Defence Secretary, the Financial Adviser stated that the position would be examined when this case came up for sanction of Government. In reply to a question, the representative of the Ministry of Defence stated that the previous contract having ceased to be in force from the 1st April, 1959 a fresh contract was under conclusion.

*Loss of stores—para 45, pages 30-31—*

128. Physical check of petrol stock in a depot carried out by a Board of officers in January, 1954, revealed a deficiency of 26,427 gallons valued at Rs. 75,295. Nobody could be held responsible for the loss as the charges against the officers suspected of cheating or negligence could not be substantiated.

129. The Committee asked why the three officers suspected of negligence or cheating by the court of enquiry convened in August 1954 were not tried by a General Court Martial. The Secretary, Ministry of Defence, stated that with a view to taking disciplinary action against these officers and also the Officer Commanding of the Depot and another Commanding Officer, a summary of evidence had been recorded against them which was a pre-requisite to a Court Martial. As a result, charges against four of the officers were dropped for want of sufficient evidence and the Officer Commanding only was recommended by the G.O.C. for trial by the General Court Martial. The Officer Commanding was found not guilty by the General Court Martial. The witness added that Government orders regularising the loss had been issued on the 18th November, 1960. Disciplinary action had been taken against five other officers for their laxity in the preparation of the loss statement which resulted in delay in the regularisation of the loss. In reply to a question the witness stated that suitable remedial measures had been taken to prevent the recurrence of losses of petrol in the depot.

#### ENGINEER-IN-CHIEF BRANCH

*Overprovisioning of stores—para 6, pp. 8—9—*

130. In this case, in order to meet the requirements of the Military Engineer Services during 1952-53, the Engineer-in-Chief placed demands on a Central Ordnance Depot during September, 1950 to June, 1951 for 7000 and 71,610 gallons of two different kinds of paint. The actual issues of the two types of paints during the period 1952-53 to 1958-59 were 680 gallons and 3,000 gallons respectively.

131. In evidence, the representative of the Ministry of Defence admitted that there was clear overprovisioning in this case, which was caused partly by a clerical error in the assessment of the requirements and partly by the defective system of provisioning at that time.

The clerical error first occurred in the E-in-C's office who while totalling two indents treated the one for 5,000 gallons as 5,000 cwts. and later in the Ordnance Directorate (M.G.O. Branch) who while converting cwts. into gallons adopted the rate of 14 gallons per cwt. instead of 8 gallons per cwt. As regards the provisioning system, stores like paint were at that time indented on *ad hoc* basis, and because of shortage of the material, there was a tendency to over-indent. The defect in the system had been remedied by laying down that indents could be placed against specific requirements only. Giving the present position of the off-take of the paint, the witness stated that the entire stock of the red paint had been issued and 4,032 gallons of the black paint had been left in stock, which were expected to be utilised.

*Infructuous expenditure incurred on a work—para 17, pages 13—14—*

132. In this case of 308 miles of roads sanctioned at an estimated cost of Rs. 304.47 lakhs in December 1952, 98.11 miles only were constructed by December, 1958 at a cost of Rs. 392.64 lakhs. One of the reasons contributing to the increase in the cost was the excessive expenditure on explosive, which amounted to Rs. 154.84 lakhs on the portion of the road completed against the original estimate of Rs. 19.99 lakhs for the entire work. In the same project some stretches of roads were abandoned after completion.

133. The Committee asked the reasons for two wide a variation between the estimated cost of explosives for the entire work and the actual cost on the portion of the road completed. The Secretary, Ministry of Defence, stated that the original estimate of the expenditure on explosives for the road work which had to be executed in the difficult region of NEFA, had been roughly made before the reconnaissance on the ground had been actually carried out. The estimate of the explosives required for 98 miles of road was revised in 1955 at 411 tons costing about Rs. 123 lakhs. Audit pointed out that a survey sanctioned at the cost of Rs. 4.5 lakhs had been carried out before the commencement of the work. The Engineer-in-Chief stated that that was only a quick survey which was not sufficient for obtaining the necessary topographical, geological and hydrological data about this thickly wooded and unmapped region. Such a quick survey could give sufficient data in an area where results of previous surveys and accurate maps were available. In the present case in order to fulfil the procedural requirement an *ad hoc* estimate was prepared on the basis of a superficial survey. In fact, both construction work and survey were carried on simultaneously in earnest since early 1953. Sufficient data were collected by 1955 when an estimate for the 98 miles of road was made which worked out to Rs. 4 lakhs per mile.

134. The Committee drew attention to the reports of two senior military engineers connected with the road project who after visiting the work site had recorded that explosives had been used indiscriminately and on jobs which could have been done by manual labour. The Engineer-in-Chief stated that those were the inspection reports of these officers, which had been written for the guidance of the junior officers to effect economy in the use of explosives, and copies thereof had been forwarded to the higher officers. In reply to a question the witness stated that out of 308 miles of roads sanctioned in 1952 it had been subsequently decided to postpone the construction of two roads.

135. To a question by Audit as to how the cost of construction of the portions of the road constructed by the Army engineers worked out to Rs. 4 lakhs per mile as against Rs. 50,000 or Rs. 60,000 per mile in the case of the portions completed by the C.P.W.D., the representative of the Ministry of Defence stated that the C.P.W.D. had been allotted construction of easier stretches of the road. Even from the portions allotted to the C.P.W.D. they handed back to the Army-Engineers, portions which they found beyond their resources to construct. In reply to another question by Audit, the Engineer-in-Chief stated that the road has been built for use by 15 cwt. vehicles, as provided in the original sanction. Although at one time the Chief Engineer had thought that the road could be used by three tonners also, it was found difficult and finally it was decided to construct the road for 15 cwt. vehicles only.

136. The Committee enquired about the circumstances leading to the abandonment of certain tracts of the road after completion.

*Item (a):* The Engineer-in-Chief stated that 3.2 miles of road referred to in this item included various stretches of road which had to be abandoned as the initial gradients were too steep. During the course of construction the engineers had come across certain difficult areas where the original alignment worked out to be too steep and they were unable to find suitable alignments immediately. But, in order to avoid interruption in the construction work which would have resulted in idling of labour and machinery, they continued the construction work. Subsequently after repeated reconnaissance when suitable gradients were found, the original stretches had to be abandoned. The Secretary, Ministry of Defence, stated that in order to speed up the construction of the road, the work had been undertaken at various intermediary points simultaneously along the rough alignment route with the help of aerial photographs. Certain amount of re-alignment was normal in the road construction in hilly regions with a view to achieving safer gradients.

*Item (b).*—The Engineer-in-Chief stated that although the tract of two miles constructed on the left bank of the river had the best alignment, this had to be abandoned due to non-availability of a contractor to construct two bridges over the river required for linking it with the main road. The road had, therefore, to be taken to the right bank of the river. The witness added that the tract on the left bank would be linked with the main road whenever the two bridges over the river were constructed, for that was a better road.

*Item (c).*—Explaining the justification for the construction of the connecting road of about two miles on the left side of the river, the Engineer-in-Chief stated that because of a number of culverts and water-crossings being under construction on the main road, it was necessary to have an approach track for carrying out the construction of the farther portion of the main road. For this purpose it was proposed to use a private track belonging to a tea garden by extending it. Only after construction of two miles of the track from the end of the tea garden, it was found possible to proceed with the further construction work.

*Retention of unwanted stores—Para 47, pages 31-32—*

137. A quantity of 6,856 tons of bitumen of high melting point held at an engineer store depot since 1946, had been recommended by a Survey Board held in 1953 for retention for another 7—10 years. With the passage of time the metal containers of bitumen were found to have deteriorated. In March, 1958 a quantity of 6,806 tons of bitumen was declared for disposal which was sold between October, 1958 and March 1959 at a loss of Rs. 12 lakhs.

138. In evidence, the Secretary, Ministry of Defence stated that the Survey Board which had been appointed to go into the question of retention or disposal of war accumulated stores, had recommended retention of the bitumen—an imported item—in view of the possibility of its being used in the manufacture of Prefabricated Bitumen Sheets with changed specifications in cases of emergency. But with the advent of the jet aircraft in large numbers after 1953, the use of P.B.S. for landing purposes became outmoded. As there had been no issue since 1952 and deterioration had set in the containers, the position was reviewed in June, 1955 with a view to examining the possibility of the utilisation of the material or desirability of its disposal. After examining the matter in consultation with the college of Military Engineering and two oil companies, it was concluded that the store could not be put to any alternative use, economically. Therefore the stores was declared surplus in August, 1957 and action was initiated for its disposal. Before disposal of the store though



the Director General, Supplies and Disposals the Ministries of Transport and Communications and Steel, Mines and Fuel and West Bengal Government were *inter alia* consulted for ascertaining their requirements.

*Non-recovery of hire charges—Para 48, page 32—*

139. In February, 1952, by an amendment to the basic regulation, it was decided that hire charges for refrigerators issued to officers' messes should be worked out on the basis of replacement cost instead of original capital cost. In one Command the revised rates applicable from February, 1952, were notified only in January, 1957, when most of the messes refused to pay the arrears, amounting in all to Rs. 47,235.

140. Explaining the reasons for delay of five years in the notification of the revised rates, the Quarter Master General stated that the matter had been under discussion among the Command authorities, Army Headquarters and the Ministries of Defence and Finance (Defence). Because of various types of refrigerators in use, there was some difficulty in assessing their replacement cost. The users were also reluctant to pay the hire charges of the war-time refrigerators on the basis of their replacement cost which were much higher than those based on the original capital cost. The witness added that Government had again decided to recover the hire charges with effect from the 1st September, 1959 on the basis of the capital cost of the refrigerators. The question of giving effect to the revised rates retrospectively was under consideration of Government.

141. The Committee then adjourned till 14.30 hours on the 8th December, 1960.

**\*Proceedings of the sitting of the Public Accounts Committee held  
on Thursday, the 8th December, 1960**

142. The Committee sat from 15.00 to 17.15 hours.

PRESENT

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Shri T. Manaen
3. Shri S. A. Matin
4. Shri Baishnab Charan Mullick
5. Shri Radha Raman
6. Dr. N. C. Samantsinhar
7. Pandit Dwarka Nath Tiwary
8. Shri Jashaud Singh Bisht
9. Shri Surendra Mohan Ghose
10. Dr. Shrimati Seeta Parmanand
11. Shri V. C. Kesava Rao
12. Shri Mulka Govinda Reddy
13. Shri Jaswant Singh.

Shri A. K. Roy, *Comptroller & Auditor General of India*.

Shri G. S. Rau, *Addl. Deputy Comptroller & Auditor General*.

Shri P. K. Basu, *Director of Audit, Defence Services*.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*.

Shri Y. P. Passi, *Under Secretary*.

WITNESSES

*Ministry of Defence*

1. Shri R. P. Sarathy—*Addl. Secretary*.
2. Rear Admiral D. Shankar—*Controller General, Defence Production*.
3. Shri S. J. Shahaney, *Director General, Ordnance Factories*.

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\*The Committee also considered Para 57 of the Audit Report. A record of the relevant proceedings has been kept separately.

*Ministry of Finance (Defence)*

1. Shri S. Jayasankar, *Financial Adviser.*
2. Shri Phul Chand, *Controller General, Defence Accounts.*

*Ministry of Finance (Budget Division)*

Shri A. G. Krishan—*Under Secretary.*

143. The Committee took up consideration of the Audit Report, Defence Services, 1960 and the statement laid on the Table of the House by the Defence Minister on the 28th April, 1960, containing brief replies to the various items raised therein, in so far as they related to the Director General, Ordnance Factories.

AUDIT REPORT, DEFENCE SERVICES, 1960

*Avoidable expenditure incurred in the Procurement of material for mosquito nets—Para 7, page 9*

144. In pursuance of the Government decision to fabricate mosquito nets in Khaki colour instead of olive green, the Director General, Ordnance Factories was asked by the Army Headquarters on 28th February, 1958 to procure netting etc. in Khaki against the indents not already covered by contracts specifying olive green. But the D.G.O.F. did not take action to amend his indents on the Central Purchase Organisation, although the contracts for olive green material were concluded only during May to August, 1958, resulting in an extra expenditure of about rupees three lakhs.

145. Explaining the reasons for not amending the indents for olive green material lying with the Central Purchase Organisation, the Director General, Ordnance Factories stated that although his Organisation had been asked by the Army Headquarters in February, 1958 to procure netting material in Khaki the specification of the Khaki shade had yet to be drawn up and sources of supply of the material established. After the specifications had been finalised by the D.R.D. by the end of May, 1958, the question regarding the procurement of the material of the required Khaki shade was discussed with the Director of Supplies (Textiles) at a meeting held on the 17th June, 1958. The Director of Supplies had advised that indents should continue to be placed for olive green shade as there would be some difficulty in getting netting of the requisite Khaki Shade. It was only in the last quarter of 1958 that the Director of Supplies (Textiles) was able to establish the sources of supply for a suitable khaki shade netting. Therefore, in order to avoid interruption in production of mosquito nets and delay in their supply to the Army, for which

orders for 4 lakh numbers were pending with the D.G.O.F., the indents already placed for olive green material were allowed to stand.

*Abandonment of factory projects—Para 20, pages 16-17*

146. *Sub-para (a).*—A project sanctioned in September, 1951 for the manufacture of steel ammunition boxes in an Ordnance Factory was suspended in December, 1957, on the ground that the requirements for steel boxes could be better met by purchase from trade, after an expenditure of Rs. 6.53 lakhs had been incurred on plant and machinery and Rs. 13.67 lakhs on buildings.

