

PUBLIC ACCOUNTS COMMITTEE
1958-59

SEVENTEENTH REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (Defence Services), 1955-56 and
Audit Report, 1957]

VOL. II—APPENDICES



LOK SABHA SECRETARIAT
NEW DELHI

April, 1959

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CORRIGENDA

Seventeenth Report of the Public Accounts Committee (1958-59) on the Appropriation Accounts (Defence Services), 1955-56 and Audit Report, 1957—Vol. II—Appendices.

-
- Cover Page, line 6, for 'aud' read 'and'
- Contents, page (i), Appendix XII, line 2, after 'cash' insert '
- Page 2, S. No. 3, line 1, insert 'I' after 'Defence'
- Page 3, S. No. 4, line 1, for 'would' read 'should'
- Page 32, line 11, insert ',' after '& D'
- Page 32, S. No. 22, line 3, for 'workship' read 'workshop'
- Page 38, line 17, delete 'ad-'
- Page 42, S. No. 27, line 3, for 'resut' read 'result'
- Page 61, S. No. 39, line 9, for 'observations' read 'observation'
- Page 80, S. No. 51, Col. 2, for '7' read '74'.
- Page 81, line 6, for 'Publc Accounts' read 'Public Account'
- Page 81, S. No. 52, line 1, for '1st' read 'last'
- Page 88, S. No. 58, line 5, for 'I.A.C.' read 'P.A.C.'
- Page 91, S. No. 61, lines 3-4, for 'purchase' read 'purchased'
- Page 104, line 19, for 'Fligh' read 'Flight'
- Page 115, line 6, for 'th,at' read 'that'
- line 11 from bottom, delete '.' after 'depot'
- Page 122, line 5, after 'case' insert '—Page'
- Page 128, line 3, for 'months' read 'month'
- Page 132, para 32 reproduced in margin, line 10, for 'prafit' read 'profit'.
- Page 138, line 3, for 'Mach' read 'Machi'
- Page 139, line 7, insert 'lbs' after '3451?'
- line 11 for 'a' read 'at'
- line 5 from bottom, for 'prevjou' read 'previous'
- Page 148, col. 2 of statement, against 1955-56, for '36' read '11.36'
against 1956-57, for '3.32' read '13.32'
- line 8 from bottom, for 'is' read 'are'
- Page 149, line 3, for 're.' read 're:'
- line 8, delete '.' after 'between' and insert '—' after 'in'

- Page 152, line 6, for 'Ministry' read 'Military'
- Page 155, line 8, for 'earlist' read 'earliest'
line 10, after 'possible' insert 'in'
- Page 159, line 11 from bottom, for 'ex rcised' read 'exercised'
- Page 161, line 14, for 'n' read 'in'
- Page 164, para 8, line 6, for 'In active' read 'Inactive'
- Page 165, line 1, after 'perio' insert '—'
- Page 168, line 19, for 'then' read 'them'
- Page 170, line 24, for 'rate' read 'rates'
line 8 from bottom, for 'I' read 'It'
- Page 172, line 3, for 'Recommendation' read 'Recommendations'
- Page 174, line 7 from bottom, for 'order' read 'orders'
- Page 175, line 9, for 'Commandents' read 'Commandants'

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PUBLIC ACCOUNTS COMMITTEE
1958-59

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Shri M. C. Chawla—*Under Secretary.*
Shri K. Ranganadham—*Under Secretary.*

*Prof. N.G. Ranga was appointed as Chairman of the Committee on the 11th September, 1958 for the unexpired portion of the term of the Committee ending on the 30th April, 1959 *vice* Shri T. N. Singh resigned from Lok Sabha.

†Elected on the 23rd September, 1958 *vice* Shri T. N. Singh resigned from Lok Sabha.

APPENDIX I

Statements showing action taken or proposed to be taken on the outstanding recommendations of the Public Accounts Committee, relating to the Defence Services Accounts.

Serial Reference No.	to Para No. of the Report	Ministry/ Department concerned	Particulars of the Item	Remarks of the Ministry	Comments
1	2	3	4	5	6
NINTH REPORT (FIRST LOK SABHA)					
1	64 (IX)	Defence	Government should take all possible steps to enforce recoveries of the existing heavy outstandings on account of stores supplied or services rendered to private individuals by Ordnance and Clothing Factories during the years 1944-48.	In continuation of their Note furnished to the P.A.C. of 1957-58 (Appendix XXII to the Sixth Report of PAC), the Ministry of Defence have furnished the latest position. (See Appendix XVI)	See para 92 of the Report.

1	2	3	4	5	6
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2	73 (IX)	Finance (Defence)	The High Commissioner for India in London should be asked to pursue the question of early settlement of outstanding claims against the U.K. Government which amounted to £788,100 at the end of March, 1953 at high level with the War Office as further delay is likely to complicate matters.	In continuation of their Note furnished to the P. A. C. of 1957-58, the Ministry of Finance (Defence) have furnished the latest position (See Appendix XVII).	The clearance of the outstanding amount should be expedited.
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FOURTEENTH REPORT (FIRST LOK SABHA)

3	42 (XIV)	<u>Defence Finance</u> All other Ministries.	The Ministry of Defence as well as all other spending Ministries might consider the suggestion that powers should be delegated to officers at various levels to dispose of on the spot, unimportant audit objections arising out of minor breaches of rules and regulations so as to achieve a speedy reduction of the number of outstanding audit objections. This, in the opinion of the Committee, would lead to expeditious settlement of a majority of the outstand-	Under consideration.	Further Report may be awaited.
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ing objections and save considerable time and money both in the Audit and Executive Offices.

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|---|----------|---------|-----|---|--|--------------------------------|
| 4 | 44 (XIV) | Defence | . . | The Committee would be informed in due course of the decision arrived at in the matter of evolving a uniform procedure in all the three services with regard to reporting of cases of loss or fire to the Police. | The recommendation is still under examination. | Further Report may be awaited. |
| 5 | 50 (XIV) | Defence | . . | The Committee may be informed of the result of the reference made to the West Bengal Government as suggested by them in para 70 of their 9th Report. | In continuation of the note furnished to the Committee of 1957-58, the Ministry of Defence have stated that the amounts under objection have been settled. (See Appendix XVIII). | No comments. |

SIXTH REPORT (SECOND LOK SABHA)

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|---|-----------------------------|---------|-----|--|--|----------------------------|
| 6 | 6
(Introduction)
(VI) | Defence | . . | The working of Ordnance factories has been under constant examination by the Public Accounts Committee and year after year the attention of Parliament has been drawn to | Specific Government orders have been issued on 22-2-57 for systematic periodic reviews of all orders placed on Ordnance factories. | See para 96 of the Report. |
|---|-----------------------------|---------|-----|--|--|----------------------------|
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the various defects both in regard to the production, organisation and the stores wing of the Ordnance factories. It has been found that a large number of orders on the Ordnance factories remain pending for several years. They are subsequently cancelled or suspended due sometimes to frequent changes in the decisions of the user services. In other cases their manufacture cannot be established and in the meantime large quantities of raw materials have been imported and accumulated. Besides causing large amount of infructuous expenditure such a situation leads to inefficiency and waste. Provisioning and storing of huge quantities of raw materials without having established production of any particular items is to say the least unwise and at times fraught with risks. The proper method should be for the Ordnance factories to accept an educational

order of such items and first establish production. Only when they are confident of manufacturing these items successfully should they provision for bulk production.

The Defence Ministry have now accepted this position. It is, however, surprising that the Ministry should have taken years to come to this obvious decision. A review should, therefore, be undertaken early to reduce or cancel un-fulfilled orders previously placed. The present system leads to unsystematic working at the factories and accumulation of unuseable stores and raw materials.

7 6 Defence
(Introduction) _____
(VI) Finance (Defence)

The Committee are anxious that the large amount voted by Parliament should be utilised economically and in the best interests of national defence. At a time when appropriations are being cut to limits the country's foreign exchange position can afford, it is more than ever essential that the funds

The recommendation has been noted by the Ministries of Defence and Finance (Defence). See para 4 of the Report.

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voted are put to the best possible use. The Committee trust that their observations and recommendations made in this Report would be considered carefully by the Government.

8 3 (VI)

Defence

Finance (Defence)

Savings ranging from 8 to 10 per cent in the sanctioned grants have become a recurring feature of the Defence Grants during the last 6 years.

A note is attached.
(Appendix XIX).

See para 4 of the Report.

5 (VI)

The savings on Defence Capital Outlay, as in the previous years, continued to be abnormally high being more than two-fifths of the total vote. One of the causes of the saving in the grant for works expenditure was that substantial provision was made for items the execution of which could not possibly be expected in the course of the year.

The Committee would like to watch the results of the general

policy adopted from the year 1957-58 to include in the budget, provisions for those works only which have been approved or are likely to be approved at least 3-4 months before the beginning of the financial year, so that technical planning can be completed before allotments are made and works taken in hand.

6 (VI)

Defence

Finance (Defence)

While the Committee appreciate that certain practical difficulties might be unavoidable in estimating accurately the supplies which will materialise during the closing months of the financial year, they reiterate the recommendation made in their previous reports that a higher standard of estimating could be achieved by a closer liaison between the indenting and supplying Department.

In the opinion of the Committee the budgetary control of the Defence Services Grants leaves much to be desired. It is obvious that the large savings have been occasioned by over-budgeting. Over-budgeting by

A note is attached.
(See Appendix XX).

See para 4 of the Report.

one Ministry immobilizes sums of money which could be utilised for other important purposes by other Ministries.

10 7 (VI)

Finance (Defence)

Another factor to which the Committee would like to draw attention is the rush of expenditure in the last month of the year. The Committee regret that the information desired by them in this connection to enable them to examine some important cases was not made available to them as this could not be collected conveniently by the Ministry of Finance (Defence) from the C.G.D.A. in respect of each work separately. The Committee desire that at the time of consideration of the Accounts of the Defence Services each year they should be furnished with a statement showing the requisite details in respect of major construction works to enable them to examine this question. In the mean-time, the Committee would reiterate the recommen-

As desired by the Public Accounts Committee the Controllers of Defence Accounts have been instructed to furnish the following particulars in respect of works costing Rs. 10 lakhs and over and the statement required by the Public Accounts Committee will be submitted each year at the time of consideration of the Accounts of the Defence Services:—

See para 5 of the Report.

- (i) No. and date of administrative approval, amount of administrative approval and date of commencement of work.
- (ii) Amount spent during the closing month of

dition made in their Nineteenth Report that payments should be spread out evenly throughout the year as far as possible with a view to avoiding laxity of control because of rush.

the year vis-a-vis the earlier months.

(iii) Reasons leading to the rush of expenditure during the closing months.

2. As regards the statement for 1955-56, it was felt that collection of information in respect of all the projects costing Rs. 10 lakhs and over would take a considerably long time. In order to present the position to the Public Accounts Committee in respect of a sample of the projects at least, the Controllers of Defence Accounts were instructed to collect and furnish the particulars for the year 1955-56 in respect of only such projects costing Rs. 10 lakhs and over as were under execution near their Headquarters and in respect of which the information could be collected quickly. The information received

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from them is contained in the enclosed statement. (Appendix II)

3. Instructions have been issued from time to time to the executive authorities to maintain an even flow of bills throughout the year and avoid rush of expenditure at the close of the year. The more recent of these instructions are contained in A.H.Q. letters Nos. 02971/E8, dated 18-12-56 and 49819/E5, dated 11-12-57.

11 8 (VI)

Finance (Defence)

It is of paramount importance that the increase in Defence outlay is put to the best possible use. The Committee in the past have come across instances of purchase of defective or unwanted stores involving loss or wasteful expenditure. Again, there has been a number of

All Officers of the Ministry of Finance (Defence) have been asked to note the recommendation for their guidance.

No comments.

cases of infructuous expenditure by the Ordnance Factories as a result of their taking up manufacture of arms and ammunition which were either not required immediately or were beyond their capacity to manufacture.

The Committee therefore desire that the Ministry of Finance (Defence) which performs a dual role *vis.* of treasury control and of financial advice, will address itself more effectively to the latter aspect with a view to ensuring that expenditure conforms not only to policy but also to well-laid standards of economy, efficiency and propriety in public finance.

12 10 (VI) Defence

(i) In the case referred to in para 8 of the Audit Report, 1956, the Committee view with strong disfavour revision of estimates when the works are nearing completion, and they would suggest that in future any tendency to prepare the original estimates without proper and detailed planning should be severely dealt with.

A note is attached.
(Appendix XXI).

No Comments.

(ii) Another feature in this case was the lack of co-ordination between the building works and services pertaining to them.

Necessary instructions to ensure proper co-operation between building works and services thereto were issued by the E-in-C's Branch in their letter No. 39349/EzA, dated 12th/15th April, 1957. Further instructions in this regard are under issue.

13 13 (VI) Defence

(i) In the case referred to in para 9 of the Audit Report, 1956, the Committee could hardly see any convincing reason for the decision to defer the reduction in demand on the U.K. as obsolete stores should under existing orders be utilised.

(ii) The Committee are surprised that no action was taken to reduce the bulk order placed on the DGOF till December, 1953 by which time surplus components of the value of Rs. 1,68,000 had been accumulated.

(iii) This case is not the first instance where a bulk order was

A note is submitted.
(Appendix XXII).

See para 97 of the Report.

placed on the DGOF involving establishment of technique of production. The Committee have come across a number of such cases in the past, when bulk orders were accepted by the DGOF in respect of stores which have not been previously manufactured. In para 34 of their 19th Report, they have recommended that in the interests of operational efficiency, all pending orders should be reviewed periodically with a view to reassessing the needs in the light of the latest trend both in technique and demand.

(iv) They would reiterate the necessity for such a review also in the interests of economy as during a short space of three years, the Committee have come across a number of such cases where for want of proper co-ordination and organisation, infructuous expenditure of a very large magnitude had been incurred.

The Committee were surprised to hear that the store sold to the foreign country was of the new

type while on the other hand it is urged that it was urgently required by the Army authorities for replacement of old type.

(v) Another interesting feature which the Committee noticed in this case was the procedure adopted by the Defence authorities for declaring a store obsolete/obsolescent. The Committee recognise that in technical field the opinion of the Chief of the General Staff should be accepted. But in the light of cases which the Committee have come across they feel that greater caution and closer scrutiny is needed in deciding upon both the necessity for and pace of replacement. The Committee would, therefore, urge upon both the Ministry of Defence and the Financial Adviser to exercise more vigilance while scrutinizing replacement so that available resources are not frittered away.

The Committee are not satisfied about the results of the provision reviews as large deficiencies turned into surpluses in the following review in the course of a period of one year. In their opinion the whole question requires a thorough examination to—

(i) ensure that the basis of each review is itself sound and economic taking into account all reasonable reductions in requirements;

A note is submitted.
(Appendix XXIII.)

See para 98 of the Report.

(ii) see that orders are placed abroad or on the D.G.O.F. only for the actual quantity required; and

(iii) secure immediate action for reducing the demand already placed when a later provision review discloses surplus.

The Committee feel that this will go a long way in avoiding much of the infructuous expenditure incurred by the Ordnance Factories.

1	2	3	4	5	6
15	17(VI) Defence	<p>(i) The Ministry assured the Committee that as a result of the measures taken case of over-provisioning and infructuous expenditure on materials and components would not arise in cases of orders placed after February 1953. The Committee feel that the working of the Ordnance Factories should be under a close and constant review.</p>	<p>(ii) The Ministry have stated that the performance of the repaired store has not been found to be entirely satisfactory. The Committee do not appreciate how the suggestion to modify 97,000 Nos. lying in stock was made by the user-service without any fore-thought. It is equally amazing how the D.G.O.F. carried out the modification without testing the operational efficiency of the modified store. The Committee cannot but remark that the working of the Wings under the DOS and D.G.O.F. needs overhaul and re-organisation.</p>	<p>(i) The observation made by the Committee that the working of the Ordnance Factories should be under a close and constant review, has been noted.</p>	No comments.

the time combustion fuze, not all the modified lots gave consistently satisfactory results and as the age of the fuze components increased, the failures in the modified fuze have been more pronounced. The failure of the modified fuzes to give 100% satisfactory results could not have been visualised before the proposal for modification of these fuzes was mooted. In fact the first consideration before changing over production of a new design is to look for the possibility of modifying the earlier designs. Failure in actual practice of such modification cannot merit criticism that the original proposal for modification lacked any foresight unless the failure was obvious even before starting which was not so in this case.

With regard to the actual work of modification, the

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Ordnance Factories only carried out the modification as was given to them and the D.G.O.F. cannot be blamed for any failures which were inherent in the design or the modification itself. The position here was that some modified lots were passing the tests while others were failing and not until the failures came to unacceptable limits, could the D.G.O.F. or the Inspector re-examine and accept the position that as the age of these fuzes increased the modification would be increasingly difficult and would lead to unacceptable failures and be uneconomic and wasteful.

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18(VI)

Finance (Defence) (i) In the case regarding over-provisioning of stores referred to in para II of the Audit Report, 1956, the Committee would

The whole case has since been examined in all its aspects. As has already been stated, the Office of See para 99 of the Report.

like to be informed of the action taken against the officers responsible for negligence in the Ministry of Finance (Defence).

the Deputy Financial Adviser attached to the Engineer-in-Chief's Branch was handicapped for want of adequate time for scrutiny of a list which contained about 1800 items. In view of the very short time involved, not only was the working copy of the indent accepted for financial scrutiny but only a percentage of the items to be checked was done instead of the usual cent per cent check. The error of the kind that had actually occurred was the direct result of the percentage check that was carried out. A more appropriate course in the circumstances of the case would have been to accord financial concurrence provisionally and

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then to subject the indent to cent per cent check. As there was adequate time interval of two or three months between the issue of the forecast by the Engineer-in-Chief's Branch and the finalisation of the demands by the branch of the Master-General of Ordnance, amendments necessitated by a cent per cent check could have been easily given effect to. There was thus an error of judgment on the part of the Assistant Financial Adviser concerned in not taking this safeguard. This officer retired from service in March 1953 and it is not therefore possible to pursue the disciplinary aspect of the case further. So far as the failure on the part of the official/s

in the office of the Deputy
Financial Adviser
(Ordnance) is concerned,
it was unfortunate that
the Assistant Financial
Adviser failed to notice
the abnormality of the
demand even when his
attention had been invited
to this aspect, and to re-
fer the item to the Deputy
Financial Adviser at-
tached to the E.-in-C's
Branch, though this was
not necessary in the nor-
mal course of the pro-
cesses. As this Assis-
tant Financial Adviser
retired from service in
1951, no further action
is possible against him
also. Instructions have,
however, been issued that
the Deputy Financial
Adviser attached to the
provisioning Branch
should refer all abnormal
items to the Deputy
Financial Adviser asso-
ciated with the user
Branch for re-examina-
tion and confirmation.

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Defence

(i) The Committee are not convinced by the explanation given by the Ministry of Defence for treating the two indents placed on the purchase organisation for supply of cloth as operational. The Committee could not get any satisfactory answer why the Naval authorities did not draw up their provisioning programme in advance until the stores were completely exhausted and react to the changed situation promptly after the urgency disappeared.

(i) Only the first indent for 18000 yards of canvas cotton white was upgraded as operational while in the case of the second indent for 57000 yards of canvas cotton white, only 10000 yds. was upgraded for operational procurement in order to meet requirements of ships/establishments which were outstanding for some time.

No comments.

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Instructions have since been issued by Naval H.Q. to all concerned vide Naval Stores Department Memo. No. 2/56 that urgent/operational indents are to be signed by the Deputy Director of Stores on behalf of the Director of Stores at Naval Headquarters and by Naval Stores Officer in

charge of depots. In all such cases, certificate for operational procurement of stores signed by Director of Stores is to be obtained in the first instance and attached to the indent.