147. The Committee enquired whether the capacity for manufacturing steel boxes in the private trade was ascertained before embarking upon the project. The Director General, Ordnance Factories stated that trade capacity for the manufacture of steel ammunition boxes did not exist at the time the decision was taken to undertake the project in 1950-51. It was known only in 1954 when an order for boxes was placed on the D.G.S. & D. The installation of the steel boxes plant was undertaken in pursuance of a policy decision to use steel boxes for packing of ammunition in peace-time in preference to wooden packages. The plant was originally decided to be housed in the buildings which had been used during the last World War for manufacturing wooden packages. But immediately after this decision, the buildings were required for a more urgent project—manufacture of certain ammunition for the Air Force. New buildings had to be constructed for the installation of the steel boxes plant, which were completed by 1954. In the meantime, the Air Force Headquarters with the help of the D.G.S. & D. found that the steel boxes required by them for packing of ammunition could be supplied by the trade. The industry for the manufacture of steel boxes was established in the private trade in 1952. Again, a project for the manufacture of another type of ammunition was decided to be undertaken and it was housed in the new buildings constructed for the steel boxes plant. In reply to a question the witness stated that even though the trade capacity for steel boxes would be utilized wherever possible, it was essential to manufacture boxes in the Ordnance Factories also, in order to avoid interruption of supplies. The plant and machinery, acquired in the present case, would be utilized for replacement of worn out machinery in other factories which had steel boxes production. The witness added that there was no infructuous expenditure in the present case either on machinery or buildings, as both of them would be utilized.

148. *Sub-para (b).*—In an Ordnance factory, a project for the construction of a timber seasoning kiln sanctioned in November, 1951

was suspended in November 1958 after incurring a total expenditure of Rs. 2,96,408 on buildings and plant. In the same factory buildings completed at a cost of Rs. 6,84,241 in October, 1957 were not brought into use as the idea of having a smithy shop in these buildings was abandoned in May, 1958.

149. Explaining the circumstances leading to the abandonment of the kiln and smithy projects, the Director General, Ordnance Factories stated that the factory which was intended to be put up as a shadow factory of another factory during the last World War, had a provision for a kiln and a smithy shop. But before its completion, the factory was taken over by the Air Force for being used as a repair workshop. After the War, the factory reverted to its original purpose and it was decided to complete the buildings including the kiln and smithy shop, as originally planned. At that time the armament production being low the factories were producing a large number of packing cases for the Army, and this factory had in addition some requirements of vehicle body-building to meet the kiln project was, therefore, allowed to proceed. But, subsequently, in order to effect economy in expenditure the question whether kiln seasoning facilities was necessary in this factory, was reviewed. Considering that wooden boxes would be manufactured in the Ordnance Depots and wooden furniture used in older type of armaments might be replaced by that of steel or fibre glass, it was decided not to proceed with the project. In regard to the smithy shop it was decided to give up the proposal in view of a small number of armaments requiring stamping, which could be done in another factory located at the same station. The witness added that both the buildings intended for the kiln and smithy shop had been utilised by installing a Jerri-Can plant, which could not be installed at the station originally proposed due to inadequate power supply.

150. *Sub-para (c)*.—In this case a sum of Rs. 2,85,233 had been spent in a factory on a scheme for the mechanical handling of timber between the Saw Mill and the Seasoning Kilns, which had to be abandoned in 1956 as unsuitable.

The representative of the Ministry of Defence admitted that this case was indefensible.

*Unsatisfactory storage conditions in an Ordnance Factory and consequent losses—Para 23, pages 19-20—*

151. A Board of Enquiry convened by the Director General, Ordnance Factories, in November, 1956 to investigate into the heavy

losses of stores in an ordnance factory during the period 1949-57 reported in 1957 that an overall loss of over Rs. 174 lakhs had occurred and that the factory management was to a great extent responsible for the loss.

152. Referring to the Statements laid on the Table of the House by the Defence Minister on the 22nd December, 1959 and 7th April, 1960 giving the details of losses of Rs. 80·91 lakhs (as per C.G.D.A's figures) the Committee asked the latest position regarding the investigation of the losses. The Controller General, Defence Production stated that the losses were still under examination in consultation with the Ministry of Finance (Defence). The Committee desired to be furnished with a note stating the latest position in this behalf.

*Avoidable outlay on a workshop building—Para 15, page 13*

153. A workshop building sanctioned in July, 1951, was completed in September, 1957, at a cost of Rs. 6,84,100, but it had not been put to any use till January, 1959. The representative of the Ministry of Defence stated that the workshop building was intended for the use of the Technical Development Establishment (weapons) and had been planned to be erected in three phases. While the work on phase II had been partly completed, further construction work was suspended owing to the contemplated move of the Technical Development Establishment from the station. The building was temporarily handed over to an ordnance factory on the 15th August, 1953. On the 21st April, 1954, it was again decided that the building might be handed back to the T.D.E. (W) who should complete it to suit their requirements. The building was completed by the MES in September 1957 and handed over to the T.D.T. in December, 1957. On completion of the building its suitability to accommodate an important assembly plant and later a truck project remained under examination. Both the proposals having been dropped for technical reasons, TDE(W) shifted to the building in December 1958. In May, 1959, 4/5th of the accommodation was handed over to the Ordnance Factory for locating a new project, which was occupied in January, 1960.

154. The Committee then adjourned till 14.30 hours on the 9th December, 1960.

**Proceedings of the Sitting of the Public Accounts Committee held  
on Friday, the 9th December, 1960.**

155. The Committee sat from 15.00 to 17.15 hours.

**PRESENT**

Shri Upendranath Barman—*Chairman*

**MEMBERS**

2. Shri Rohan Lal Chaturvedi
3. Shri T. Manaen
4. Shri G. K. Manay
5. Shri S. A. Matin
6. Shri Baishnab Charan Mullick
7. Dr. N. C. Samantsinhar
8. Pandit Dwarka Nath Tiwary
9. Shri Jashaud Singh Bisht
10. Shri Surendra Mohan Ghose
11. Dr. Shrimati Seeta Parmanand
12. Shri V. C. Kesava Rao
13. Shri Mulka Govinda Reddy
14. Shri Jaswant Singh.

Shri A. K. Roy, *Comptroller & Auditor General of India.*

Shri G. S. Rau, *Addl. Deputy Comptroller & Auditor General.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

**WITNESSES**

*Ministry of Defence*

1. Shri O. Pulla Reddi, *Secretary*
2. Shri S. D. Nargolwala, *Joint Secretary*
3. Shri M. G. Kaul, *Joint Secretary*
4. Shri M. M. Sen, *Joint Secretary*

5. Air Vice Marshal D. A. R. Nanda, *Air Headquarters*
6. Air Vice Marshal Harjindar Singh, *Air Headquarters*
7. Air Commodore M. S. Chaturvedi, *Air Headquarters*
8. Commodore B. S. Baswan, *Naval Headquarters*
9. Commodore R. B. Fanderlinden, *Naval Headquarters*.

*Ministry of Finance (Defence)*

1. Shri S. Jayasankar, *Financial Adviser*.
2. Shri Phul Chand, *Controller General, Defence Accounts*.

*Ministry of Finance (Budget Division)*

Shri A. R. Shirali, *Addl. Budget Officer*.

156. The Committee took up further consideration of the Audit Report, Defence Services, 1960 and the Statement laid on the Table of the House by the Minister of Defence on 28-4-1960, in so far as these related to the Air Force and Navy.

AIR FORCE

*Overprovisioning of stores—Para 13, page 11—*

157. *Sub-para (a)*.—In order to meet training requirements of a certain type of ammunition for the periods from February to August, 1954, and September 1954 to August 1955, two indents were placed in January, 1954 on the High Commissioner in London and the Director General, Ordnance Factories. Out of 2,87,880 cartridges costing £39,519 received from England in December, 1954, only 6,030 cartridges had been utilised by February 1959 and 2,35,289 units had deteriorated. The indent for 5,64,300 cartridges placed on the D.G.O.F. was cancelled in September, 1956 with a financial repercussion of Rs. 5,93,062.

158. The Committee wanted to know the justification for indenting about 8 lakhs cartridges for the period February 1954 to August 1955, while its actual utilisation upto February 1959 was only 6,030. The representative of the Ministry of Defence stated that at the time of placing the orders on the D.G.O.F. and the High Commissioner in London, the estimated annual training requirement for the ammunition as ascertained in 1953, was 5 lakh cartridges. The low utilisation of the ammunition was attributable to the following reasons:

- (a) The two types of the aircraft for which the ammunition was intended were expected to remain in service up to the year 1957-58. But during the year 1956-57, one of the two types was completely withdrawn from service and the other reduced to one squadron only.



- (b) During the years 1955 and 1956 due to the non-availability of firing ranges, training had to be curtailed.
- (c) In September, 1954, the stock of the training ammunition being about 14,000 rounds only—12 days' requirement, utilisation of the war-time ammunition of operational type had been resorted to for the purpose of training in view of the delay in supplies from the U.K. and the type had been resorted to for the purpose of training D.G.O.F. This was continued even after the arrival of the training ammunition from the U.K., resulting in two lakh rounds of the war-time ammunition being utilised during the period, 1954 to 1959.

To a question why the war-time operational ammunition lying in stock was not taken into account while placing the indents in January, 1954, the representative of the Ministry of Defence replied that it was not usual to use war-time ammunition in the peace time for training purposes. In the present case, as the stock of the training ammunition was almost exhausted, utilisation of the war-time ammunition was resorted to and was later continued in order to preserve stock of the training ammunition.

159. Audit pointed out that the issues of the training ammunition being 1,01,579 cartridges and 13,930 cartridges during the years 1952-53 and 1953-54, respectively, the assessment of the annual requirement at 5 lakh cartridges at the time of placing the orders appeared to be excessive. The representative of the Air Headquarters stated that the requirement was calculated with reference to the number of aircraft and the number of rounds that each pilot had to fire in a year. During the years 1952-53 and 1953-54, due to shortage of the ammunition, practice had to be curtailed suitably.

In reply to a question the representative of Ministry of Defence stated that 2,35,289 cartridges of the ammunition which had partially deteriorated were being utilised by the remaining squadron of the old type aircraft still in service, and were expected to be consumed in two years. The only defect in these cartridges was that while firing from the gun there was sometimes a blockade which had to be removed by the gunner, and some time was wasted in the process. As regards the material rendered surplus in the Ordnance Factory as a result of the cancellation of the indent placed on the D.G.O.F., the witness stated that it would be utilised in the manufacture of another type of ammunition.

160. *Sub-para (b).*—In March, 1958, a demand was placed erroneously by the Air Headquarters for the procurement of 2,600 lbs.

of silk thread from the U.K. in place of 2,600 cops of  $\frac{1}{4}$  lb. each. This resulted in an excess acquisition of 1,300 lbs. of the imported material valued at Rs. 55,200.

161. The Secretary, Ministry of Defence, stated that the excess demand arose out of a clerical error which was detected in September, 1958, when a major portion of the consignment had already been received. It was difficult to fix responsibility for the error on any individual: nevertheless some action had been taken against certain persons. To a question how the error escaped the notice of Finance, the Financial Adviser replied that in the original indent which was checked by Finance, the unit had been correctly shown as cops of half lb. each but while preparing a fair copy thereof after including some new items, the unit was shown wrongly. The witness added that the surplus quantity would be utilised.

*Formation of a Mechanical Transport Repair Depot—Para 54, page 35—*

162. A Mechanical Transport Depot with an initial capital equipment of about Rs. 6.65 lakhs and a recurring annual outlay of Rs. 8.75 lakhs on establishment was set up in August, 1958, for repair and overhaul of 'specialist vehicles' belonging to the Air Force. According to Audit the anticipated overhaul arisings of the 'specialist vehicles' could have been met by enlarging the existing repair capacity in the Army Workshops. Heavy charges would have to be incurred and considerable time lost in transporting these 'specialist vehicles' to the new depot and back.

163. The Committee enquired whether it was not possible to repair the 'specialist vehicles' belonging to the Air Force in the Army Workshops. The Secretary, Ministry of Defence, stated that the question was discussed between the Army Headquarters and Air Headquarters at a conference held in May, 1955; the Army authorities were not in a position to undertake repairs of the Air Force 'specialist vehicles' because of their heavy repair commitment under the repair programme for 1959—61 (10,300 vehicles). Besides, the chassis of the Air Force 'specialist vehicles' were different from those of the vehicles used by the Army. In the circumstances, setting up a separate Repair Depot became necessary. The witness added that it was decided to locate the depot at Avadi because of the availability of accommodation at the station for both workshop and residential purposes. In reply to a question whether it was not possible to undertake the repair of the 'specialist vehicles' of the Air Force by expanding the existing facilities in the Army Workshops, the representative of the Ministry of Defence stated that because of increase in repair work, the repair capacity of the Army Workshops

had already been expanded. Notwithstanding this, there were common user Army vehicles awaiting repairs. So if the Army Workshops were to undertake the repair of the 'specialist vehicles' of the Air Force, new units would have to be set up in them for this work

164. According to Audit, the main work undertaken by the Repair Depot, so far, was the reconditioning of 51 auto-car refuellers which were not 'specialist vehicles' nor peculiar to the Air Force only, while the number of 'specialist vehicles' repaired was only seven. Further, repair capacity for specialist vehicles already existed in a depot near Delhi, which had repaired 17 such vehicles during the period, March, 1956 to December, 1957. In extenuation, the representative of the Air Headquarters stated that the refuellers were also 'specialist vehicles' which were used by the Air Force and Civil Aviation only. These vehicles could not be repaired for the last 12 years for want of repair facilities in the Army Workshops. The witness added that manufacture of Radio Vehicles had been also recently started in this Depot. As regards the repair facilities available in the Delhi depot, the witness stated that it was a storage depot and had arrangements for minor repairs only. The question of expanding this Depot did not find favour as it involved an expenditure of about Rs. 60 lakhs on buildings etc.