As regards the provisioning programme, it is stated that the requirements of three years are provided for in advance and are further augmented by supplementary reviews where necessary. Even stocks of certain items are exhausted before the materialisation of "Dues In" due to various factors namely, due to inability on the part of suppliers to tender the correct type of stores at due dates or certain abnormal expenditure of stores which could not be foreseen.

In the past, due to certain reasons supplementary reviews could not be car-

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ried out systematically but this has now been ensured and the position will improve considerably when the provisioning is centralised at Naval H.Q. Instructions have also been issued to the Naval Stores Officer, Bombay to constantly review the position of "Dues In" so that they are reduced/ cancelled in good time wherever necessary.

(ii) The Committee are surprised how the Naval Authorities could fix the delivery period as a fortnight with all the process of inspection in respect of a store the first time from the local market and why it took the Technical Establishment 5 months to fix the specifications. A realistic appraisal of the position would have avoided the purchase of cloth in the present case at com-

paratively higher prices on the ground of urgency. The Committee would therefore desire :—

- (i) that delivery periods in contracts should be fixed in a realistic manner allowing adequate time for inspection.
- (ii) (i) Noted for future guidance. Instructions have been issued by Naval HQ to all concerned stressing the necessity of indicating realistic delivery periods by which the stores are required. It has also been emphasised that in working out the period for supply, the indent should take into account all factors having a bearing on supply, such as availability of raw material in the country, time for fabrication and testing of samples/stores, inspection, transport and shipping difficulties etc.
- (ii) See remarks against (i) above.
- (iii) that requirements should be planned and worked out in advance in the light of consumption and other data to
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obtain replacements before stocks are completely exhausted and to allow sufficient time for tender action.

(ii)(iii) that the Naval Authorities should ensure that when demands are placed for purchases, etc. the requisite specifications are ready and are sent simultaneously along with the indents.

(ii)(iii) Noted for future guidance. Instructions have been issued by Naval HQ to the Naval Stores Officer, Bombay, that when stores are demanded on operational basis, any subsequent information relating to the demand should be provided expeditiously. Further, the N.S.O., Bombay has been instructed that progress action on all urgent and operational demands should be taken with utmost speed and care and complete information, such as requisite specifications governing supply etc. should invariably be

18 23(VI) Defence

The Committee would express their disapproval of the action of the Naval Stores Officer in suggesting the name of a particular supplier to the Purchasing Organisation. They would like to be informed of the action taken against the officers held responsible in this case, as a result of the enquiry.

given on all indents before they are placed on the Central Purchase Organisation.

The following action has been taken against the officers held responsible in this case as a result of the enquiry :—

See para 100 of the Report.

- (1) Dismissal order has been served on a Deputy Naval Stores Officer, Bombay on 28th April, 1958.
- (2) The displeasure of the Chief of Naval Staff has been conveyed to Assistant Manager (Construction), Industrial Managers' Organisation, Indian Naval Dockyard, Bombay which post was held by a Service Officer, on 24th May 1958.
- (3) A civilian Technical Assistant in the Industrial Managers' Organisation, Indian Naval Dockyard, Bombay has been warned to exercise greater care in future.

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(4) Proceedings against another Deputy Naval Stores Officer, Bombay have been instituted and a charge sheet has been served on the officer concerned on 10th July 1958.

(5) Departmental proceedings against a Stores Receiver in the Industrial Managers' Organisation, Indian Naval Dockyard are under consideration.

Ministry of Finance (Defence) and Director of Audit, Defence Services, have seen. (See also Appendix XXIV).

19(i) 25(VI) Defence

(i) The Committee trust that the instructions issued regarding cancellation of orders placed on the D.G.O.F. in case drawings were not supplied within two months of placing the orders would reduce the number of outstanding orders. They would

A note is submitted. (See Appendix XXV).

No comments.

also suggest that the real causes for bottlenecks at various stages in the procedure should be investigated and the procedure streamlined. In this connection they would invite attention to the recommendation of the Estimates Committee in para 90 of their 68th Report that the responsibility of various authorities including the Technical Development Directorate should also be pin-pointed for delays.

19(ii) 25(b)(VI)

Do.

(ii) The Committee feel concerned about the financial losses that arise from cancellation of orders at a late stage. The matter requires to be carefully considered before taking action to cancel the pending orders. Suspension of orders also indicates lack of proper planning and fore-thought on the part of indentors at the time of placing orders. The Committee are of the view that the present system of placing orders is inherently defective and needs improvement.

A note is submitted.
(Appendix XXVI).

(See para 40 of the
Report.)

(ii) The Committee trust that the provision of technical staff in the factories should improve the

Reply is awaited.

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efficiency of the factories. They are, however, unable to appreciate the need for any additional technical staff at the Headquarters of the D.G.O.F. for the same purpose. They would like to know the precise duties of such personnel at the Headquarters where technical supervision at higher levels is already available.

20 26(VI) Defence

While they appreciate the steps taken to lay down a revised procedure for review of outstanding orders, they would also invite attention to the recommendation made in the para 95 of the 68th Report of the Estimates Committee that progress reports should also specify the reasons for delay in execution of orders and the D.G.O.F. should see that these causes are removed as far as possible so that production could be expedited. These reports should also be scrutinised at half-yearly intervals by the

The reasons for delay in the execution of an order are given by the factories in their progress reports to the D.G.O.F. who in turn examines the various causes of delay with a view to seeing to what extent they can be removed.

No comments.

The suggestion that the D.G.O.F.'s progress reports on outstanding orders should be scrutinised at half-yearly intervals by the C.G.D.P. and

Controller General of Defence Production and the Defence Production Board so as to enable them to initiate timely action.

the Defence Production Board, has already been examined in connection with Para. 95 of the 68th Report of the Estimates Committee. Since the number of extracts on which progress reports will have to be submitted will run into thousands, it will not be practicable either for the C.G.D.P. or for the Defence Production Board to scrutinise the entire progress report at any one time.

Cases where the indenter is not satisfied with progress of particular items are generally brought to the notice of the C.G.D.P. and, where necessary, of the Defence Production Board as well.

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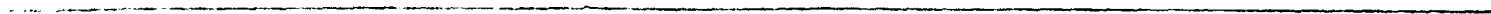
27

Defence

While the Committee appreciate that there might be in some cases real difficulties in obtaining the requirements of raw materials from suppliers, they consider that the delay in most cases

Note submitted
(Appendix XXVII)

No comments.



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would be due to lack of proper chasing up of the indents. In their opinion, closer coordination and timely pursuit of indents with the Organisation of the D.G.S. & D. would improve the situation considerably. They also desire that the present procedure of processing of indents of the D.G.O.F., by the D.G.S. & D.I.S.D., London and I.S.M., Washington should be reviewed with a view to removing the inordinate delays in supplies.

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28(VI)

Defence

The Committee feel that it would be worthwhile to tap the various Departmental workshop factories for supply of stores against petty orders for teleprinter spares, automobile spares, etc.

Orders already exist to the effect that demands for petty quantities should not be placed on the Ordnance Factories if those items are procurable from other sources of supply like trade or import. Only if an item is not available from other sources, demands are placed on the Ordnance Factories and wherever possible the demands are bulked to

See para 101 of the Report.

cover 3 to 5 years requirements to make it an economical unit for manufacture by the Ordnance Factories. A proposal is also under consideration in this Ministry to increase the extent of manufacture of spare parts by the Army Base Workshops, by the employment of additional labour and without increasing the machinery. When this proposal is implemented, all items of spare parts required in petty quantities for repair of equipment/vehicles will be manufactured by the workshops themselves and it would not be necessary to get them manufactured by the Ordnance Factories.

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30(VI)

Defence . . .

(i) The Committee would like to know about the disposal of completed stores, the surplus components and raw materials in the case referred to in para 15 of Audit Report, 1956.

A note is awaited.

31(VI)

Defence

(ii) The Committee are not satisfied with the decision of the Defence Ministry to continue production in this case at the high rate even after the emergency was over, merely to avoid retrenchment of labour. For, in the present case, the Committee understand that a new type of store was under development which was expected to replace this item. In that case, the entire stock of the store which would last for 20 years would become obsolescent. As years roll by, the operational efficiency of the store will also go down, leading to heavy condemnation. Further, heavy expenditure will also be incurred on care and maintenance of stock. The Committee feel that this case requires a thorough investigation with a view to fixing responsibility.

- (i) This is yet another case where the fundamental principle of first establishing manufacture of a new store by undertaking trial order before provisioning for bulk manufacture, was ignored by the D.G.O.F. resulting in infructuous expenditure on raw materials and surplus components.

No comments.

The Committee have commented on a number of similar cases involving infructuous expenditure. From a statement prepared by the Comptroller and Auditor General, the Committee observe that such expenditure amounted to about Rs. 68 lakhs because the D.G.O.F. accepted bulk orders and went ahead with bulk provisioning before establishing manufacture of the stores. The Committee regret to note that this practice has been a normal feature of the Ordnance Factories.

- (ii) The Committee feel that it would be necessary to define precisely what should consti-
- The necessity of an educational order and the size of it is now considered by the

rute an "Educational Order" and what should be the quantity suitable for economic manufacture in such orders. For, there had been cases where bulk orders were treated as educational orders by the D.G.O.F. and raw materials were purchased for the bulk quantity on the plea that sizeable quantities of raw materials would facilitate economic purchase. This might be true to some extent, but at the same time, it is important not to ignore the fact that the expenditure would become infructuous if production were not subsequently established. The Committee deprecate the casual manner in which expenditure on purchase of raw materials was looked upon by the D.G.O.F.

The Committee, therefore, recommend that the necessity of an educational order and its size should both be determined by the Ministry of Defence.

Ministry of Defence in all cases.

The Director of Audit, Defence Services, has seen.

(i) The Committee recommend that results of the examination carried out in respect of stores worth less than Rs. 1 lakh should also be communicated to them.

The Committee recommend that with a view to relieving congestion in the Ordnance Factories and Depots a procedure should be evolved for carrying out regular reviews of unwanted stock in the Ordnance Factories and Depots.

(ii) They also desire that the limit to the financial powers of the D.G.O.F. in incurring expenditure on the manufacture of components for stock purposes should be fixed early.

26(i) 35(VI) Defence . . . D.G.O.F. states that the measures introduced to overcome the difficulties resulting from delay of supply of paper particulars and frequent suspension of orders by the Indentors, have worked satisfactorily. As a result of these

The preceding paragraphs indicate that the administration and working of the Ordnance Factories is far from satisfactory. The Committee were informed that as a result of the measures taken recently, the planning and production in the Ordnance factories would be brought to a

satisfactory level. They were also informed that a system of joint planning by D.G.O.F., Technical Development Authorities and Services had been evolved in order to remove the present bottlenecks. The Committee would be interested to be informed of the working of the revised procedure.

orders the number of outstanding extracts has been significantly reduced. It has also now become possible to obtain the relevant paper particulars much earlier than has been the practice hitherto.

In future indents on the D.G.O.F. would be placed on a 3 years basis and Government orders to this effect have been issued. This will improve the planning work in the Factories. Further certain additional posts in all categories for the Factories have been created and action to fill up these posts is in hand. Slight difficulty is likely to be experienced in filling up these vacancies due to the scarcity of suitable technical personnel and the

attractive terms for such experienced staff being offered by the Trade in the Private Sector.

A procedure is also being worked out for carrying out development work separately from regular manufacture of new stores. With the rigid implementation of this procedure, the instances of infructuous expenditure will be avoided to a large extent.

The question of revising the present procedure for provisioning of materials based on the 3-year firm indents is also engaging the attention of the Govt. and it is proposed to give freedom to plan the production programme to D.G.O.F. for the various demands by the Services on the basis of the optimum utilisation of installed capacity to achieve economical production.

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26(i)	38	Defence	<p>The Committee would like to know the composition and the main recommendations of the Departmental Committee which was reviewing the whole production programme in the Ordnance Factories, and the action taken by Government thereon.</p>	<p>It is presumed that the term "Departmental Committee" mentioned in the Report refers to the Defence Production Planning Committee.</p> <p>The Composition of the Defence Production Planning Committee is as under :—</p> <p style="text-align: center;"><i>Composition</i></p> <p>Dy. Defence Minister— <i>Chairman.</i></p> <p><i>Members</i></p> <p>Chief of Army Staff Chief of Air Staff Chief of Naval Staff Secretary, Ministry of Defence. Additional Secretary Ministry of Defence Scientific Adviser to Minister of Defence Financial Adviser (Defence) Controller General of Defence Production.</p>	No Comments.

The Committee has submitted a preliminary report which deals with some of the problems entailed in the production effort, covering the whole field starting from the determination of the Services' requirements and organisations concerned with the development to their production by the Ordnance Factories or by the civil trade. The Committee had also made a study of the various procedures and administrative bottlenecks and recommended measures to overcome them. The management and organisation of the Ordnance Factories had also been specially examined with a view to improving the production effort.

Many of the Committee's recommendations contained in their preliminary report have been accepted by the Defence Minister and a few

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				<p>in a modified form. These are now under implementation in consultation with the Ministry of Finance, wherever necessary.</p> <p>The report of the Defence Production Planning Committee is <i>SECRET</i>.</p>	
27	36(VI)	Defence	<p>The Committee suggest that the workshop Capacity released in H.A.L. as a result of the closing down of the Bus Building Section should be suitably utilised in other expansion schemes of the factory.</p>	<p>This has been done. The workshop capacity released as a result of the discontinuance of H.A.L's Bus Body Project has been utilised for the expansion of the Company's Railcoach Factory.</p> <p>The Director of Audit Defence Services, has seen.</p>	No comments.
28	37(VI)	Defence	<p>The Committee are surprised that the H. A. L. should have allowed the dues of the order of Rs. 1,58 lakhs</p>	Reply awaited.	See paras 50-51 of the Report.

(as on 31st March 1956) to accumulate in this manner. For, its main customer is the Ministry of Defence whose representative functioned as a Director on its Board of Management. Because of delay in settlement of claims by the Ministry the H.A.L. had to borrow from a Bank and pay interest thereon.

29	38(VI)	Defence	<p>The Committee consider it to be of the utmost importance that the capacity of the factory should be fully utilised. In the interest of both the I.A.F. and H.A.L. the latter would do well to examine the questions of increasing their production and manufacture of engines and airframes of the types selected by the I.A.F. to meet their growing requirements. The Committee would also like to know what progress is being made in each of the directions laid down in the memorandum of Association of H.A.L.</p>	<p>The recommendation has been noted and necessary steps are being taken in this direction. The policy is to give priority to the production of aircraft and aero-engines. Steps have already been taken to under take the manufacture of new airframes and aero-engines for the I.A.F. For this purpose licence agreements have been entered into with two foreign firms. In addition to the manufacture of aircraft and aero-engines, H.A.L. will be carrying out overhaul and other maintenance work.</p>	<p>See para 52 of the Report.</p>
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2. A new aircraft is being developed at H.A.L. with the help of foreign experts. Arrangements have also been made under a technical assistance agreement with a German firm, for the manufacture of integral railcoaches at H.A.L.

3. During 1958, H.A.L. designed and developed a light trainer aircraft, the "Pushpak".

4. It will thus be seen that broadly progress is being made in accordance with the main objectives set out in the Memorandum of Association of H.A.L.

29(ii) 38(VI)

Defence

The Committee would suggest that the Ministries of Defence and Communications should work out their requirements for 2-3 years in advance of the period of use to enable the factory to

This suggestion is being followed. The programme of manufacture of fighter aircraft at HAL during the next few years has been planned with

See para 52 of the Report.

plan its production programme and phase it over a period. The Committee understand that certain suggestions in this behalf have been made to the Government by the HAL and they would like to know the final decision arrived at in the matter.

reference to the estimated requirements of the IAF during these years. As regards the Directorate General of Civil Aviation, the HT.2 aircraft is the only aircraft being manufactured at HAL in which they are interested. The production of this aircraft has been planned taking into account the requirements of both the IAF and Civil Aviation.

29(iii) 38 (VI) Defence

While the Committee welcome the gradual change-over to the production of aircrafts till its capacity is fully absorbed by manufacture of aero-engines or complete aircrafts, they would suggest that the H.A.L. should explore the possibilities of securing some overhaul work from some of the friendly neighbouring countries till such time as it is in a position to utilise its full capacity on the manufacturing side.

Reply is awaited.

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29(iv) 38 (VI) Defence

They would also suggest that its capacity for overhaul and servicing etc. should be fully utilised, suitably co-ordinated and pooled

This is being done. There is no overlapping of similar facilities. No comments.

with the Air India International, Airlines Corporation and IAF internal facilities, for such purposes to avoid over-lapping in the interest of economy and efficiency.

The Director of Audit, Defence Services, has seen.

29(7) 38 (VI) Defence

The Committee suggest that the manufacture of cheaper aircraft by the HAL should be investigated in order to cater to the growing needs of Flying Clubs in the country. The desirability of supplying HT. 2 aircraft to Flying Clubs on instalment basis should also be considered by the HAL as it will facilitate more sales and make people more air-minded in the country.

The manufacture of a cheaper trainer aircraft at HAL is under experimentation.

2. Steps have been taken to promote sale of HT.
2. With a view to popularise this Trainer Aircraft amongst the Flying Clubs, it is being sold to them on payment of the price on an instalment basis.

29(7) 38 (VI) Defence

The Committee would like to know in due course the progress made in the execution of some of the projects for manufacture of certain types of aircraft and engines.

A progress report will be sent separately later. The report may be awaited.

The Director of Audit, Defence Services, has seen.

30	39 (VI)	Defence	The Committee would like to have comparative statement of the cost of the Integral Rail Coaches to be manufactured by the H.A.L. and the Integral Coach Factory, Perambur (Madras).	Reply is awaited.	See para 187 (Proceedings) of the Report.
31	40 (VI)	Defence	The Committee would suggest that the HAL should consider the feasibility of implementation of their suggestion regarding the desirability of standardising the types and designs of aircrafts required for internal feeder services.	A Transport Aircraft Development Committee had been set-up with the Deputy Defence Minister (I) as Chairman, to consider the feasibility of standardising the type of transport aircraft which would be suitable both for the IAF and the Civil Airlines.	See para 53 of the Report.
				The Committee has made certain recommendations which are under consideration.	
				The Director of Audit, Defence services, has seen.	
32	41 (VI)	Defence	The Committee find that the HAL have not so far taken any concrete steps to prepare a detailed	The recommendations made by the PAC in para 41 of their 14th Report 1954-55	No comments.

annual report on the working of its various branches for being made available to members of Parliament as recommended by them in para 41 of their 14th report. They would, therefore reiterate their earlier recommendation in this behalf and desire that the HAL should make an early start in this direction.

were examined in consultation with the Comptroller and Auditor General who having regard to the practical difficulties of preparing separate Balance Sheet and Profit & Loss Account for each department of HAL agreed to the preparation of *proforma* accounts department-wise to show their operational efficiency. Copies of the *proforma* accounts for the years 1954-55 and 1955-56 have already been sent to the P.A.C. with our final reply to the recommendations made by the P.A.C. in their 14th Report. The *proforma* accounts in respect of year 1956-57 and onward will be supplied to the P.A.C. separately.

Commencing with the Accounts of HAL for 1956-57 onwards, an Annual Report on the working of the Company is being placed before both the House of Parliament (the first report was placed before Parliament by the Defence Minister on 9-5-58). The form of this report complies with the requirements laid down in Section 639 (1) of the Companies Act 1956.

A brief statement in a narrative form giving the working results of the various branches of HAL will, however, be included in the Annual Report to be placed before Parliament in future.

D.A.D.S. has seen.

33 43 (VI) Defence

It is apparent that the decision of Government to enter into an agreement with the French firm was arrived at after careful consideration. If so, the Committee think it is idle to suggest

Since the time the Public Accounts Committee made their recommendations, further steps have been taken to utilize the production capacity

See para 46 of the Report.

now (after half the period of contract has rolled by) the user Services were averse to purchase the equipment manufactured by BEL because of their unfamiliarity etc. Such an attitude, if it is allowed to continue will hamper production and smother if not kill, the incentive to produce. The Committee are, therefore, very much concerned that the capacity of the factory should be put to the best possible use and to this end, the Government, the user Services and the B.E.L. should address themselves earnestly.