*Loss of revenue in the leasing of a cinema building—Para 53, pages 34-35—*

165. In this case, a cinema which had been run by a contractor since 1st September, 1947, was decided to be run departmentally with effect from 1st January, 1955. The contractor obtained an injunction against eviction from the court on 26th May, 1955, pending settlement of his claim for compensation by an arbitrator in terms of the agreement of 1st September, 1947. The arbitrator's award was awaited.

166. In evidence, the representative of the Ministry of Defence stated that the agreement with the contractor contained an arbitration clause which was invoked by him in the court of Law on being served with a notice to vacate the premises. The court granted the contractor an injunction against his eviction pending arbitration in the matter. On an appeal, the High Court upheld the decision of the lower Court on the 26th May, 1959. The arbitrator could not commence the arbitration proceedings till the disposal of the appeal by the High Court. As a result of the death of the arbitrator further action to be taken in the matter was under consideration in consultation with the Solicitor General.

*Grant of excessive holidays to industrial personnel—Para 56, page 36—*

167. In an Air Force formation, Civilian industrial personnel had been allowed twenty-one paid holidays during 1956 and twenty-four during 1957 as against the authorised number of fourteen. In spite of an objection from the C.G.D.A. in the course of his Internal Audit in March, 1957, to the excessive grant of paid holidays, twenty-one days were allowed during 1958.

168. Explaining the reasons for the grant of excessive holidays to the civilian industrial personnel, the representative of the Ministry of Defence stated that in the formation in question, as the supervisory staff which comprised of both service and non-industrial personnel, were entitled to twenty-three paid holidays, the industrial staff had also been allowed the same number in consideration of the security and specialised nature of work requiring constant supervision. The number of working hours lost thereby, had been made up by putting the industrial personnel on longer hours than normal. Audit pointed out that Government had not approved of the adjustment of excessive paid holidays against extra hours of work put in on other days. According to an order issued on the 23rd July, 1960, the number of paid holidays authorised to both the industrial and non-industrial personnel had been restricted to 14 in a year. The representative of the Ministry of Defence stated that the number of paid holidays authorised to the service personnel had now been restricted to 16, reducing the excess over those due to the industrial personnel to two only, which would be adjusted by suitable administrative arrangements.

## NAVY

*Purchase of stores at high prices—Para 11, page 10—*

169. The Captain Superintendent of a Naval dockyard purchased through a contractor 8½ tons of one item of store and 5 tons 14 lbs. of another during 1958-59 at a cost of Rs. 2,30,300 and Rs. 1,26,157 respectively. Enquiries made by the Internal Audit (C.G.D.A.) in March, 1959 after the payments had been made revealed that these were imported stores and that their market prices were about Rs. 720 and Rs. 4,816 per ton as against Rs. 26,320 and Rs. 25,200 respectively at which they had been purchased by the Naval Officer.

170. In evidence, the representative of the Ministry of Defence stated that on the irregularity being pointed out by the Internal Audit in March 1959, the Naval Headquarters handed over the case

to the Special Police Establishment in May 1959, who were making investigations. Further action would be taken on receipt of their report. In reply to a question, the witness stated that a foreman who had absented himself from duty, had been suspected and had been placed under suspension. In the meanwhile the Captain Superintendent had been transferred in the normal course to a senior post on completion of his tenure. To another question why the stores had not been purchased through the D.G.S. &D., the representative of the Naval Headquarters replied that being proprietary items, the stores were not available in the market. Of the two firms having such stores, orders had been placed on the lower tenderer. According to Audit this firm was not on the approved list of contractors before the purchase in question was made.

*Store accounting in a naval dockyard—Para 24, page 20—*

171. In an electronic workshop of a naval dockyard a physical check of stores carried out in January, 1957, revealed that 3,695 items of stores had been unaccounted for. A Board of Enquiry which investigated the irregularity in December, 1957, held two supervisory officers responsible for the bad state of affairs and recommended that action should be taken against them and that two other employees should be dismissed.

172. The representative of the Ministry of Defence explained that the supervisory officers held responsible for the bad state of affairs in the dockyard had been admonished by the Chief of Naval Staff and had been also conveyed with the displeasure of Government, which would be recorded in their service records. As regards the other two employees who had been recommended for dismissal from service by the Board, no action could be taken against them for want of evidence; only they had been transferred from their previous posts. Recounting the remedial measures taken to prevent the recurrence of irregularities in store accounts, the witness stated that the procedure had been tightened up, most of the items accumulated had been taken on ledger charge and adequate checks had been introduced against smuggling of stores.

*Acquisition of a Store Carrier for the Navy—Para 50, page 33—*

173. In June, 1952, a second hand cargo vessel was purchased from a foreign country at a cost of Rs. 38.30 lakhs for conversion into a Store Carrier (urgently required), as the construction of a new vessel would have taken about 2½ to 3 years. The vessel was put into commission only in April, 1959 i.e. 7 years after its purchase, after refitting it at a cost of Rs. 43,67,901, besides incurring heavy expenditure on the complement of Officers and Ratings earmarked for looking after it.

174. The Committee asked whether in 1952 any enquiry had been made regarding the availability of a new store carrier in the world market. The representative of the Ministry of Defence stated that enquiries had been informally made at that time through the Indian Missions abroad but there was great demand for such vessels in the market and none was available. Explaining the reasons for seven years' time taken for refitting the old cargo vessel, the witness stated that refitting was initially given in 1952 to the Hindustan Shipyard Limited who were unable to carry out certain additional structural alterations ordered in 1954. The vessel was withdrawn from the Hindustan Shipyard Limited in 1956 with a view to carrying out the alterations in a naval dockyard, but it was not found possible to handle the work by the dockyard. Finally, it was decided by Government that the work should be entrusted to a private dockyard.

175. In reply to a question, the witness stated that new vessel of comparable size would have cost Rs. 188 lakhs as against Rs. 82 lakhs spent on this vessel. Audit pointed out that according to a demi-official letter addressed to the Director of Audit, Defence Services by the then Joint Secretary, Ministry of Defence, the estimated cost of a comparable new vessel (without special equipment) was Rs. 50 lakhs. The representative of the Ministry of Defence promised to check up the basis on which the then Joint Secretary had given the estimate. The Committee enquired whether it was worthwhile going in for a second hand vessel at so much cost considering its limited life. The witness stated that it was not possible to estimate the life of a second hand vessel, as it depended on various factors.

*Erection of a steel foundry in a Naval Dockyard—Para 51, pages 33-34—*

176. A steel foundry sanctioned in May 1950 to be established in a Naval Dockyard at a capital expenditure of Rs. 5.5 lakhs later increased by Rs. 3,30,814, had yet to be commissioned even after lapse of 11 years.

177. Explaining the reasons for delay in the erection of the foundry, the representative of the Ministry of Defence stated that firstly there had been delay in the arrival of the equipment. Although an indent had been placed on the supplier in July 1951, most of the items arrived by 19th April, 1953 and the rest in 1957. On the arrival of the equipment certain modifications in the main installation work had to be carried out on the advice of the firm's erection engineer. There was also some delay in the supply of drawings on the arrival of which certain modifications in the buildings were necessitated. Another difficulty was caused by the change in the voltage of the electric supply from 5,500 to 6,600 by the electric sup-

ply company at the station. In reply to a question the witness admitted that the erection of the foundry has not been properly planned, as the naval authorities had no previous experience of such work. The foundry was expected to be commissioned by September, 1961, he added.

### MINISTRY OF DEFENCE

*Payment of outstation allowance by Hindustan Aircraft Limited—  
Para 27, pages 21-22—*

178. The Audit para disclosed that the employees of the Hindustan Aircraft Limited deputed to certain outstations for maintenance work of the Indian Airforce aircraft were paid daily allowance at certain specified rates depending on the periods of stay, subject to a minimum of Rs. 4 per day, irrespective of the period of absence from their Headquarters which in many cases extended to three years. According to Audit, payment of the minimum wage of Rs. 4 per day as daily allowance, unrelated to pay and for continuous halts lasting months and even years, appeared to be unjustified.

179. The Committee wanted to know the justification for payment of daily allowance at a liberal scale to the employees of the Hindustan Aircraft Limited who were posted to the various outstations for the maintenance of the I.A.F. aircraft for long periods. The Secretary, Ministry of Defence, stated that the technical personnel of the H.A.L. were recruited to work in the main factory at Bangalore and in order to induce them to work at the various out-stations like Srinagar, Jorhat, Barrackpore, etc. for long period, payment of sufficient allowance was necessary. At one time it had been proposed to revise the rates of outstation allowance, but the matter went before the Industrial Tribunal who gave an award approving the liberal rates. Audit pointed out that lower rates of daily allowance had been fixed in the case of the employees deputed to the same outstations for doing HAL work while higher rates were payable for I.A.F. work. The representative of the HAL stated that the deputation of the employees for HAL work was for short periods and was not so frequent. Until 1954-55 same rates of daily allowance were payable to the deputees for both types of duties at outstations. In 1955, when de-liberatisation of the rates was considered, reduction made in the rates applicable to HAL work was not opposed, that proposed in regard to the I.A.F. work was contested by the labour and H.A.L. had to concede the higher rates. This position was confirmed by the Industrial Tribunal's award. In reply to a question, the representative of the Ministry of Defence stated that in order to bring down the amount of the daily allowance thus paid, HAL were progressively employing local recruits at the various outstations result-

ing in reduction in the percentage of deputees from HAL from 61 in June, 1955 to 42 in June, 1960.

180. The Financial Adviser stated that, although attempts had been made to employ local recruits at the outstations to avoid the payment of daily allowance, deputees from the HAL continued to be in majority at certain stations viz., Agra and Begumpet. In justification of the liberal rates of daily allowance payable to the deputees, the witness stated that the pay scales of the technical staff of the H.A.L. were not linked to the All India scales of comparable technical posts. Although the employees of the H.A.L. had demanded adoption of the higher scales prevailing in the Indian Airlines Corporation, their demand had not been accepted considering *inter alia* the higher rates of outstation allowance payable to them under the Industrial Tribunal's award.

181. The Committee then adjourned till 14.30 hours on the 12th December, 1960.

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**Proceedings of the Thirty-third sitting of the Public Accounts  
Committee held on Monday, the 1st December, 1960**

182. The Committee sat from 15.00 to 17.00 hours.

**PRESENT**

Shri Upendranath Barman—*Chairman*

**MEMBERS**

2. Shri Rohan Lal Chaturvedi
3. Shri G. K. Manay
4. Shri S. A. Matin
5. Shri Baishnab Charan Mullick
6. Dr. N. C. Samantsinhar
7. Shri Jashaud Singh Bisht
8. Shri Surendra Mohan Ghose
9. Dr. Shrimati Seeta Parmanand
10. Shri V. C. Kesava Rao
11. Shri Jaswant Singh

Shri A. K. Roy, *Comptroller and Auditor General of India.*

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

**WITNESSES**

*Ministry of Defence*

1. Shri O. Pulla Reddi, *Secretary.*
2. Shri M. G. Kaul, *Joint Secretary.*
3. Shri R. P. Sarathy, *Additional Secretary.*
4. Lt. Gen. B. M. Kaul, *Quarter Master General.*

*Ministry of Finance (Defence)*

**Shri S. Jayasankar, Financial Adviser.**

**Shri Phul Chand, Controller General, Defence Accounts.**

*Ministry of Finance (Budget Division)*

**Shri Shivnaubh Singh, Budget Officer.**

183. The Committee took up consideration of the Appropriation Accounts, Defence Services, 1958-59 and Audit Report, 1960, and the statement laid on the Table of the House by the Minister of Defence on the 28th April, 1960 on the Audit Report, in so far as these related to the Ministries of Defence and Finance (Defence).

**AUDIT REPORT (DEFENCE SERVICES), 1960**

**MINISTRY OF DEFENCE**

*Over-payment of compensation—para 29, pages 22-23—*

184. In this case, 'on account' payments aggregating Rs. 46,21,447 (Rs. 36 lakhs and Rs. 10,21,447) were made between December, 1948 and November, 1949 towards the acquisition of certain property to the managing agents of a company direct, instead of through the Land Acquisition Collector and without an indemnity bond or stipulation that necessary refunds would be made in case the ultimate compensation fixed by agreement or awarded by law was found to be less than the sums paid. In September, 1950 some persons, with a superior right on the land preferred claims for a share in the acquisition value of the land, of whom one superior landlord was awarded a compensation of Rs. 3,04,002 in July, 1956, by the Land Acquisition Collector; besides the claimant was also paid *ex gratia* interest amounting to Rs. 46,718 because of the belated payment of compensation. The company who were later found to have been paid Rs. 1,54,438 in excess of their dues had in the meanwhile gone into liquidation.

185. The Secretary, Ministry of Defence explained to the Committee that the property which had been requisitioned since May, 1943 at an annual compensation of Rs. 15 lakhs, was notified for acquisition in December, 1946. It had been agreed to by Government in principle that the property might be acquired through negotiations with the company. As a result of negotiations, the company were prepared to consider an offer of Rs. 45 lakhs for the lands, buildings, railway siding etc. and Rs. 1,00,910 for the machinery to be retained by Government. A reputed firm of surveyors had evaluated the property—lands and buildings only—at Rs. 47 lakhs.

Government sanctioned the compulsory acquisition of the lands and buildings, at a cost not exceeding Rs. 46,00,910. The witness added that the property was not acquired under the Land Acquisition Act of 1894 under which the Collector's award would have been final. The acquisition in this case was governed by the Requisitioned Land (Continuance of Powers) Ordinance, 1946, subsequently replaced by the Requisitioned Land (Continuance of Powers) Act, 1947 under which compensation as assessed by the Collector and agreed to by Government was subject to arbitration, if the parties did not accept it. The acquisition proceedings under the latter Act were expected to involve considerable delay. Negotiations were carried on with the company by the Lands, Hirings and Disposals Directorate to arrive at an expeditious settlement. As a result of negotiations, Government sanctioned two payments of Rs. 36 lakhs and Rs. 10,21,447 in December, 1948 and July, 1949 respectively (aggregating Rs. 46,21,447) to the company. The Deputy Director of Lands, Hirings and Disposals made the payment direct to the company under intimation to the Land Acquisition Collector, presumably because the settlement with the company had been made by direct negotiations.

186. Explaining the reasons for not stipulating that if the amount paid was found to be in excess of the compensation fixed finally, such excess should be refunded, the Defence Secretary stated that while sanctioning the first payment such a stipulation had been made but later, on a representation from the company the same was deleted in consultation with the Ministry of Law, considering that the compensation fixed would not in any case be less than that amount. As regards the payment of compensation to the superior landlord, the witness stated that at the time of making payment, Government were not aware of the existence of any claimants to the land, who appeared on the scene only in September, 1950. As the settlement of the claim of the superior landlord took a long time it was decided in consultation with the Law Ministry to pay him *ex gratia* interest amounting to Rs. 46,718. The witness added that the officer who had failed to obtain an indemnity bond at the time of making payment to the company had retired from service.

187. The Committee asked whether acquisition of the requisitioned property was at all a matter of urgency necessitating a negotiated settlement. The representative of the Ministry of Defence stated that in consideration of an expeditious settlement, the company had agreed to forgo their claim for loss of business and to receive the value of the lands, buildings, some machinery etc. only, while the Land Acquisition Collector would have included the

compensation for loss of business in his assessment. Besides, because of the delay expected in the fixation of compensation by the Collector, Government would have had to pay a considerable amount of interest to the company. In support of his contention the witness stated that it took the collector about 6 years to settle the claim of the superior landlord. Another reason given for an expeditious settlement with the company, was that Government had been paying a large sum of Rs. 15 lakhs annually as compensation for the requisition of the property since 1943. In reply to a question the witness stated that the assessment of the compensation subsequently made by the collector was different from the payment already made by Government in respect of one item only, i.e. land. The payment made to the company was found to be in excess of their dues inasmuch as Government had not been aware of the claim of any superior landlord, and had treated the company as the sole owner of the property. In reply to another question, the witness stated that at the time of making the second payment to the company, the collector had objected to its being made direct. But the Deputy Director, Lands and Hirings, replied that the procedure had been followed under the orders of Government. Actually Government orders merely placed the money at the disposal of the officer who in accordance with the usual procedure should have made the payment through the collector. While admitting that the officer followed a wrong procedure resulting in an excess payment to the company, the witness stated that Government had not suffered a loss ultimately, for a considerable amount of interest might have been payable due to the delay involved in making the payment through the collector, as happened in the case of the payment of compensation to the superior landlord.

To a question why no indemnity clause was provided while making the second payment, the representative of the Ministry of Defence replied that, on legal advice, in the case of the first payment an undertaking had been obtained from the company for the refund of an excess amount, but no safeguard had been taken while making the second payment on the assumption that that was the final payment to the company. In reply to another question, the witness stated that the Land Acquisition Collector had been moved only when the superior landlord had preferred a claim in September, 1950 for the share in the acquisition value of the land. Asked why the second payment had been mentioned as 'on account' in the Government orders, the witness stated that it was so inasmuch as a sum of Rs. 1 39 lakhs had yet to be paid to the company towards the depreciation and removal of certain machinery, which had been kept outside the purview of this agreement. The witness added that

the Government of West Bengal had been approached for the recovery of the compensation paid by Government to the superior land-lord from the liquidators of the company, and the matter was under consideration of the State Government.

**APPROPRIATION ACCOUNTS (DEFENCE SERVICES), 1958-59**

*Controller General of Defence Accounts' Certificate—Para 15, Sub-para 11, page 8—*

188. Outstanding dues an account of stores supplied and services rendered by the Defence Services (other than Ordnance Factories) upto 31st March, 1959 to outside parties, including Central Civil Departments and State Governments, amounted to approximately Rs. 1.26 crores as on 30th June, 1959. In respect of work done or stores supplied by the Ordnance Factories upto 31st March, 1959 to Civil Departments, Railways and private bodies etc., the amount due for recovery was approximately Rs. 2.15 crores as on 30th June, 1959.

The Committee wanted to know the latest position of the outstanding recoveries. The Secretary, Ministry of Defence stated that the outstandings due from the Central Civil Departments and the State Governments to the Defence Services (other than Ordnance Factories) had been reduced from Rs. 1.26 crores as on 30th June, 1959 to Rs. 66.32 lakhs as on 30th June, 1960. As regards the amount outstanding in respect of the work done or as stores supplied by Ordnance Factories, it had been reduced from Rs. 2.15 crores on 30th June, 1959 to Rs. 1.75 crores as on 30th June, 1960 of which a sum of Rs. 90.50 lakhs was from the Iron and Steel Controller alone.

*Sub-para 12, page 9—*

189. Outstandings on account of rent as on 31st March, 1959 from State Governments, Central Ministries, private bodies, Messes and Clubs, Officers, etc., amounted to approximately Rs. 2.69 crores. These outstandings were expected to be reduced by about rupees one crore as a result of review of rent assessments in respect of one Ministry.

The Secretary, Ministry of Defence stated that the amount of outstanding rent had been reduced from Rs. 2.69 crores as on 31st March, 1959 to Rs. 2.13 crores as on 30th June, 1960, of which an amount of Rs. 1.79 crores was due from the Ministry of Rehabilitation, State Government and Central Departments and Ministries.

**Statement showing some specific cases involving financial and procedural irregularities—Annexure II to Para 15, page 27—**

190. *Item 1.*—In a certain unit, clothing accounts were not properly maintained. Articles of personal (payment) clothing were charged off from the clothing ledgers on the authority of certain issue vouchers which did not contain all the items charged off. Alterations and overwritings of figures in the accounts were noticed. Results of special stock-taking conducted revealed surpluses and deficiencies indicating that the accounts were not properly maintained.

The Secretary, Ministry of Defence, stated that as a result of investigation made by a Court of Enquiry, a Havildar responsible for the loss had been tried by the District Court Martial whose proceedings were under finalisation. The Court of Enquiry had also found that the supervisory staff had failed in their duties. The General officer commanding had expressed his dissatisfaction with the supervision of the officers concerned, and had directed appropriate action to be taken to remedy the faulty procedure in the unit. Action in the case would be taken on the finalisation of the proceedings of the District Court Martial.

191. *Item 6.*—Certain articles of personal clothing and necessaries were condemned and replacement given to units before expiry of the prescribed life period by a certain Field Ordnance Depot. The cost of stores involved amounted to Rs. 67,000 approximately.

The Controller General, Defence Accounts, stated that the condemnation of articles in this case occurred in a field area. It had been explained to Internal Audit that no life period had been prescribed for articles of clothing in field areas. The Defence Secretary stated that the objection had since been dropped. •

192. *Item 4.*—In one Command, quite a large number of units could not produce petrol, oil and lubricants accounts for certain periods in spite of repeated demands by the audit authorities. The non-production of accounts extended to a period of three years in some cases.

193. The Controller General, Defence Accounts, stated that the objection related to the store accounts of certain static units located in the field area of Jammu and Kashmir, which were also consuming units. The Controller of Defence Accounts had held that the accounts of such units should be audited. The Western Command authorities had referred the matter to the Army Headquarters suggesting that the Accounts of such static formations should not

be subject to Audit. If the suggestion of the Command authorities was accepted, such formations would not be required to maintain the accounts.

The Quarter Master General stated that the unit in the operational area of J & K were not required to maintain accounts since 1948. The Internal Audit had objected that, under the orders, accounts should have been maintained by such units from the year 1955. The Financial Adviser stated that under the orders issued in 1955, supply depots and other static formations in the J. & K. Area were required to maintain POL Accounts (Petrol, Oil and Lubricant Accounts) on the peace system of accounting and these were subject to Audit, but the Command authorities had held the view that such of the units as were both static and consuming units should get the benefit of consuming units which were not required to maintain accounts that were subject to Audit. The matter was still under the consideration of the Army Headquarters. In reply to a question the Quarter Master General stated that those units should not be required to maintain accounts as they had to work under onerous conditions.

#### AUDIT REPORT (DEFENCE SERVICES), 1960

##### *Surrender of Savings in Voted Grants—Para 1(c), page 5—*

194. Out of the total savings of Rs. 22.63,11,000 a sum of Rs. 19,38,94,000 was surrendered on the 31st March, 1959. According to Audit savings of Rs. 10 crores were known at the revised estimates stage and could have therefore been surrendered earlier.

195. In extenuation, the Financial Adviser stated that the saving of Rs. 10 crores had not been surrendered earlier on the expectation of its possible utilisation later. Even if this amount had been surrendered this could not have been diverted to other purposes in view of surrenders by other Ministries also. Explaining the reasons for the total saving of about Rs. 23 crores, the witness stated that the main difficulty was in the full utilisation of the amounts provided for the purchase of stores from abroad. The witness assured the Committee that necessary steps were being taken to improve budgeting in the Defence Services.

Referring to the General question of the surrender of savings on the last day of the Financial Year, the representative of the Ministry of Finance (Budget Division) stated that, although the Administrative Ministries were required under the rules to surrender savings as soon as it was found that these would not be utilised, controlling authorities were not in a position to know until about the end of the financial year whether the funds would not be

required for other services under a grant. The general practice, therefore, was to surrender the savings towards the end of the financial year. When questioned about the utility of surrendering savings at the end of the financial year the witness expressed the view that in the context of substantial deficit financing under the present planned economy this was no longer a practical issue, for a large part of the expenditure on the various important schemes, had to be met by deficit financing, and savings at the end of the financial year would have the effect of less deficit financing.

*Financial aid to an officer—para 31, page 24—*

196. An officer of the Indian Navy, who was held under naval custody pending trial of a charge of murder, was granted as a special case, a sum of Rs. 10,000 as financial assistance towards expenses for defence. According to Audit, as the case had no connection with the official duties of the officer, the financial aid for defence seemed unusual and unjustified.

In justification of the grant of financial assistance to the accused officer, the Secretary, Ministry of Defence, stated that under the naval regulations Government were authorised to render such financial assistance to the naval officers and ratings involved in criminal cases, for defence. In the present case the decision to grant the assistance had been taken by Government at the highest level after satisfying themselves that the case warranted it. In reply to a question, the representative of the Ministry of Defence stated that under the regulations the naval officers could be granted financial assistance, irrespective of the fact whether the charges against them were for an offence alleged to have been committed while on leave. In reply to another question the Defence Secretary stated that the case had not been treated as a special case but had been dealt with in the normal course of business. The Committee desired to be furnished with a note setting forth a few cases where financial assistance had been given to the naval officers and ratings towards the expenses for defence of actions unconnected with their official duties stating also the nature of charges in each case and whether the actions defended fell during leave period and the amounts of aid given.

197. The Committee then adjourned till 15.30 hours on 13th December, 1960.



**Proceedings of the Fortieth sitting of the Public Accounts Committee  
held on Thursday, the 23rd February, 1961**

198. The Committee sat from 16.30 hours to 18.15 hours.

**PRESENT**

Shri Upendranath Barman—*Chairman*

**MEMBERS**

2. Shri Rohan Lal Chaturvedi
3. Shri S. A. Matin
4. Shri Baishnab Charan Mullick
5. Shri Shri Shamrao Vishnu Parulekar
6. Shri Purushottamdas R. Patel
7. Shri Radha Raman
8. Dr. N. C. Samantsinhar
9. Pandit Dwarka Nath Tiwary
10. Shrimati Sharda Bhargava
11. Dr. Shrimati Seeta Parmanand
12. Shri Jaswant Singh.

Shri A. K. Roy, *Comptroller & Auditor General of India.*  
Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*  
Shri P. K. Basu, *Director of Audit, Defence Services.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*  
Shri Y. P. Passi—*Under Secretary.*

**WITNESSES**

*Ministry of Defence*

1. Shri O. Pulla Reddi, *Secretary.*
2. Shri S. D. Nargolwalla, *Joint Secretary.*
3. Shri H. C. Sarin, *Joint Secretary.*
4. Lt. Gen. B. M. Kaul, *Quarter Master General.*
5. Air Commodore M. S. Chaturvedi, *Air Headquarters.*
6. Col. K. M. Kini, *Director (P. & C.).*

*Ministry of Finance (Defence)*

1. Shri M. K. Hariharan, *Addl. Financial Adviser.*
2. Shri Phul Chand, *Controller General, Defence Accounts.*

199. The Committee took up consideration of the statement of losses pertaining to the post-partition period finally dealt with during the year 1958-59 as set forth in Appendices A and B to the Appropriation Accounts (Defence Services), 1958-59.

#### QUARTER MASTER GENERAL'S BRANCH

*S. No. 6, page 50—*

200. A loss of Rs. 5,490 occurred on account of the cost of Government transport used by units in a station during the period 1st April to 30th September, 1953 for delivery of meat in Unit Lines from cantonment butchery. Under the contract, the contractor was to supply meat either at the Supply Depot Ration Stand or at the Unit Lines in his own transport. Due to the absence of suitable Ration Stand at the supply depot, delivery there was not feasible. The alternative method of asking the contractor to deliver at the Unit Lines which was one of the special conditions attached to the contract was also not adopted resulting in avoidable extra expenditure.