The Committee like to add here that this is not the first case of its kind where Government could not utilise the installed capacity of a factory fully. Similar is the case of the Machine Tools Prototype Factory at Ambemath. They trust that the Ministry will profit by these experiences.

available in BEL. The question of suitability of various types of equipment required by the Services that could be manufactured in BEL has been again examined and a number of items of electronic equipment required by the Army and Air Force for manufacture in BEL have been selected to enable BEL to plan their future production. Accordingly at their meeting held on the 21st/22nd July, 1958, the Board of Directors of BEL approved of revised general production programme of the Company upto 1961/62, based on a rough indication of requirements given by the User Departments. According to this production programme—assuming that

firm indents would follow the rough indication of requirements—the total value of production estimated by BEL is as follows :

Year	Total value of production
Rs. in lakhs.	
1959-60	171.8
1960-61	471.6
1961-62	617.0

The present estimated capacity for production per year in a single shift is for equipment worth Rs. 1.2 crores. The above production programme will result not only in the utilization of the existing capacity, but also in the expansion of the factory capacity.

The Ministry of Railways have stated :

“The Railways are already obtaining their require-

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ments of wireless equipments from M/s Bharat Electronic Ltd., Bangalore. For the equipment which they are unable to supply, clearance is invariably obtained from them before obtaining the equipment from other sources".

34 45 (VI)

Defence

(i) In retrospect, the conclusion is irresistible that the production programmes have not been well planned in the Project Report; nor have they been properly scrutinised by the Technical Directorate in the Ministry. It is not known whether attention was paid to the suggestion of the Technical sub-Committee regarding some changes in the production schedule of B.E.L. either at the time of finalising the contract or while modifying the production schedules subsequently. Undoubtedly the initial set-backs encountered by

Reply is awaited
See also para
45 of the Report.

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B.E.L. in establishing production were due to lack of perspective in planning production. The emphasis on the development aspect was more than it ought to be. In a new venture like the electronic industry, a better and more prudent course would have been to start production of types of equipment already in use (and therefore acceptable to users without modifications and elaborate tests and trials) and then switch over to new types gradually.

(ii) Of the three types of wireless sets required for the Defence Services, production in two cases is not expected to commence earlier than 1959 and 1963 respectively while in the third, development work has been stopped. The Committee would, therefore, suggest that production of less complicated equipments should now be taken up by B.E.L. so as to utilise the idle capacity for the intervening period. Had this been done much earlier, the B.E.L. would have gone into production years

before and would have saved the much needed foreign exchange. With a view to examine this aspect in greater detail, the Committee called for a note stating the value of various equipments imported by the Defence Services which could have been manufactured by the B.E.L. had the original schedule of production been adhered to. The information is still awaited.

(iii) Though the performance of the B.E.L. was disappointing so far as the requirements of the Defence Services were concerned, the factory has manufactured electronic equipments for civil users like Railways, Police, A.I.R. and Civil Aviation Department. The Committee were assured that with the setting up of the Radio and Cable Control Board, the manufacturing capacity of the B.E.L. would be fully utilised by the Govern-

ment Departments, for the Board scrutinises the indents of the user department for the import of electronic equipments which could be undertaken by the B.E.L. were they so directed. The Committee would like to know how far the present production of equipments required for civilian use has enabled the company to utilise its capacity and would also like to be informed of the effect of the setting up of the Radio and Cable Control Board on the future utilisation of the capacity.

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46 (VI) Defence ■

The Committee consider that as a factory run on business principles, B.E.L. should have an efficient Sales Department. This Department should be manned by competent technical officers who will contact the user Departments with a view to ascertaining their future requirements and thus enable B.E.L. to plan ahead the production programme. Officers of this Department may also be sent abroad periodically to visit the French firm to select the items of equipment produced by that

A Commercial Department has been established in B.E.L. since May 1957 and it is now being equipped and organized to contact the user departments and obtain necessary information to ensure production of equipment to meet the specifications of these departments. The recommendations of the Public Accounts Committee will be borne in mind in the organisation and working of

See para 48 of the Report.

firm which will be acceptable to users here for manufacture at B.E.L. Similarly, they may also select other equipments to manufacture under licence in B.E.L. In fact the Committee understand that a delegation of experts headed by an officer of the Defence Ministry toured the U.K. on a similar assignment and have selected a number of such items. It is reported that their report is under the consideration of Government. The Committee trust that speedy action will be taken on this report and the production schedule of B.E.L. drawn up quickly.

the Commercial Department.

The delegation which was deputed to Europe and the U.K. examined the suitability of various types of electronic equipment, and has made its recommendations. These have been considered and various items of equipment required by the Army and the Air Force have been selected for production in B.E.L.

36

47 (VI)

Defence

(i) The Committee were informed that B.E.L. had already spent Rs. 20 lakhs on the machinery and building in connection with establishing valve production, while the machine required for the complete project was estimated to be worth Rs. 25 lakhs. In these circumstances, the Com-

(i) In their meeting held on the 21/22 July 1958 the B.E.L. Board of Directors decided to go ahead with the valve project. The company's application for a licence to set up the manufacture of valves has been forwarded to the

See para 47 of the Report.

mittee considered that the obvious choice is the public sector. The Committee would, therefore, urge that the negotiations with the other company in this behalf should be finalised without any further delay and production of valves started by the B.E.L.

Ministry of Commerce and Industry. The President's approval to the project, which is required under the Articles of Association of the Company, has been accorded, subject to the grant of a Licence for the project by the Ministry of Commerce & Industry. B.E.L.'s negotiations with a foreign collaborator for technical assistance have reached an advanced stage.

(ii) One important question which the Committee understand is being considered by the Defence Ministry in this regard is how far the entering into the licensing agreement with other firms for valves would affect the obligations of Government under the terms of their agreement with the CSF, the French firm, as this would affect the full utilisation of Bharat Electronics Ltd.'s capacity with and without the assistance of the CSF. The

(ii) The question of entering into licensing agreements with firms other than the C.S.F. with reference to the existing agreement with C.S.F., has been considered in consultation with the Ministry of Law. That Ministry have advised that under the C.S.F. agreement B.E.L. is not precluded from entering into Licence Agreements

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Committee would like to be informed of the final decision on this point and of the progress made in this matter of undertaking manufacture of valves in Bharat Electronics Ltd., before they next take up examination of the accounts of the company.

with firms other than the C.S.F. for manufacturing items of equipment mentioned in the Schedules of the C.S.F. agreement or some of them.

37

48(VI) Defence

(i) The Committee understand that Audit have already suggested that the review of under or over-recovered overheads should be quarterly, and on the basis of such review, the rate of overheads for the subsequent period should be suitably adjusted with a view to avoiding the necessity of reopening all the closed work orders at the end of the year for reallocation of the under or over-recovered overheads. The Committee desire that the suggestion should be examined by the B.E.L. and the Committee

Reply is awaited. 88

informed, in due course, how the change suggested by Audit has worked.

- (ii) The Committee should be informed as to the manner in which the amount of loss of order of Rs. 20.57 lakhs in respect of 147 sets of transmitters and 314 sets of receivers is proposed to be finally adjusted.

38

49 (VI)

Defence

At present, with the major part of B.E.L.'s capacity lying unutilised, the overhead costs are disproportionately high. A sort of weighted overhead is being charged on the equipments manufactured at present. The Committee were given to understand that this was inevitable and with the tempo of production rising, the element of overheads in costs will decrease over a period of years. While the Committee appreciate this, they are of the view that the B.E.L. should devise effective measures to guard against extravagance and allocating too much overheads on its products which might result in "pricing itself out of the mar-

The pricing policy which should be followed during the formative years, when installed capacity is being partially utilised, in order to ensure that B.E.L. does not "price itself out of the market", has been examined by the Secretaries Committee for Heavy Industries. It was decided by the Committee that B.E.L. should calculate the cost of production of the equipment "taking into account only that part of the overhead costs that could be allocated to their production as if the Factory as planned were

See para 48 of the Report.

ket." With this object in view the BEL should scrutinize its overhead costs periodically and see that the costs are comparable, if not competitive, with imported equipments.

in full production". The Cost Accounts Department of the Ministry of Finance examined the cost of production of the equipment produced by BEL. On the recommendation of that Department, the BEL Board of Directors decided that the selling prices during the years 1956-57 to 1961-62, should be fixed on the basis of 575% of direct labour cost as overheads plus 10% of the total cost as profit. The losses that would occur during the initial years on account of the above pricing policy would be carried forward and adjusted against future profits.

The overhead costs will be kept under constant review with a view to reducing the cost of production.

51(VI) Defence
Finance (Defence)

The Committee regret to observe that store accounting and store keeping continues to be in an unsatisfactory condition, and even after completion of the Re-organisation Scheme, no perceptible improvement has been noticed. They would, therefore, reiterate their oft-repeated observations that unless the quantity and location of stores are known with reasonable accuracy, full operational efficiency of the Services cannot be attained. They desire that the surprise check of the physical stock by the C.G.D.A. should be introduced in respect of the items where large surpluses and deficiencies have been noticed.

The Ministry of Finance (Defence) have stated : No comments.

Prior to World War II, the Defence Accounts Department were required to carry out a percentage verification of the stock held in various Depots as well as Ordnance and Clothing Factories. This was suspended during the War (except for Ordnance and Clothing Factories where it continued upto the year 1949-50). Thereafter this question was examined and for the two main reasons given below, it was decided to relieve the Defence Accounts Department of this responsibility :—

- (i) The Defence Accounts Department lacked men having adequate technical knowledge required for correct verification of Defence stock whose complexity and variety

had increased immensely during the War.

- (ii) As a matter of principle, the responsibility for carrying out physical verification of stock must rest with the stock holders themselves.

Even the surprise check in respect of items in which large surpluses and deficiencies have been noticed will require the assistance of a fairly big and technically qualified staff of stock verifiers which the Defence Accounts Department do not have. On balance, therefore, it would seem advisable to maintain the *status quo*.

2. Although under the existing orders, the Defence Accounts Department

(i) The Committee regret to observe that so long after the end of the War, the store keeping was allowed to remain in such a chaotic state in the Air Force Depots. In their opinion the situation warranted much earlier action to screen the old stocks with a view to determining their usability and disposing of obsolete and unwanted items. While the Committee appreciate that the present procedure is designed to ensure that stocks which might

is not entrusted with the responsibility of stock verification, that Department is not precluded from carrying out special verification of stock at any time whenever such verification is considered necessary by that Department. Under this provision that Department carried out stock verification in a unit once in 1954.

The Ministry of Defence have furnished a Note (See Appendix XXIX).

See Chapter V of the Report.

Under the standing orders stock-taking in Units is to be done annually and in Depots once in two years. Instructions had been issued from time to time to Units/Depots to impress upon them the need for compliance of these orders.

See Chapter V of the Report.

In August 1947, as an aftermath or war huge stocks of equipment were left

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be required in future should not be declared surplus, if we consider that on a long term point of view it would be more economical to dispose of stores of doubtful usability and resort to purchases, if and when the necessity actually arises in future.

behind by the British and American Air Forces. After partition all RAF personnel looking after the equipment had been withdrawn and the then existing small Indian Air Force was also divided between India and Pakistan. The meagre equipment staff that was in position then, was hardly able to attend to the job of stock-taking besides their normal commitments in connection with the maintenance of operational squadrons and hence a special *ad-hoc* procedure was first decided on under which verification of stocks was done mainly on the basis of case markings as it was physically impossible to open all the cases which were scattered all over

India. During the stock-taking in 1949-51 and 1951-53 though an attempt was made to carry out stock-taking as comprehensively as possible, it was not found possible to open all the cases and carry out inspection, etc. Due to the shortage of personnel, the Store Depots could not be manned adequately to meet the commitments. New equipment was also being imported. The job of looking after fresh arrivals, accounting, etc. had naturally to be given first priority. The lapses in stock-taking which occurred were in the circumstances largely unavoidable.

Instructions regarding disposal of surplus Stores had been issued in April and May, 1947. The R. A. F. had left large stocks of equipment in a chaotic state and the war-time procedure of disposal

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did not suit the requirements of the I.A.F. In order to clear the unwanted stores revised instructions were issued in March 1949. As these instructions did not cover the disposal of surpluses held at the Air Force Units, further instructions were issued in August 1951 and November 1951 detailing the procedure to be followed in the matter of disposal of stores. A special procedure was evolved in August 1957 with a view to speeding up the screening of the stocks and the disposal of unwanted items. It will thus be clear that the problem of disposal of surplus stocks was given attention, from the very beginning. The difficulty in the declaration of the surpluses so far had already been explain-

ed to the PAC and they have also made a mention of it in paras 53 and 54 of their Sixth Report.

The suggestion of PAC that it would be more economical to dispose of stores of doubtful usability and resort to purchases as and when the necessity actually arises in future, had been considered by Government previously and orders had been issued to the effect that quantities of items to the extent to which they could be used in a reasonable period—separate periods have been laid down for different items—only would be retained and the balance segregated as inactive stocks and then disposed of.

(i) The Committee would like to know in due course the value of stores declared 'inactive' and progress made in their disposal.

(ii) To conserve foreign exchange which has become very scarce and to ensure that the fullest possible use of the surplus stores is

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made by the Defence Services before purchasing new ones, it was decided at the Defence Production Conference held recently that all the Surplus Stocks should be inspected by Boards of Technical Staff before disposal. The Air Force has already decided on the quantities of items to be retained for its use. The other Services are now examining the practicability of utilising the surpluses against their requirements. When that examination is over surpluses will be declared. The value of inactive Stocks declared surplus will then be assessed, and the total amount will be reported to the Public Accounts Committee as soon as the task has been completed.

41 56(VI) Defence

The Committee desire that the outstanding rent recoveries in respect of the Defence Services Buildings should be reduced considerably. The Committee would like to know the progress made in the matter of adjustments or recoveries made.

Reply is awaited.

42 57(VI) Defence
Finance (Defence)

The Committee are amazed at the explanation of the CGDA for restricting the rent recovery from the allottee to 10 per cent of her pay. How could the Command Controller overlook the fact that the allotment in this case was made on the personal undertaking of the lady clerk to pay the assessed rent? The Committee are distressed to note that Finance also should have chosen to act in this manner. The Committee desire that with a view to avoid such irregularities in future necessary instructions should be issued to ensure that no higher accommodation is allotted to Government servants than is warranted by their status but that if in any case such higher accommodation is actually allotted to them at

The Ministry of Defence have stated :

See para 105 of the Report.

In the case of Service officers, it is already provided in the rules that where accommodation of class higher than that appropriate to the rank, is allotted of their own choice, the officers will be charged the full assessed rent.

2. In regard to civilians paid from Defence Services Estimates, as recommended by the P.A.C. instructions have since been issued to Command to ensure that (a) no accommodation of higher type is allotted to Government

their own request, full assessed rent should be recovered. The Committee understand that in the case of civil departments such a position is already laid down by rules and they do not see any reasons why the same principles should not be followed in cases of this type.

employees, than is warranted by their status and (b) in case only higher accommodation is available and a special request is made for it, it may be allotted to them if they agree to pay full assessed rent thereof.

The Ministry of Finance (Defence) have stated :—

Reference is invited to remarks offered by the Ministry of Defence against this item in the statement forwarded to the Lok Sabha Secretariat under that Ministry's Office Memorandum No. 11(3)/58/D(Budget) dated 25-9-1958.

2. It may further be stated that pursuant to the discussion on para 23 of Audit Report, Defence Services, 1956 in the P.A.C. meeting the case

was under examination in detail by the Administrative authorities. As it was expected that it would take some time to arrive at a decision, the C.G.D.A. was requested to instruct the CDA (Controller of Defence Accounts) that, unless a decision to the contrary was communicated, recovery of full assessed rent of the flat *viz.*, the rent payable to the landlord should be effected with effect from October 1957, *vide* copy of the CGDA's letter No. 12063/AT-G-17, dated 24-9-57 attached. The CDA has accordingly taken action to bill rental charges from the lady clerk.

3. Subsequent to the above, it has been decided to charge the full assessed rent from the lady clerk for the entire period of her occupation of the flat. The C.G.D.A. is taking necessary action to effect recovery accordingly.
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43 60 & 62 (VI) Defence

The Committee understand from Audit that although under the standing orders it was the duty of the Accounts Officer to furnish half yearly basic costs of manufacture of all stores of the type in question, the Accounts officer attached to the Ordnance Factory failed to comply with the instructions and that the case was under investigation. It is obvious that in this case the loss was not due to any defect in the procedure but due to failure to follow the correct procedure. The Committee would like to be informed of the disciplinary action taken against the delinquents.

The Committee feel that the system of placing orders for various items whether issued to users direct or through Officers' Shops is defective inasmuch as the estimated cost of manufacture is not made known or ascertained by the indenter. They desire that the Ministry of

A note is submitted. (Appendix XXX). No comments.

Defence in consultation with the Ministry of Finance (Defence) should revise the procedure forthwith.

44

63 (VI) Defence

The Committee would like to watch the results of the implementation of the revised procedure regarding publication of payment issue rate.

The revised procedure for the fixation of Priced Vocabulary / Payment Issue rates in respect of all categories of stores (including clothing and mess traps, but excluding Spare Parts Distributing Centre and Gun Mounting stores) in use by the Indian Navy since 1956 is at present working satisfactorily except in the case of stores manufactured in the Ordnance Factories and the Naval Dockyard, Bombay.

No comments.

2. In regard to the fixation and revision of Priced Vocabulary/Payment Issue rates in respect of stores manufactured in the Ordnance Factories for the Indian Navy, the Controller of

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Defence Accounts (Factories), Calcutta, has issued instructions to all Branch Accounts Officers in the Ordnance and Clothing Factories that the estimated costs of new items and of such items, the manufacture of which is undertaken by the Ordnance Factories after an interval of three years or more, should be intimated to the Ministry of Finance (Defence/Navy) sufficiently in advance of actual supply of the first batch of production to enable that Ministry to fix the Priced Vocabulary/Payment Issue rates correctly.

3. In respect of stores manufactured in the Naval Dockyard, Bombay, similar instructions,

as referred to in para 2 above, have been issued by the Controller General, Defence Accounts, New Delhi, to the Controller of Defence Accounts (Navy), Bombay.

4. Further instructions have been issued by Naval Headquarters to all concerned to ensure that stores are not issued for the purpose of payment until the correct and the latest Payment Issue rates are ascertained from the Ministry of Finance (Defence/Navy).
5. It is expected that these instructions in regard to the fixation and revision of priced Vocabulary/Payment Issue rates for the issue of stores in respect of stores manufactured by the Ordnance Factories and the Stores manufactured by the Naval Dockyard, Bombay, would result

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in the working of system
in a satisfactory manner
as in the case of other
stores.

The Committee had commented
in their Nineteenth Report also
on delays in the publication of
correct issue rates. They would,
therefore, urge that such cases
should be investigated thorough-
ly and serious notice taken
of such lapses.

Noted.

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64
(VI)

Defence

The Committee are not happy
about the inordinate delay in
repairing the tractors in this
case which resulted not only
in extra expenditure on manual
labour, but also loss of efficiency.
They would like to be informed
in due course of the progress
made in repair work. They
would also like a statement for
each Depot to be furnished to
the Committee duly vetted by
Audit showing the number
of vacancies existent during the

Reply is awaited.

period of irregularity in the authorised establishment of fitters and fitter-mates and the number of surplus drivers utilised in lieu and how far the employment of drivers in lieu of fitters and fitter-mates is feasible and justified from the point of view of efficiency and economy.