201. According to Audit the Ministry of Defence had subsequently stated that it was not feasible to enforce either of the contract provisions as the Units were scattered all over the station and no suitable hygienic place existed in the Supply Depot. The Committee enquired why the provision regarding the supply of meat at the Unit Lines was included in the contract if it was not considered feasible to implement it. The Quartermaster General stated that the provision was contained in a standard clause in the contract form. In the execution of the contract, the Station Commander allowed a deviation from the contract provision in this regard under his discretionary powers vested by another clause. Explaining the reasons that weighed with the Station Commander for doing so, the witness stated that the Units being scattered all over the station the contractor's lorries could not keep up the required hygienic standards and their entry into the Unit Lines was also not desirable from the security point of view. The witness added that in order to get over the difficulty in transporting meat from the far away butchery in the cantonment area, a butchery had been built in April, 1959, at a place nearer to the Units from where the stuff could be carried by Government transport. In justification of the delay in taking a decision in the case, the witness stated that the objection was first considered by the Central *Ad hoc* Committee in 1957 and later by the Ministry of Defence, who finalised it in 1959.

## AIR HEADQUARTERS

*S. No. 14, page 52—*

202. This case disclosed a loss of Rs. 20,540 representing the approximate cost of service transport provided to air-men by an Air Force Wing and its Detachment for recreational purposes, beyond the authorised limit of 10 miles during the period prior to 28th October, 1956 and 25th May, 1956, respectively.

The representative of the Air Headquarters stated that the Units which were located in an operational area, had been permitted by the Air Headquarters since 1949 the use of service transport for recreational purposes beyond the limit of 15 miles. But the Controller of Defence Accounts pointed out that the rule was not applicable in this case. The use of service transport beyond the limit of 10 miles for recreational purposes had been stopped since 1957.

## GENERAL STAFF BRANCH

*S. No. 6, page 55—*

203. In this case there was a loss of 25 complete books of railway forms (each book containing 100 forms) in an Area Headquarters during October, 1954. These forms were sent through a Signal Unit for despatch by Registered Post to the Forms Stores by the Area Headquarters but the latter did not receive the books. As the forms were correctly despatched by the Area Headquarters the responsibility for the loss could not be fixed on any individual of that Headquarters. As the Signal Unit had destroyed all their records no investigation was possible.

204. The representative of the Ministry of Defence stated that as the forms in this case were intended for the British Military personnel who were not serving in the Indian Army at the time of the loss, there was no possibility of their being misused. Referring to the other cases of losses of Railway Forms, Railway Warrants and Military Credit notes mentioned in the statement, the witness stated that these were mostly cases of misappropriation and misuse of forms and were detected during the normal checks. As a result of enquiry, suitable action had been taken against the delinquent officials. Explaining the remedial measures taken to avoid losses of forms in transit, the Defence Secretary stated that the records of signal despatch service would not be destroyed until the receipt of the consignees' acknowledgement. To a question why in some cases the punishment meted out to the non-commissioned personnel was more severe than that meted out to the officers (who were let off with a warning), the representative of the Ministry replied that

generally the persons responsible for moral turpitude were dealt with more severely while those responsible for negligence were ferring to the case contained in S. No. 10, the witness stated that pression was that the misuse of forms was on the decrease. Referring to the case contained in S No. 10, the witness stated that no action could be taken against the Naik suspected of the misuse of the form by forging the signature of an officer, as the hand-writing expert could not give a definite opinion in the matter. In such cases it was difficult to find out the fraudulent users as the forms showed fictitious names. Asked whether the persons using the forms were not required to produce their identity card at the time of exchanging them for railway tickets, the witness stated that such a procedure was not in force and tickets could be procur-ed by any person on production of the form on behalf of the user. In reply to another question the witness stated that as soon as losses of forms were detected, the railway authorities were inform-ed about the particulars of the missing forms

#### MASTER GENERAL OF ORDNANCE BRANCH

S. No. 4, page 65—

205. This case disclosed a loss of Rs. 1,22,677 being the value of Components of Vehicles found deficient in an Armoured Vehicles Depot at the time of physical verification during December, 1955 to March 1956. According to Audit, the deficiencies could not be detected at the time of receipt of the vehicles due to the low standard of technical knowledge of the personnel employed on checking the vehicles.

206. The representative of the Ministry of Defence stated that the vehicles had been received by the Depot from the various Units including those in field areas, and from overseas before 1953. Many of the vehicles were deficient in certain minor parts at the time of receipt but this could not be detected at that time, as each one was not put to cent percent check. As a result of subsequent inspections, approximately 4,500 items covering 1,018 vehicles were found deficient. Out of a loss of Rs. 1,22,677, an amount of Rs. 95,000 ap-proximately related to unfit vehicles. On his attention being drawn to the statement contained in the Audit note that the deficiencies could not be detected at the time of receipt of vehicles due to low standard of technical knowledge of the personnel employed on checking, the Defence Secretary stated that was only one of the minor reasons. The real reason was that because of receipt of a large number of vehicles in the depot, adequate staff was not available to cope with the checking work. Secondly, exhaustive lists of components were not available for a proper check of the

vehicles, a uniform guide list had been introduced since July 1953. There were certain other defects also in the procedure at that time. The witness held the view that the shortages should have existed in the vehicles at the time of their receipt. The Committee desired to be furnished with a note stating the number of vehicles with deficient parts which were subsequently reconditioned or rendered unserviceable.

S. No. 20, page 68:

207. In this case, there was a loss of Rs. 49,920 representing the value of stores found deficient in an Ordnance Depot at the time of stock taking held in July 1950. A Court of Inquiry held on 29th February 1956 came to the conclusion that the loss was due to (a) non-accounting of certain stores and (b) short receipt of stores in the past due to the percentage check prior to the reorganisation and that the exact reasons for the deficiency could not be ascertained as the storeman in charge who got the items checked had been posted away. The stock had since been reorganised.

208. The Committee asked the reasons for the delay of six years in investigating the loss. The representative of the Ministry of Defence stated that after stock-taking in July 1950, reconciliation of the deficiencies against issues and receipts took about two years. The adjustments resulted in increasing the deficiencies. Orders for holding a court of enquiry were issued in 1954 but it could not be constituted until February 1956 because of paucity of officers who were already busy on other enquiries. The witness admitted that the delay in holding the court of enquiry in this case was not justifiable. In reply to a question the witness stated that the item had been stacked at 3/4 different places in the Depot and the packages had not been put to cent per cent check at the time of receipt. A cent per cent check carried out subsequently revealed deficiencies in some places and surpluses in the others. The procedure had since been changed and as a result same items were stacked at one place and put to cent per cent check at the time of receipt.

The Committee desired to be furnished with a detailed note stating the exact reasons for the deficiencies, delay in holding the court of enquiry and not interrogating the storeman concerned.

#### QUARTERS MASTER GENERAL'S BRANCH

S. No. 40, page 72:

209. In this case there was a loss of Rs. 6,38,333 representing the value of 373 tons of tinned milk received from a firm in a foreign country between May and October 1950, which was declared unfit

for human consumption during 1951. The deterioration occurred during the warranty period. The firm, however, declined liability on the ground that as a result of a sample survey conducted by them long after the warranty period, only a small proportion was found to be bad. After negotiations, a compensation of Rs. 41,160 only was received from the firm and the balance of loss was written off on 5th March, 1959.

210. The Quarter Master General stated that out of the total quantity of 672 tons of tinned milk purchased from the foreign firm, 373 tons were found unfit for human consumption within the warranty period. The matter was referred to the Indian High Commission in U.K. who had placed the order on the firm. He advised a survey of the bad stuff to be carried out and samples thereof to be obtained. At that time 230 tons of milk had been declared bad, of which 69 tons only could be got surveyed by 3 firms who were not prepared to check the milk stored in certain distant depots and stations. The supplier did not agree with the analysis that the entire milk claimed had gone bad, and offered only 5 per cent of the cost thereof as compensation. Because of lack of sufficient evidence the case was not considered fit for being taken to a court of law and was decided to be settled out of court. In consideration of a settlement in this case, a claim in another case for 17 tons of skinned milk powder was not pressed against the firm on the advice of the High Commission in U.K. The firm ultimately paid a compensation of Rs. 41,160 as against the loss of about Rs. 6 lakhs. The witness added that in order to prevent recurrence of such cases a new clause was proposed to be included in future contracts. The checking procedure had also been improved. The consignments with different dates of expiry were kept separately and put to checks at various stages viz., initial check, monthly check and final check before the expiry of the warranty period. In reply to a question the witness stated that it was not possible to check the milk in the foreign country before despatch as this would necessitate the posting of a number of surveyors.

211. The representative of the Ministry of Defence stated that the interests of Government would be protected by the insertion of a new clause in the contract. Besides a warranty period, the contract would provide for survey of the milk by the surveyors appointed by Government on its receipt in the supply depots, and the results thereof would apply to the whole consignment and would be binding on the supplier. The question of difference of opinion between the Government surveyors and the suppliers about the quality of the stuff would not arise. The surveyors would also not be required to visit distant places for survey. In reply to a question the witness stated that in the present case 200 cases which

were sent to the foreign firm for a sample survey were selected on an overall basis and not particularly from 373 tons which had gone bad. As the tins did not show any external signs of deterioration, it was not possible to pick out those with damaged milk without opening them. But the milk being a perishable commodity, it could not be despatched to the suppliers in opened tins. The Defence Secretary, however, admitted that there was a mistake in selecting the tins for sample survey by the foreign firm.

#### DIRECTOR GENERAL, ORDNANCE FACTORIES

S. No. 51, page 74—

212. This case disclosed a loss of Rs. 52,154 resulting from the replacement of 2,49,841 numbers of an item of store manufactured in an Ordnance Factory during 1952. Even though this type of store was declared obsolescent in the United Kingdom due to its erratic behaviour and replaced by a new type, the factory undertook its manufacture as it had not the facilities to produce the new type. Later on, the erratic behaviour of the store became pronounced and the production had, therefore, to be suspended with effect from April 1952. Meanwhile, a large number of such stores manufactured had accumulated which had to be set aside.

213. The representative of the Ministry of Defence stated that when the authorities in U.K. were approached for the manufacturing technique of the ammunition in 1952, they pointed out its erratic behaviour. But it was decided to undertake the manufacture of this type ammunition as facilities for the indigenous manufacture of the new type were not available. Some batches of the ammunition were passed early in 1952, but it was later noticed in April, 1952 that it behaved erratically, when production was stopped. As a result of subsequent experiments, the manufacturing technique of the ammunition was improved by 1955 and production had since been stabilised. The Defence Secretary stated that the loss that occurred in the initial stage of production was in the nature of an experimental loss.

214. Before the Committee adjourned, the Chairman made an appreciative reference to the assistance rendered to the Committee by Shri P. K. Basu, the retiring Director of Audit, Defence Services. Shri Basu thanked the Committee.

**Proceedings of the Forty-third sitting of the Public Accounts Committee held on Monday, the 20th March, 1961.**

215. The Committee sat from 15.00 to 16.00 hours.

**PRESENT**

**Shri Upendranath Barman—Chairman.**

**MEMBERS**

2. Shri Maneklal Maganlal Gandhi.
3. Shri R. S. Kiledar.
4. Shri S. A. Matin.
5. Shri Baishnab Charan Mullick.
6. Shri T. R. Neswi.
7. Shri Radha Raman.
8. Dr. N. C. Samantsinhar.
9. Pandit Dwarka Nath Tiwary.
10. Shri Surendra Mohan Ghose.
11. Shri V. C. Kesava Rao.
12. Shri Mulka Govinda Reddy.
13. Shri Jaswant Singh.

**Shri G. S. Rau—Additional Deputy Comptroller and Auditor General.**

**Shri P. D. Seth—Director of Audit, Defence Services.**

**SECRETARIAT**

**Shri V. Subramanian—Deputy Secretary.**

**Shri Y. P. Passi—Under Secretary.**

216. The Committee considered and approved, subject to certain modifications here and there, the following:—

- (i) Report of the sub-Committee on para 37 of the Audit Report (Defence Services), 1960; and
- (ii) Paras 6—12 relating to M.G.O. Branch of their draft Thirty-fifth Report on the Appropriation Accounts (Defence Services), 1958-59 and Audit Report thereon.

217. The Committee then adjourned till 15.00 hours on Tuesday, the 21st March, 1961.



**Proceedings of the Forty-fourth sitting of the Public Accounts  
Committee held on Tuesday, the 21st March, 1961.**

218. The Committee sat from 15.00 to 17.00 hours.

**PRESENT**

Shri Upendranath Barman—*Chairman.*

**MEMBERS**

2. Shri Maneklal Maganlal Gandhi.
3. Shri R. S. Kiledar.
4. Shri S. A. Matin.
5. Shri T. R. Neswi.
6. Shri Radha Raman.
7. Dr. N. C. Samantsinhar.
8. Pandit Dwarka Nath Tiwary.
9. Shrimati Sharda Bhargava.
10. Shri Jasaud Singh Bisht.
11. Shri Surendra Mohan Ghose.
12. Dr. Shrimati Seeta Parmanand.
13. Shri V. C. Kesava Rao.
14. Shri Mulka Govinda Reddy.
15. Shri Jaswant Singh.

Shri G. S. Rau—*Additional Deputy Comptroller and Auditor  
General.*

Shri P. D. Seth—*Director of Audit, Defence Services.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

219. The Committee took up further consideration of their draft Thirty-fifth Report on the Appropriation Accounts (Defence Services), 1958-59 and Audit Report thereon and approved, subject to certain modifications here and there, paras 16—18, 30—44, 69—77, relating to the Master General of Ordnance Branch and Director General Ordnance Factories.

220. The Committee then adjourned to meet again at 15.00 hours on Thursday, the 23rd March, 1961.

**Proceedings of the Forty-fifth sitting of the Public Accounts  
Committee held on Thursday the 23rd March, 1961.**

221. The Committee sat from 15.00 to 17.05 hours.

**MEMBERS**

Shri Upendranath Barman—*Chairman.*

2. Shri Rohan Lal Chaturvedi.
3. Shri Maneklal Maganlal Gandhi.
4. Shri R. S. Kiledar.
5. Shri Shamrao Vishnu Parulekar.
6. Shri Purushottamdas R. Patel.
7. Shri Radha Raman.
8. Dr. N. C. Samantsinhar.
9. Shrimati Sharda Bhargava.
10. Shri Jasaud Singh Bisht.
11. Shri Surendra Mohan Ghose.
12. Dr. Shrimati Seeta Parmanand.
13. Shri V. C. Kesava Rao.
14. Shri Mulka Govinda Reddy.
15. Shri Jaswant Singh.

Shri G. S. Rau—*Additional Deputy Comptroller and Auditor  
General.*

Shri P. D. Seth—*Director of Audit, Defence Services.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

222. The Committee considered and approved, subject to certain modifications here and there, the remaining paras of their draft Thirty-fifth Report on the Appropriation Accounts (Defence Services), 1958-59 and Audit Report, 1960.

223. The Committee then adjourned *sine die.*

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**PART III**

**Report of the Sub-Committee of the Public Accounts Committee on  
Para 37 of the Audit Report (Defence Services), 1960.**

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# I

## INTRODUCTION

224. I, the Chairman of the sub-Committee of the Public Accounts Committee, having been authorised by the sub-Committee, present this Report on their behalf on the case referred to in para 37 of the Audit Report (Defence Services), 1960 regarding over-payment of bonus to the Defence Services personnel.

The sub-Committee consisting of the following Members was constituted by the Committee to examine paras 37 and 57 of the Audit Report (Defence Services), 1960:—

Shri Upendranath Barman—*Chairman*.

### MEMBERS

2. Shri G. K. Manay.
3. Shri Radha Raman.
4. Dr. N. C. Samantsinhar.
5. Shri Jashaud Singh Bisht.
6. Shri Jaswant Singh.

225. The sub-Committee examined the Financial Adviser, Defence Services in connection with para 37 *ibid* at their sitting held on the 14th December, 1960. A brief record of the proceedings of the sitting has been maintained and forms part of this Report.

226. The sub-Committee considered and approved this Report at their sitting held on the 20th March, 1961. The sub-Committee will submit a separate report on para 57 *ibid*.

227. The sub-Committee place on record their appreciation of the assistance rendered to them in the course of their examination of this case by the Comptroller and Auditor General of India.

UPENDRANATH BARMAN,

*Chairman,*

NEW DELHI;

20th March, 1961.

Phalguna 29, 1882 (Saka).

*Sub-Committee of the Public Accounts.*

## II

### AUDIT REPORT (DEFENCE SERVICES), 1960

#### *Over-payment of bonus to the Defence Service personnel Para 37— pages 26-27*

228. With a view to encouraging thrift amongst Defence Services personnel, bonus was paid to them since 1942 at the rate of 6 annas for each complete sum of Rs. 50 standing to the credit of their individual ledger accounts at the end of each quarter.

Under the existing regulations pay and allowances for a month are payable on the first day of the following month. In conformity with this, a particular month's pay and allowances should be credited in the Individual Running Ledger Accounts in the next month. However, the practice had been to credit the account not in the next but in the same month. This system of advance credit inflated the credit balance in an Individual Running Ledger Account to the extent of one month's pay and allowances in the first quarter of an individual's employment and the effect of the extra credit continued throughout the service. As bonus was paid on the credit balance carried forward from quarter to quarter, an excess payment of bonus occurred all through. The total excess payment of bonus since the procedure was introduced in 1942 was estimated by Audit to amount to more than a crore of rupees.

229. In evidence, the Financial Adviser stated that the scheme was introduced during the last War in 1942 with a view to encouraging thrift amongst the Indian Military personnel serving in field areas. This scheme was originally called 'payment of interest on accumulation of undisbursed pay of Indian ranks serving overseas or field areas in India'; later the term 'interest' was changed to 'bonus'. After the termination of the War, it was decided to keep the scheme in force. The scheme was of an *ad hoc* character and did not provide for the maintenance of separate accounts like Banking Accounts or Provident Fund Accounts, which would have involved a colossal task considering the strength of the services, besides delays and difficulties in accounting and auditing. The scheme was based on the normal pay accounts of the Military personnel kept on the system of Individual Running Ledger Accounts which had been in force for a number of years. Under that system accounts were kept on quarterly basis; credits were given for pay

and allowances earned and debits for the advances made against the entitlements during each quarter. Pay of a month being credited to the individual's account in the same month, credit balance at the end of each quarter included also the pay for the last month of the same quarter.

230. The order issued in 1942 introducing the scheme originally provided for crediting interest on the average of the monthly balances obtaining on the 1st day of each month during a quarter. By an amendment issued on the 4th August, 1945 the basis for calculating the bonus was changed from the monthly 'average balance' during the quarter to the 'whole balance' at the end of the quarter. In 1952, the Controller of Defence Accounts had raised the point that the bonus scheme as worked out resulted in an excess credit of bonus on the last month's pay which he estimated at Rs. 7 lakhs per annum. The matter was thereupon examined by the Defence Headquarters and the Ministries of Defence and Finance. Considering the difficulties involved in changing the procedure and the small rate of interest (approximately 2 per cent.) payable under the scheme, it was decided to continue the prevailing practice of calculating bonus till such time as it might be convenient to change it. Later in 1959, when the Director of Audit, Defence Services raised this objection the procedure was changed by issuing an amendment in February, 1960 enjoining that for calculating the bonus on the balance at the end of the quarter the net pay and allowances for the last month of the quarter should be omitted. The bonus scheme was abolished from the 1st October and a Provident Fund Scheme introduced instead in pursuance of the recommendations of the Second Pay Commission.

231. The sub-Committee were also informed that in the case of the Air Force personnel, the scheme was first introduced in 1944, but was discontinued in 1953. When the scheme was re-introduced with effect from the 1st April, 1956, the departmental accounts authorities of the Air Force issued an order that the phrase "the whole balance at the end of the quarter" occurring in the Army Instruction adopted by the Air Force should be interpreted to mean the balance less the entitlement for the last month. But Government issued an order that this interpretation was not correct.

232. In the sub-Committee's view, the question hinged on the interpretation of the phrase "the whole balance as it stands at the end of each quarter" in the orders regarding the bonus scheme. According to the Financial Adviser, the phrase referred to the balance at the end of each quarter in the I.R.L.A. of each soldier and hence, there had been no over-payment. Audit, however, held

the view that under the scheme, bonus was payable only on the undisbursed pay at the end of each quarter. As the (pay) entitlement for the last month of the quarter as shown in the I.R.L.A. could not by any means be treated as undisbursed pay, payment of bonus on the balance relating to that month was objectionable.

233. *The sub-Committee are disposed to think that the Audit contention is correct. Even granting that there was room for a difference of opinion, the sub-Committee feel that there was hardly any scope for doubt after 1955 when the Ministry of Finance (Budget Division) observed:*

*"We would have preferred a change in the system which is admittedly defective. But, in view of the circumstances stated, we do not want to press our point of view. The existing system may continue till such time as it may be convenient to change it."*

*It is regrettable that the existing system (involving an extra-expenditure of about Rs. 7 lakhs annually) was allowed to continue till February 1960 on consideration of convenience. It was urged before the sub-Committee that if the cost involved in maintaining separate ledger accounts for purposes of calculating bonus and the amount of bonus on deferred pay were considered, Government were benefited on the whole. While there may be legitimate grounds in equity for the payments made, the sub-Committee cannot help observing that the continuance of the practice for nearly five years knowing that it was defective, was irregular. In the circumstances the sub-Committee recommend that the irregular payments made since 1955 be written off.*

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**PART IV**

**Proceedings of the sitting of the sub-Committee of the Public Accounts Committee on para 37 of the Audit Report (Defence Services), 1960 held on the 14th December, 1960.**

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**Proceedings of the first sitting of the sub-Committee of the Public Accounts Committee on para 37 of the Audit Report (Defence Services), 1960, held on the 14th December, 1960**

234. The sub-Committee sat from 14.15 to 15.15 hours.

**PRESENT**

Shri Upendranath Barman—*Chairman.*

**MEMBERS**

2. Shri G. K. Manay.
3. Shri Radha Raman.
4. Dr. N. C. Samantsinhar.
5. Shri Jashaud Singh Bisht.
6. Shri Jaswant Singh.

Shri G. S. Rau—*Additional Deputy Comptroller and Auditor General.*

Shri P. K. Basu—*Director of Audit, Defence Services.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

**WITNESSES**

Shri S. Jayasankar—*Financial Adviser, Ministry of Finance (Defence).*

Shri S. D. Nargolwala—*Joint Secretary, Ministry of Defence.*

Shri Phul Chand—*Controller General, Defence Accounts.*

235. The sub-Committee took up consideration of para 37 of the Audit Report (Defence Services), 1960, regarding over-payment of bonus to the Defence Services personnel.

*Over-payment of bonus to the Defence Services Personnel—Para 37, pages 26-27—*

236. With a view to encouraging thrift amongst Defence Services personnel, bonus was paid to them at the rate of 6 annas for each

complete sum of Rs. 50 standing to the credit of their individual ledger accounts at the end of each quarter.

Under the existing regulations, pay and allowances for a month are payable on the first day of the following month. In conformity with this, a particular month's pay and allowances should be credited in the Individual Running Ledger Accounts in the next month. It had, however, been the practice to credit the account not in the next but in the same month. This system of advance credit inflated the credit balance in an Individual Running Ledger Account to the extent of one month's pay and allowances in the first quarter of an individual's employment and the effect of the extra credit continued throughout the service. As the bonus was paid on the credit balance carried forward from quarter to quarter, an excess payment of bonus occurred all through.

The total excess payment of bonus since the irregular procedure was introduced in 1942, was estimated to amount to more than a crore of rupees.

237. The Financial Adviser informed the sub-Committee that the scheme was introduced during the last war in 1942 with a view to encouraging thrift among the Indian Military Personnel serving in field areas. It was originally entitled 'payment of interest on accumulation of undisbursed pay of Indian ranks serving overseas or field areas in India'; later the term 'interest' was changed to 'bonus'. The scheme was decided to be continued even after the termination of the war. The witness urged that the scheme was of an *ad hoc* character and did not provide for the maintenance of separate accounts like Banking Accounts or Provident Fund Accounts which would have involved a colossal task considering the strength of the services, besides delays and difficulties in accounting and auditing. The scheme was based on the normal pay accounts of the Military personnel kept on the system of Individual Running Ledger Accounts which had been in force for a number of years. Under the system, accounts were kept on a quarterly basis; credits were given for pay and allowances earned and debits were made for the advances made against the entitlements during each quarter. The pay for the last month of the quarter was credited to the individuals' accounts in the same quarter and not on the first day of the next month. Unlike the procedure obtaining on the civil side, soldiers did not draw their pay and allowances for a particular month on the first day of the following month; they were allowed to have advances from their commanding officers against the pay dues in the same month, which were debited to their accounts by the

**Pay Accounts Office.** The order as originally issued in 1942 for the introduction of the scheme, provided for crediting interest at the rate of 6 annas for each complete sum of Rs. 50 of the average balance during a quarter, the average being calculated on the credit balances as on the first day of each of the three months of the quarter. By an amendment issued on the 4th August, 1945 the basis for calculating the bonus was changed from the monthly 'average balance' in each quarter to 'the whole balance' at the end of the quarter.

Audit pointed out that the subject heading of the order was not amended and continued to denote entitlement to bonus on the basis of the accumulated 'undisbursed pay', notwithstanding the other amendment issued in August, 1945. It was, therefore, doubtful whether under the order as amended, the pay and allowances due to a soldier for the last month of a quarter could be deemed to be his undisbursed pay on the last day of the quarter for the purpose of crediting bonus. The Financial Adviser did not agree with the interpretation of Audit and held the view that bonus was payable on the 'whole balance' as it stood in the IRLA at the end of the quarter.

238. The Financial Adviser informed the sub-Committee that when the Director of Audit, Defence Services first raised an objection regarding the working of the scheme in 1950, he referred only to the delay in making debits in the IRLA which resulted in inflating the carried balances of individuals, and did not then question the payment of bonus on the 'whole balance' at the end of the quarter. The latter question was raised by the Test Audit only in 1959. However, in 1952, the Controller of Defence Accounts had raised this question of excess credit of bonus on one month's pay and had estimated an over-payment of Rs. 7 lakhs per annum on that account. The matter was thereupon examined by the Defence Headquarters and the Ministries of Defence and Finance. One of the suggestions then considered was to deduct the last month's pay and allowances while calculating bonus. Another was to close the accounts every month instead of at the end of a quarter, but this did not find favour because of its involving considerable additional staff for the maintenance of accounts for a large number of personnel. It was also considered that the rate of interest payable under the scheme which worked out to approximately 2% was considerably low. Taking into account the various factors, the Ministry of Finance (Budget Division) agreed to the continuance of the calculation of interest on the credit balances on the last day of the quarter, but they, however, observed:

"We would have preferred a change in the system which is admittedly defective. But, in view of the circumstances

stated, we do not want to press our point of view. The existing system may continue till such time as it may be convenient to change it."

The witness added that the file was also *inter alia* shown to the Director of Audit, Defence Services, who signed on it on the 22nd February, 1955.

239. Explaining the present position the Financial Adviser stated that by an amendment to the order issued in February, 1960, the procedure was changed by providing that bonus would be calculated on the balance at the end of the quarter less the net pay and allowances for the last month. The scheme was abolished from the 1st October, and a provident fund scheme had been introduced in pursuance of the recommendations of the Second Pay Commission.