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67
(VI)

Defence

(i) The Committee think that the whole transaction was ill-planned and ill-conceived. They endorse the view of Audit that the infructuous expenditure could have been avoided if the operation had been well-timed. It is surprising that the most favourable part of the year for this operation should have been unknown to the Defence authorities who have been dumping ammunition for quite a number of years. The Committee also take a serious view of the manner in which the Embarkation Commandant failed to take the ordinary precaution of verifying the antecedents and proven ability of the contractor to undertake the work in

Reply is awaited

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consultation with the D.G., Shipping, before the contract was given. In their opinion, the case calls for disciplinary action against the officers responsible for negligence of their duty. The Committee would also like to know in due course the final outcome of the arbitration proceedings in this case.

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(VI)

Defence

- (ii) The Committee trust that necessary administrative instructions with regard to dumping operations when issued would prevent recurrence of nugatory expenditure in future.

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(VI)

Defence

- The Committee would like to have a further report regarding the recoveries made, from the State Governments in respect of the surveys of the two ports, which work out to be Rs. 9 lakhs.

The question of the recovery of the survey charges in respect of KORI CREEK and TUTICORIN is still being pursued with the Governments of Bombay and Madras through

A further report may be submitted to the Committee.

the Ministry of Transport and Communications.

Further progress will be communicated to the Public Accounts Committee in due course.

48	70 (VI)	Defence	The Committee recommend that in each case the final action taken on their recommendations should be expedited.	No comments.
49	71 (VI)	Defence	The Committee desire that in order to enable them to have a proper appreciation of the position with regard to advance payment made to the UK Government for purchase of stores for short and long term deliveries they should be furnished with the statement showing the details of outstanding advances as on 30th June 1957, the orders to which they relate, the date on which the orders were placed and the progress of supply against these orders. The Committee would suggest that the Government of India	The Ministry of Defence furnished a statement showing the position of the outstanding advances held by the U.K. Ministry of Supply and War Office against Army indents as on 31st July, 1957 and against the Air and Naval indents as on 30th June, 1957. (Not printed). See para 106 of the Report.

1	2	3	4	5	6
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should also consider the question of demanding advance payments whenever bulk orders for stores are placed on them by other countries.

50	73 (VI)	Defence W.H. & S.	<p>The Committee wonder how the Defence authorities (indentor) could acquiesce in the view that the asbestos cement sheets required by the Defence authorities would have been accepted even with the changed specifications. The Committee are of the view that the D.G., I.S.D., London had failed in his duty in not getting the prior consent of the indentor before placing orders for stores of the changed specifications. They desire that in future prior concurrence of the indentor should invariably be taken by the Supply Wing in cases where the original specifications are changed for any reason.</p>	<p>The Ministry of W.H.&S. have stated : "The need for obtaining prior concurrence of the indentors in cases where the original specifications are changed for any reason has again been reiterated to the Purchasing Organisations <i>vide</i> this Ministry's O.M. No. PII-211(33)/II dated 26/30-6-58 (Appendix XXXI).</p>	No Comments.
51	74 (VI)	Defence	<p>The Committee are given to understand that it is proposed</p>	<p>A Note is attached. (See Appendix XIV).</p>	<p>See para 83 of the Report.</p>

to allow the Canteen Stores Department (India) to function as at present and to finance it from a Fund outside the Consolidated Fund of India but within the Public Accounts. The Committee are of the view that the position will still be extremely anomalous and would therefore recommend that the question of placing the Organisation on a statutory basis as a corporate body under an Act of Parliament should be further considered.

52	76(VI) Defence . . .	As observed by the 1st Committee the method of procurement of stores followed in this case was unbusinesslike. The Committee consider the practice followed by the Air Adviser in suggesting the name of possible suppliers as highly irregular and desire that this practice should be stopped.	As desired by the Committee, the Air Adviser, London, has been instructed by Air Headquarters not to suggest to the D.G.I.S.D., the names of possible suppliers in respect of any indent placed by him.	No comments.	81
	76(VI) W.H. & S. . .	The Committee have been assured by the Ministry of Works, Housing and Supply that the review of the procedure regarding payments on 'understanding' was	A note for the P.A.C. was prepared recently and referred to Audit for concurrence. They have made certain observations	*The note is awaited.	

*Note received but not considered by the Committee for want of time.

in progress to see whether its continuance was in the interest of the Government. The Committee would await the results of the review.

and the matter has been referred to the I.S.D., London for comments on 3-10-58. On receipt of their reply the Note will be finalised in consultation with Audit and thereafter submitted to the P.A.C.

53	77(VI)	Defence	(i)	The Committee are not convinced that reasons given by the Ministry of Defence for excessive rates for daily wages paid to labour in Southern Command justified variation between the rates of wages paid by the Defence authorities and the local P.W.D. etc. to the tune of 25%.	Full particulars about the variation in rates in the Southern Command in the past together with the reasons therefor were furnished to the Public Accounts Committee. Instructions were also issued in December, 1956 to all concerned to ensure that there are no such variations of rates.	No Comments.
			(ii)	The Committee trust that with the issue of instructions by the Ministry of Defence in December, 1956, there would not be such variations in future bet-	In pursuance of the recommendations of the Public Accounts Committee the Headquarters are being asked to carry	

ween the rates of wages paid by the various Defence Authorities and the local P.W.D. rates at any place. They desire that similar reviews of wages paid by the Defence authorities *vis-a-vis* rates fixed by the local Government, Railway etc. should be carried out in other Commands also.

out a review of the daily rates of wages paid by the various Defence authorities *vis-a-vis* those being paid to corresponding employees of State P.W.D. Local Government, Railways etc. in all the three Commands.

- 54 78(VI) Defence . . The Committee feel that had action been taken earlier to salvage the war-time installed tanks for reserve storage for mechanical transport fuel, the number of serviceable tanks would have been more. They would like to have further information on the following points:—
- (a) Has the survey of the tanks located at all the airfields and stations been completed? If so, what was the total number of tanks available and number of those in serviceable condition? Figures in respect of above-ground and underground tanks to be given separately.
- A note is attached (Appendix XXXII) No Comments.

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(b) Whether all the surplus tanks on non-requisitioned land were unserviceable. If not, the reasons leading to the decision to dispose them of in situ.

55	79 (VI)	Defence	.	.	(i) The Committee regret to observe that the punishment meted out to officers responsible for not communicating to the War office the precise specifications of the store required by the Defence Ministry in the case referred to in paras 29 to 30 of the 19th Report of the P.A.C., is inadequate and not commensurate with the gravity of the lapse involved. They would like to know whether a proper enquiry was held in the matter for fixing responsibility in this case.	The decision to impose the punishment already awarded to the Officers concerned was taken by Government after fully taking into consideration all the facts of the case. No formal enquiry was held as the responsibility for this lapse clearly rested with the Military Adviser and the Officer-in-charge of the dealing Section. As the transaction was on Government to Government basis they apparently relied more on verbal understandings instead of getting the condition in question committed to actual	No Comments.
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writing. As the officers acted in good faith and had no bad motive, Government does not feel the necessity for revising the punishment already awarded.

(ii) The Committee feel that this is a case where the question of refund of at least the amount representing the cost of entire stock found unserviceable should be taken up with the supplier.

It may be recalled that the refund of £20,643-10-0 obtained from the U.K. Government included *inter alia* the cost of 516 Bombs found unserviceable at that time as a result of 100% inspection. The claim had already been treated as settled in full by Government as far back as December, 1953. In view of this, it will be appreciated that the question of opening the matter with the U.K. Government for the refund of cost of Bombs found unserviceable subsequently would hardly arise at this stage.

DADS has seen.

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80(VI)

Defence

(i) The Committee do not accept the explanation given by the Ministry of Defence for the purchase of 4x2 vehicles to meet the deficiency of 4x4 vehicles, as admittedly 4x2 vehicles could not take the place of 4x4 vehicles. They were told in evidence that the firm in question were given these orders for 4x2 vehicles to enable them to take up manufacture of 4x4 vehicles in due course. The Committee would like to be informed whether the manufacture of 4x4 vehicles has since been established by the two firms.

(ii) The Committee also desire to be informed how the deficiency of 8124 of 4x4 types in 1951-52 was reduced to 3,071 in 1952-53 when no fresh purchases of the 4x4 type were made.

(iii) With regard to the procedure for discard and condemnation of vehicles for disposal, the committee would like to be informed

A note is submitted. (See Appendix XXXIII)

See paras 108 and 109 of the Report.

whether any system exists in the Army for calculating the rate of depreciation of the vehicles with a view to fixing their book value at the time of disposal and also the period after which a vehicle is normally declared for disposal.

(iv) The Committee also desire to know whether there are any instructions as to which particular parts are to be retrieved from different types of vehicles before their disposal, having regard to their not losing resale value and whether proper account of the retrieved parts is kept by the appropriate authorities.

57 81(VI) Defence . . The Committee would like to know the average number of vehicles that are required to be repaired per year; the period expected to be taken to overhaul the backlog of 31,000 vehicles and those sentenced as repairable subsequently. They should also be informed of the improvement effected in the overhauling capacity of workshops and of other measures if any taken to step up progress of repairs of vehicles.

A note is submitted. (See No Comments. Appendix XXXIV)

58 82 & 83(VI) Defence . . . (i) In the case relating to the infructuous expenditure due to cancellation of a demand referred to in paras 47-53 of the 19th Report of the I.A.C. the Committee are surprised that the D.G.O.F. should have proceeded with the order on the basis of a casual 'enquiry' from a foreign country for 50,000 numbers of the store.

2 notes are submitted (See No Comments. Appendix XXXV and XXXVI)

(ii) As regards the system of provisioning of stores, the Ministry of Defence hold the view that the present system of provision reviews is generally comprehensive and is not in need of a wholesale revision.

The Committee regret to observe that the large number of cases of defective provisioning brought to light in successive years do not support the Ministry's contention. The Committee would, therefore, reiterate that the matter requires a more

detailed examination with a view to improving the method of provisioning. Over-provision leads to heavy accumulation of stock for long periods affecting the operational efficiency of stores and heavy expenditure on their care and maintenance. They would like to invite attention to para 15 of this Report also.