240. The sub-Committee enquired whether the over-payment of bonus made earlier was still awaiting regularisation. The Financial Adviser expressed the view that, as the payment of bonus had been made in accordance with the orders then in force, there was no over-payment involved in the case. In support of his contention the witness stated that in 1955 Government came to a deliberate decision that the system of calculating bonus on the balance at the end of the quarter should be continued. Audit pointed out that no formal orders containing the Government's decision referred to by the F.A. had been issued. It was also denied that the Director of Audit, Defence Services was shown the files relating to the case. A letter from the F.A. to the D.A.D.S. written in October, 1959 was also referred to. In this letter, while accepting the audit objection regarding wrong calculation of bonus, the former had stated:

'The objection, however, that in calculating the bonus on the credit balance at the end of each quarter, the pay and allowances of the last month credited at the end of the quarter are also taken into account, is, however, a valid one. This aspect was discussed some time ago between the Defence Ministry and the Service Headquarters. The Naval and Air Headquarters agreed with the view that suitable action should be taken to eliminate this flaw'.

Replying to the points raised by Audit, the F.A. stated that there was no need to issue a formal order conveying the Government's decision on the calculation of bonus on the balance at the end of the quarter, as the original order was correct and was not required to be changed. As regards the showing of the files to the D.A.D.S., he

reaffirmed his earlier statement that these had been shown to the officer and undertook to send them again to Audit. Referring to the letter written by him in October, 1959 the witness stated that subsequently the rules were amended in February, 1960 to provide for the deduction of the last month's pay and allowances while calculating the bonus. But before the issue of this amendment there was no authority to deduct the last month's pay and the payment already made could not be treated as an over-payment.

In reply to a question the witness stated that in the case of the Air Force personnel the scheme was first introduced in 1944 but was discontinued in 1953. While reintroducing the scheme with effect from the 1st April, 1956, the accounts authorities of the Air Force issued an order that the phrase "the whole balance at the end of the quarter" occurring in the Army Instruction adopted by the Air Force should be interpreted to mean the balance less the entitlement for the last month. But Government issued an order that this interpretation was not correct.

241. It was also urged by the Financial Adviser that under the old system no interest was payable on the deferred pay of a soldier which he was entitled to receive at the end of his service at the rate of about Rs. 3 per month. But under the new procedure introduced from the 1st October, the total deferred pay accumulated which amounted to Rs. 12.56 crores had been credited to the Provident Fund Account and an interest of about Rs. 42 lakhs per annum at the rate of 3 to 3½ per cent. was payable thereon.

242. *The sub-Committee then adjourned till 17th December, 1960.*

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**APPENDICES**

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## APPENDIX I

**Extract from statement containing brief replies to various items raised in the Audit Report, Defence Services, 1960, laid on the**

**Table of the Lok Sabha on 28th April, 1960.**

**Re: Para 23 of the Audit Report—Unsatisfactory storage conditions in an ordnance factory and consequent losses.**

Out of the reported loss of Rs. 80.91 lakhs which according to the Controller of Defence Accounts (Fys) had been established, on a further examination it has now been found that except for the amount of about Rs. 4 lakhs the other so-called losses are not real losses but are mere paper losses. The losses falling under another category which had still to be investigated have been studied by a team consisting of a Factory representative and Accounts representative. So far they have examined documents relating to items of the value of more than two-third of the stores covered by these alleged losses of Rs. 62.81 lakhs. The real loss on account of both categories of stores would, therefore, be of a very small amount as against the amount of Rs. 174 lakhs mentioned in the Audit Report. This also is the legacy of the war when after closing down of certain Ordnance Factories immediately after the cessation of hostilities their stores were transferred to the Ordnance Factory, Khamaria and the Ordnance Factory, Khamaria did not have adequate staff to take charge of the stores.

In certain cases of neglect or fraud—the financial effect of which is very small—disciplinary action has been instituted.

## APPENDIX II

### *Summary of main Conclusions/Recommendations*

Sl. No.	Para No.	Ministry/ Department concerned	Conclusions/Recommendations
1	2	3	4
1	4	<u>Defence</u> <u>Finance (Defence)</u> <u>Finance</u>	<p>(i) Questioned about the purpose or utility of surrendering savings at the end of the financial year, the representative of the Ministry of Finance expressed the view that in the present context of planned economy, it was not a practical issue in as much as such savings would go only to reduce the extent of deficit financing by which the budgetary gap was being met. The Committee feel that this question should not be looked at from that angle. In their opinion, in the context of deficit financing, it is all the more necessary to exercise strict budgetary control.</p>
		<u>Defence</u> <u>Finance (Defence)</u> W. H. & S.	<p>(ii) Large savings in the provision for procurement of Defence stores has become a recurring feature. The Committee would like to reiterate the recommendations made in para 6 of their Sixth Report (Second Lok Sabha) and stress the necessity of closer liaison between the indenting and supplying departments.</p>
2	5	<u>Defence</u> <u>Finance</u>	<p>It has been urged that some imbalance in expenditure towards the closing months of the year is inevitable, so long as the present financial year is continued, as the working season really starts from October. As far as the Committee are aware, progress in works is difficult during the monsoons which, admittedly can be foreseen for every locality. In their opinion, the pace of work during the earlier part of financial year has been slow</p>



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in the past due to procedural delays, which, they are glad to note, are now being tackled. The Committee trust that as a result of the remedial measure now introduced, the rush of expenditure in the last quarter of the financial year which has become a recurring feature year after year, will be considerably reduced.

- 3      10      Defence      (i) The Committee were informed that the cost of spare parts used by the E. M. E. authorities during repairs to the chassis was being recovered from the firm. The Committee feel that Government should get reimbursement of the cost of labour also. The Committee would like to know about the progress of the recoveries made from the firm.

Do.

W. H. & S.

- (ii) In the opinion of the Committee, an integrated contract for the supply of complete vehicles with the firm of suppliers of chassis where the bulk of the work of body building was to be done by the firm itself, would have ensured greater co-ordination between supply of chassis and building bodies thereon and thus avoided the losses due to exposure of the chassis to the monsoon. The Committee were informed that the contract was deliberately split into two though placed on the firm at the same time. The Committee could neither see the justification nor the need for it.

Do.

- (iii) In para 96 of their Twenty-ninth Report (1959-60) the Committee had expressed their concern over the purchase of chassis in another case much in excess of those for which timely body-building arrangements could be made. The Committee are unhappy that in the present case also there had been delay in body-building which resulted in the deterioration of the chassis.

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4	12	Defence	The Committee do not see why even when the provision review as on 1st April, 1952 disclosed for the second time a nil requirement for the item, action was not promptly taken to cancel the indent for the second lot of 116 numbers. They trust that provision reviews will be prepared with due care and timely attention will be paid to the results thereof so as to ensure that such cases do not recur.
5	15	Do.	The Committee are constrained to observe that the "clerical errors" in this case do not speak well of the working of the Engineer-in-Chief's and M.G.O's Branches. The Committee had commented upon a similar case in paras 18 and 19 of their 6th Report (1957-58). They trust that the officers looking after the provisioning work will exercise greater care and vigilance in checking indents as mistakes in calculations burden Government with unwanted stores worth lakhs of rupees. It also entails problems of storage and disposals.
6	18	Do.	The D. G. O. F. had been experiencing difficulty since 1955 in manufacturing olive green mosquito nets as the required quality of netting was becoming increasingly difficult to obtain—vide para 15 of Audit Report 1959. Therefore, when a decision was taken in February, 1958 to change over to khaki, all cognate matters like specifications, easy availability and sources of supply should have been fully considered at that time, if not before. The Committee regret to observe that failure to do so has resulted in extra expenditure which in their opinion was avoidable.
7	20	Do. <hr/> Home Affairs	The Committee enquired why the officer (Capt., Supdt.) was promoted to a higher post when the case was under investigation. They were informed that at that time there were no specific charges against him. The Committee find it difficult to

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			accept this view. In this connection they would like to draw attention to the instructions issued by the Ministry of Home Affairs <i>vide</i> their O.M. No. 39/4/56-Ests. (A), dated the 3rd November, 1958. These require that in case of a Government Servant whose conduct is under investigation, though his fitness for promotion should be considered at the relevant time, the actual promotion should be made only after he is exonerated of the charges. This principle should hold good on the Defence side also. In the Committee's opinion, the promotion was wrong in principle.
8	23	Defence	(i) In the opinion of the Committee, there was gross overprovisioning in this case. They feel that the system of provisioning in the Air Force is unsatisfactory. It should be streamlined to ensure that requirements are assessed realistically.
9	23	Do.	(ii) The Committee were assured that the partially deteriorated stock of ammunition received from U. K. would be utilised for training purposes and that the material rendered surplus in the ordnance factory would be used in the manufacture of another type of ammunition.
10	25	Do.	The Committee were informed that the excess provision of silk thread was due to a clerical error while copying, which was detected when a major portion of the consignment had already been received. The Committee deprecate such cases of carelessness.
11	29	Do.	(i) The Committee are not convinced that the increase in cost of constructing the road was fully justified. In their opinion, there had been unnecessary expenditure which could have been avoided had greater supervision been exercised. They are indeed surprised that the actual expenditure on constructing 98.11 miles of the road amounted to Rs. 392.64 lakhs while the original estimate for 308 miles was Rs. 304.47 lakhs on the basis of a "quick survey".

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(ii) While the Committee recognise that road construction in hilly tracts is difficult, they feel bound to point out the danger to financial control arising from the approval based on incomplete data of projects involving large commitments.

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| 12 | 32 | Defence | <p>From the facts placed before them, the Committee feel that there was hardly any justification for undertaking this project. When steel boxes for ammunition were already being manufactured by other Ordnance Factories, there was apparently no urgent need for a new project. The fact that this project was relegated to the second place, confirms this view. A wider enquiry from the trade would have disclosed the source which according to the witness was established in 1952 <i>i.e.</i>, within a year of the decision of Government to set up a new project. The expenditure on the construction of buildings (Rs. 13·67 lakhs) would have been wasteful but for the second project for manufacture of ammunition—a fortuitous coincidence.</p> |
| 13 | 34 | Do.     | <p>The Committee regret to observe that construction of the timber seasoning Kishan and smithy shop at the factory and their abandonment later also disclosed bad planning and lack of foresight.</p>   |
| 14 | 36 | Do.     | <p>It was admitted in evidence before the Committee that the case referred to in sub-para (c) of para 20 of the Audit Report was indefensible. The Committee deplore that a sum of Rs. 2·85 lakhs had been spent over a period of four years on a scheme which was subsequently abandoned. In their opinion, this and similar cases require investigation with a view to examining (i) how far they were the result of negligence on the part of the officials concerned and (ii) what steps are necessary to avoid recurrence of such cases of expenditure of doubtful or no utility.</p>  |
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15	39	Defence <hr/> Finance (Defence)	The Committee cannot accept that the figure of Rs. 76 lakhs would correctly represent the loss in this case, omitting for the time being the other losses referred to in para 21 of the Audit Report. The value of the stores returned by the units, which would certainly not have been negligible, should be added to this figure. Assuming even the modest figure of Rs. 1 crore as representing the real loss, the extent thereof is still alarming.
16	40	Defence	The Committee are concerned over the chaotic state of store accounting prevailing in the two field depots prior to March 1950. It is regrettable that even after Government issued orders in November, 1948 condoning the non-maintenance or incomplete maintenance of accounts in these depots upto the 18th March and 14th April, 1948, respectively, no effective measures were taken to improve the standard of store accounting. While the Committee appreciate that emergency conditions continued to prevail in the area during the period April, 1948 to March 1950, they feel that gaining experience from the past irregularities, the depot authorities should have been alive to the difficulties in the proper maintenance at stores accounts. The Committee would like to be assured that the store accounts are properly being maintained by the depots since March, 1950. They would reiterate their oft-repeated observation that unless the quantity and location of stores are known with reasonable accuracy, full operational efficiency of the Services cannot be attained. Laxity in proper store accounting would also lead to losses of stores. The Committee also desire that the losses in the present case should be regularised without further delay.
17	44	Defence	The Committee are surprised that the authorities should have taken 12 years to decide on the permanent location of the depot.

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In their view, it was an unfortunate decision to provide field storage accommodation for ammunition in peace time as the provision of permanent accommodation would, in any case, have taken a reasonable amount of time. Non-acceptance of the proposal of the depot authorities for the provision of Nissen huts in September, 1950 (such accommodation was considered necessary in October, 1958 *i.e.*, after 8 years) was, a grave error. The Committee desired to be furnished with a note in this regard, which is still awaited. The Director of Ordnance Services had admitted that deterioration of the ammunition would have been less, had it been stored under Nissen huts. The Committee understand from Audit that while sanctioning the temporary accommodation in 1958, it was stated that the savings resulting there from in a few years would be more than the cost of such accommodation. It is regrettable that so apparent a fact was not realised in 1950 or shortly thereafter.

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Defence

The Committee are shocked to see the magnitude of the loss in the present case. They understand from Audit that according to the Board of Enquiry the storage conditions in the factory were generally satisfactory during 1949-50. Further, Government had written off Rs. 54 lakhs of "war losses" and the losses referred to in the Audit para are exclusive of this write off in the face of these facts, the Committee find it difficult to accept the complacent view expressed by the Ministry. They would await the results of the investigation in progress which should be expedited.

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Do.

The Committee do not see why Government have not accepted the recommendations of the Board of Enquiry that two of the employees should be dismissed from service. They would like to be informed of the charges against them and the reasons for their acquittal.

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20	50	Defence	The Committee are distressed to find that store accounts should be in such a chaotic state. They have reiterated on many occasions the importance of accurate store accounting and periodic stock verification. Unless the stores are correctly accounted for, there is a grave risk of pilferage. It will not also be possible to know with accuracy the requirements for future. The Committee have pointed out a number of cases of defective provisioning of stores both in the past and in this report which are in no small measure due to defective stock-accounting. Considering the vast quantities of Defence Stores valued at crores of rupees, the Committee feel that verification of stocks and accounting thereof should be prompt and accurate.
21	51	Defence <hr/> Finance (Defence)	A number of cases mentioned in the para are fairly old and the Committee are at a loss to understand why Government took so much time to write off the losses. It is in the interests of Government that these cases should be investigated promptly.
22	53	Defence	Explaining the reasons that weighed with the Station Commander for non-implementation of the provision in the contract regarding delivery of meat, the witness stated that the units being scattered all over the station the contractor's lorries could not keep up the required hygienic standards and their entrance into the Unit Lines was also not advisable from the security point of view. If so, the Committee feel that this provision in the standard form of contract needs review. If transport is to be provided by Government, there should be a corresponding reduction in the rate of supply.
23	55	Do	The Committee are concerned to find that the number of cases of losses of railway forms, etc. by misappropriation and misuse is large. They desire that the present

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			procedure for their custody and issue should be reviewed with a view to checking their misappropriation and misuse.
24	57	Defence	The Committee are not happy over the manner in which the vehicles had been checked by the depot authorities at the time of their receipt. They trust that "receipt-in" inspection is being done thoroughly now.
25	59	Do	The Committee consider the delay in instituting an enquiry into the case as un-conscionable. They desired to be furnished with a detailed note stating the exact reasons for the deficiencies, delay in holding the Court of Enquiry and for not interrogating the storeman concerned. The note is still awaited.
26	61	Do	The Committee regret that the claim of Government for compensation for bad milk had been set at naught by the perfunctory manner in which the officers had acted.
27	63	Do	The Committee feel that payment of different rates of D.A. at the same station for doing identical work to persons deputed from the same Organisation (H.A.L.) is not conducive to efficiency. They trust that the process of replacement of the deputees by local recruits at the various stations will be hastened as it will, apart from reducing expenditure, provide more employment opportunities to the local people.
28	68	Do	While the Committee do not see any serious objection for directly negotiating with the Company to facilitate expeditious acquisition of the property, they consider that payment of compensation direct to the Company was wrong. The Land Acquisition Collector was by-passed even while making payment to the Company. The plea that the payments, if made



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through the Collector, would necessarily have been delayed is not a valid one, especially when the value of compensation had been mutually agreed to by the parties concerned. Had the prescribed procedure been followed, the overpayment and consequent loss to Government could well have been avoided. It is inexplicable why the Deputy Director of Land, Hirings and Disposals did not pay any heed to the collector's objection to direct payment on the second occasion. The Committee do not also see why no underaking was taken from the Company (as was done at the time of first payment) when the second (final) payment was made. In their opinion the fact that it was the final payment was in itself a strong ground for taking such undertaking to guard against any overpayment.

The Committee were given to understand that the Government of West Bengal had been approached for the recovery of the excess payment from the liquidators of the company and the matter was under consideration of the State Government. The Committee would like to be informed about the outcome of the case.

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Defence

The Committee understand from Audit that a sum of Rs. 2.34 crores only was realised in the disposal of 8528 vehicles. The Committee do not understand how the Director, Mechanical Engineering gave the disposal value of the vehicles as more than their book value of Rs. 5 crores. They desired to be furnished with a note stating the factual position in this behalf which is still awaited.

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(ii) The Committee had recommended their previous reports that due priority should be given to bring the stores lying in the open under covered accommodation, as in the long run the financial effect of the deterioration due to exposure

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might well be greater than the expenditure in constructing covered accommodation. They hope that the Ministry of Defence would adhere to the schedule drawn up in this behalf.

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| 30 | 76 | Defence | <p>(i) The orders for downgrading the vehicles with loose rivets to Class V were issued mainly on consideration of time likely to be taken for their repairs. Before doing so it is unfortunate that financial advice was not taken nor the financial implications thereof were considered. The fact that the orders were cancelled in 1957 "to avoid misinterpretation", shows apparently that vehicles had been downgraded to class V because of loose rivets only. The report of the Resident Inspector of the Depot on 331 such vehicles confirms this. While vehicles with loose rivets should be grounded in order to avoid the likelihood of accidents, the proper course would have been to mark them for specified repairs by the Field Workshops or 4th Echelon Workshops instead of downgrading them to class V and making them lie in the unfit Park for long period involving further deterioration before being attended to. The Committee find it difficult to accept the plea that the records of a few vehicles so downgraded showed that besides loose rivets there were other defects which warranted their classification as class V. As observed by the Resident Inspector in his report on 331 such vehicles the other defects might have developed subsequently during the long storage of the vehicles in the unfit park.</p> |
|    | 77 | Do.     | <p>(ii) The Committee desired to be furnished with a note stating the numbers of vehicles put through complete 'strip and rebuild' and restricted repairs, respectively out of the 1,700 downgraded as class V in 1956. The information is still awaited.</p> <p>(iii) In para 108 of their Seventeenth Report (1958-59) the Committee had suggested</p>  |

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			that in order to ensure economic utilisation of the funds allotted for Army vehicles without at the same time impairing their efficiency the existing procedure of classification, condemnation and disposal of vehicles should be reviewed. The Committee regret to observe that this is another case where the orders regarding classification of vehicles for repairs had been defective. Considering the large outlay on Army vehicles and on their periodical replacement, the Committee feel that this review of the procedure should be expedited.
31	79	Defence	The Committee do not see any convincing reason either for the grant of the unauthorised financial concession in the case referred to in para 43 (a) of the Audit Report or for its continuation for 4 more years even after receipt of an audit objection. They would emphasise that delegated powers should not be misused in this manner.
32	82	Do.	The Committee see no justification for the tailoring shop being charged a nominal rent of Rs. 1*50 nP P.M.(the rate applicable to regimental shops) for a floor area about 33 times of that fixed for regimental shops regardless of the provision in the agreement that the assessed rent should be recovered from the firm. They desire that the position should be reviewed early in the light of the Government orders issued in January, 1960.
33	84	Do.	This is another case in which there had been unnecessary delays in the disposal of unwanted material.
34	86	Do.	The Committee are not convinced of the justification for the delay of 5 years in notifying the revised hire charges for refrigerators by the Command authorities. The clarifications required by the Command authorities should have been resolved by the Army Headquarters and the Ministry of Defence expeditiously.

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(ii) The Committee desire that necessary steps should be taken to ensure that in future once a decision is taken to revise the hire charges of Army Stores, etc., the revised rates are notified within a reasonable time and recovery effected expeditiously. The longer the delay the more difficult the recovery of arrears.

35	89	Defence	<p>(i) The Committee were given to understand by the representative of the Ministry that a new vessel of comparable size would have cost Rs. 188 lakhs as against Rs. 82 lakhs spent on this vessel. But the Committee's attention was drawn by Audit to a demi-official letter addressed to the Director of Audit, Defence Services, by the then Joint Secretary, Ministry of Defence, giving the estimated cost of a comparable new vessel as Rs. 50 lakhs (excluding special equipment). The Committee found it difficult to reconcile the two estimates and desired that the basis of the two estimates should be checked up and a note furnished to them. The note is still awaited. In the absence of this information, the Committee are unable to judge whether the purchase of the second hand vessel was economic.</p>
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90	Do.	<p>(ii) The Committee regret to point out that it was on the plea of urgent requirement (a new vessel would take 2½ to 3 years to be built) that the purchase of a second hand vessel was decided. The fact that this vessel could be commissioned only 7 years after the purchase makes the Committee wonder whether the plea of urgency was really so. The Committee are distressed at the complete lack of prior planning and the unbusinesslike manner in which the conversion work was allowed to proceed. The delay has resulted not only in more expenditure on the complement of officers and ratings appointed</p>
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			to look after the ship but also in loss due to non-availability of repair facilities to the Navy for a longer period.
36	92	Defence	The Committee are surprised that even after a lapse of 11 years the foundry (sanctioned in 1950) has not been commissioned. This is another case of bad planning and delayed execution.
37	94	Do.	The manner in which the original contract for the lease of the cinema building in this case, was entered into and subsequently renewed is most unsatisfactory. In view of the inordinate delay that has already occurred, the Committee urge that the case be dealt with expeditiously.
38	95	Do. <hr/> Finance (Defence)	The Committee desire that all possible steps should be taken to bring down the outstanding recoveries due from Government Departments and private bodies, etc. In para 92 of their 17th Report (1958-59), the Committee had recommended that the procedure should be reviewed with a view to seeing whether a system of advance payment or "cash and carry basis" could be introduced in order to avoid outstanding from private individuals or parties. The Committee would like to know the action taken in the matter.
39	96	Do.	The Committee earn that various measures are being adopted to expedite clearance of the outstanding rent dues and that the matter is under constant review. The Committee would like to be apprised of the position when they consider the next year's accounts.
40	97	Do.	The Committee feel that the whole question should be reviewed in consultation with the Financial Adviser and the Controller General, Defence Accounts, to determine the extent to which the various relaxations from normal procedure at present allowed to the Units in different operational areas be continued.

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41	233	Defence <hr/> Finance (Defence)	<p>(i) The Committee are disposed to think that in regard to the interpretation of the phrase "the whole balance as it stands at the end of each quarter" in the orders regarding the bonus scheme, the Audit contention is correct. Even granting that there was room for a difference of opinion, the Committee feel that there was hardly any scope for doubt after 1955 when the Ministry of Finance (Budget Division) observed :</p> <p>"We would have preferred a change in the system which is admittedly defective. but in view of the circumstances stated, we do not want to press our point of view. The existing system may continue till such time as it may be convenient to change it."</p> <p>(ii) It is regrettable that the existing system (involving an extra expenditure of about Rs. 7 lakhs annually) was allowed to continue till February 1960 on consideration of convenience. It was urged that if the cost involved in maintaining separate ledger accounts for purposes of calculating bonus and the amount of bonus on deferred pay were considered, Government were benefited on the whole. While there may be legitimate grounds in equity for the payments made, the Committee cannot help observing that the continuance of the practice for nearly five years knowing that it was defective, was irregular. In the circumstances the Committee recommend that the irregular payments made since 1955 be written off.</p>

43. The S. S. Book Emporium, 'Mount Joy' Road, Basavangudi, Bangalore-4
61. Mittal & Company, 85-C, New Mandi Muzaffarnagar.
78. Hind Book House, Janpath, New Delhi.

### ORISSA

44. The Cuttack Law Times Office, Cuttack-2.

### PUNJAB

45. The English Book Depot, 78, Ferozepore, Cantt.
46. The Krishna Book Depot, Publishers, Stationery and News Agents, Main Bazar, Pathankot.
47. Minerva Book Shop, The Mall, Simla-1.
48. The New Book Depot, 76, The Mall, Simla-1
49. The University Publishers, Railway Road, Jullundur City.

### RAJASTHAN

50. " Bookland " Madar Gate, Ajmer (Rajasthan).
51. K. M. Agarwal & Sons, Railway Book Stall, Udaipur

### UTTAR PRADESH

52. A. H. Wheeler & Company, Private Limited, 15, Elgin Road, Allahabad.
53. British Book Depot, 84, Hazratganj, Lucknow.
54. B. S. Jain & Company, 71, Abupura, Muzaffarnagar.
55. Friends Book House, M.U., Aligarh.
56. Goel Traders, 100-C, New Mandi, Muzaffarnagar.
57. Kitabistan, Kamla Nehru Road, Allahabad.
58. Law Book Company, Sardar P el Marg, Allahabad.
59. Laxmi Narain Agarwal, Hospital Road, Agra.
60. The Loyal Book Depot., Chhipi Tank, Meerut.

62. Shalig Ram & Sons, Booksellers, Madar Gate, Aligarh.
63. Universal Book Company, 20, Mahatma Gandhi Marg, Allahabad.

### WEST BENGAL

64. Firma K. L. Mukhopadhyay, 6/1A, Ban-chharam Akur Lane, Calcutta-12.
65. M. C. Sarkar & Sons (Private) Limited, 3, Old Court House Street, Calcutta.
66. Thacker Spink & Company (1933) Private Ltd., 3, Esplanade East, Calcutta-1.
67. W. Newman & Company Limited, 3, Old Court House Street, Calcutta.

### JAMMU & KASHMIR

68. The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.
69. Students Stores, Raghunath Bazar, Jammu-Tawi.

### DELHI

70. Atma Ram & Sons, Kashmere Gate, Delhi-6.
71. Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.
72. Bookwell, 4, Sant Narakari Kingsway, Delhi-9.
73. The Central News Agency, 23/90, Connaught Circus, New Delhi.
74. City Book Sellers, Sohanganj Street, Delhi.
75. Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.
76. The English Book Shop, 7-L, Connaught Circus, New Delhi.
77. Freeland Publications Private Limited, II-A/16, Lajpat Nagar, New Delhi.

79. The Imperial Publishing Company, 3, Faiz Bazar, Daryaganj, Delhi-6.

80. Jayana Book Depot Chapparwala Kuan, Karol Bagh, New Delhi.

81. Jain Book Agency, Connaught Place, New Delhi.

82. J. M. Jaina, & Brothers, Mori Gate, Delhi-6.

83. Lakshmi Book Stores, 42, M. M. Janpath, New Delhi.

84. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.

85. M. Gulab Singh & Sons, Private Limited, Press Area, Mathura Road, New Delhi.

86. The New Book Depot, P.O. Box No. 96, Connaught Place, New Delhi.

87. Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.

88. People's Publishing House, Rani Jhansi Road, New Delhi-1.

89. Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.

90. Sikh Publishing House Private Limited, 7-C, Connaught Place, New Delhi.

91. The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi.

### MANIPUR

92. Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School, Annexe, Imphal, Manipur.

### AGENTS IN FOREIGN COUNTRIES

#### U.K.

93. The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C. 2.

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