59 84(VI) Defence

The Committee observe that the disciplinary action taken in the case *re*: acquisition of unwanted stores referred to in para 55 of their 19th Report has been confined to the lower staff only. They feel that the responsibility of higher officers should also be fixed.

The Supervisors/Clerks concerned were directly responsible for the failure in the performance of their legitimate duties which occasioned the loss in question and they have been awarded suitable punishments. No direct responsibility among the higher cadre can be determined in this case. Steps have been taken to ensure that mistakes of similar nature do not occur in future.

No Comments.

60 85(VI)Defence

(i) The Committee would like to suggest that the Ordnance factories should also open show rooms in important cities in the country with a view to

Reply awaited.

giving wider publicity to their civilian products. The Committee are, however, of the opinion that the expenditure incurred on the Sales Organisation should not be incommensurate with the sale proceeds from civil trade. They would like to know the progress made in the appointment of the sales expert and increase effected to securing orders from the civil trade.

86(VI)

Defence

- (ii) The Committee are of the opinion that with a view to utilising the idle capacity of the Ordnance Factories, a review of the requirements of the private trade and Government Departments for items of civil use should be undertaken. The Committee would like to know the steps taken to secure orders from private trade and Government Departments and the value of orders executed for the Government Departments and private trade for civilian items

- during the last three years, year-wise.
- 61 87(VI) Defence . . . In the Committee's opinion the linking of invoices with packing accounts relating to stores purchase in the United Kingdom for the current years should have been done simultaneously. They feel that delay in the completion of this work is fraught with dangers and, therefore, they would like to be informed of the procedure followed in linking of invoices in the case of stores purchased from other countries and quantum of arrears, if any.
- A note is attached. (Appendix XXXVII)
- No Comments.
- 62 88(VI) Defence . . . In the opinion of the Committee the punishment meted out to the officers responsible in the two cases (i) Disposal of blankets and (ii) Delay in publication of Payment Issue Rate referred to in paras 84—86 and 87—89 respectively of their 19th Report, was grossly inadequate.
- The quantum of punishment is under review and further progress will be communicated in due course.
- Further Report may be submitted to the Committee.
- 63 89(VI) Defence . . . (i) The Committee regret that complete facts were not brought to the notice of the Committee of
- The Ministry of Defence have stated :
- No Comments.

1955-56, regarding the case referred to in para 90—100 of their 19th Report—*Ex-gratia* payment to a private firm. They desire that in future all relevant and complete facts should invariably be placed before them either during the course of evidence or through notes/memoranda submitted to them subsequently.

The observations of the Committee have been noted and necessary instructions have been issued to all concerned.

89(VI)

Defence
W. H. & S.

(ii) The Committee regret that although a period of 6 months has elapsed, the Ministry of Defence have not furnished to them the information desired by them regarding the claim of refund of sales tax in respect of the jeeps moved out of Bombay after their purchase. The Committee are, therefore, obliged to defer their further comments on the merits of the case.

The Ministry of Defence states :

The information regarding the number of vehicles moved out of Bombay within a period of 3 months and after three months but within 6 months from the date of their purchase etc. was furnished by this Ministry to the W. H. & S. Ministry as early as 1st November, 1957. That Ministry has been asked

See para 109 of the Report.

to forward the required information to the PAC, if not already done.

The Ministry of W. H. & S. have furnished a note (Appendix XXXVIII).

64 90(VI) Defence . The Committee had expressed a desire that due priority should be given to provide accommodation for stores which were lying in the open for many years. They would like to watch the progress made in the matter.

Reply still awaited.
See also paras 56 & 68 of the Report.

APPENDIX II

(c. f. para 5 of the Report)

MINISTRY OF FINANCE (DEFENCE)

Statement showing details of expenditure etc. in respect of major construction works called for in para 7 of the 6th Report (Second Lok Sabha) of the Public Accounts Committee—Vol. I. (S. No. 10 of the Statement of Outstanding recommendations)

Sl. No.	Particulars of the work	Date of sanction to expenditure/ administrative approval	Amount of Administrative approval	Date of commencement of work	Cash expenditure in the first 11 months	Average cash expenditure upto February, '56.	Cash expenditure during March, '56	Remarks
1	2	3	4	5	6	7	8	9
			Rs. (in lakhs)		Rs.	Rs.	Rs.	
1	Provision of permanent accommodation for 'A' and 'B' vehicles in a vehicle depot.	25-8-53	40	Carry over work.	90,783	8,253	1,62,956	Due to late finalization of final bills.

2	Provision of accommodation for a Sector operation Centre at an air force station.	5-8-52	14	Do.	1,51,125	13,739	18,587	Due to adjustment of establishment charges for supervisory staff directly charged to this work.
3	Improvement to water supply at a military station.	14-5-54	13	Do.	22,432	2,039	31,057	Due to payment of on account payments in March, '56.
4	Conversion of direct current supply to alternate current supply at a military station.	12-5-55	11	27-5-57	13,981	1,748	7,704	(Expenditure commenced from July, 1955). Due to payment of certain bills in March, 1956.
5	Provision of accommodation for a Command Headquarters at a military station.	19-11-54	16	Carry over work.	2,69,738	24,522	1,89,581	Due to payment of on account payments in March, 1956.
6	Provision of Radar at an air force station.	19-2-52	11	Carry over work.	1,3,582	1,194	..	(Expenditure during the year started from December, 1955).
7	Construction of a road at a military station.	2-9-52	13	Do.	65,294	8,162	..	(Expenditure during the year started from July, '55)
8	Provision of permanent domestic accommodation at an air force station.	18-3-55	35	8-55	7,931	1,113	9,248	(Expenditure started from August, '55).

1	2	3	4	5	6	7	8	9
			(Rs. in lakhs)		Rs.	Rs.	Rs.	
9	Construction of 50 class E-I quarters at a military station.	21-2-56	25	3.56	..	..	84	(Expenditure was incurred in March, '56 only).
10	Provision of winter hatted accommodation at certain military stations.	9-9-48	90	Carry over work.	5,416	602	10,384	(Expenditure during the year started from June, '55). Due to payment of one hand receipt (Rs. 8,980) and a final bill (Rs. 14.04 which was held in deposit, in March, '56.
11	Provision of permanent domestic accommodation for a Wing Headquarters at an air force station.	7-4-55	40	11.55	1,236	309	10,760	Expenditure started from November, '55. Due to late conclusion of contract, on account of floods in the area, which resulted in the first on account payment (Rs. 10,700) being made in March, '56.
12	Provision of permanent domestic and technical accommodation at an air force station.	30-1-54	339	Carry over work.	30,05,180	2,73,198	8,35,865	Due to non-availability of stores and hold over on the progress of work due to heavy rains in monsoon months.

13	Provision of Technical accommodation at an airforce station.	12-7-51	19	Do.	2,58,436	23,494	1,23,964	Due to on account payments having been made in March, '56 and late receipt of bills, including supply bills.
14	Construction of five magazines at an ammunition factory.	12-10-51	35	Do.	22,205	2,467	5,500	(Expenditure during the year started from June, '55). Due to payment of on account payment (Rs. 5,500) in March, '56.
15	Provision of permanent accommodation for Armed Forces Medical College, Pahse I.	6-10-51	35	Do.	3,27,232	29,748	3,38,805	Due to finalisation of the bill on major work in the last month due to completion of the the work towards end of the year and payment of certain running account payments on subsidiary contracts.
16	Provision of permanent accommodation for Armed Forces Medical College, Phase II.	28-3-55	24	12-55	1,41,655	47,218	1,17,969	(Expenditure started from December, '55). Due to larger on account payments to the contractors on account of accelerated progress of work.

1	2	3	4	5	6	7	8	9
			(Rs. in lakhs)		Rs.	Rs.	Rs.	
17	Provision of accommodation for College of Military Engineering, Phase III.	22-9-50	163	Carry over work.	43,93,344	3,99,395	7,96,467	Due to final payment on works completed in February, 1956.
18	Provision of administrative block at an academy.	18-7-55	29	8.55	69,293	9,899	386	(Expenditure started from August, 1955).
19	Provision of accommodation for a workshop and a laboratory at a military station.	29-1-51	27	Carry over work.	2,87,523	26,138	766	(No rush in March).
20	Provision of an assembly hall, museum and library at an academy.	18-7-55	14	7.55	1,42,457	17,807	57,831	(Expenditure started from July, 1955). Due to progressively heavier payments from November, '55 onwards, depending upon the rate of progress of work (total expenditure from July, '55 to October, '55 being Rs. 702/- only).
21	Provision of stadium, officers mess and club, sin-	4-2-54	17	Carry over work	5,51,103	50,100	62,042	(Total expenditure during April, '55, August,

	gle Officers quarters, guest-house for 8 guests and swimming pool at an academy.							'55 and October, '55 was Rs. 837/- only. Expenditure during March '56 was therefore not heavier.)
22	Provision of accommodation for 1500 Cadets.	11-10-50	74	Do.	32,688	3,269	66,163	(Expenditure during the year started from May, '55). Due to payment of a final running account payment in March, '56 as the final bill for the work which was completed earlier could not be paid due to dispute with the contractor.
23	Construction of Cadets' mess and kitchen with additional services at an academy.	8-1-56 (Revised)	15	Do.	61,842	5,622	1,10,041	Due to payment of a final running account payment as the final bill for the work which was completed earlier could not be paid due to dispute with the contractor.
24	Provision of permanent married accommodation for officers at a military station.	18-9-51	64	Do.	4,55,372	41,397	1,12,497	Due to payment of a final bill amounting to Rs. 97,650 in March, 1956.

1	2	3	4	5	6	7	8	9
			(Rs. in lakhs)		Rs.	Rs.	Rs.	
25	Provision of married accommodation for 600 Non-Commissioned Officers and Other Ranks at an academy.	3-10-51	50	Carry over work.	34,455	3,112	24,925	Due to payment of final bill for a work completed much earlier but not paid because of certain court attachments etc.
26	Construction of 314 followers quarters and 486 servants quarters at a military station.	5-9-51	25	Do.	96,704	16,117	9,397	(Expenditure during the year started from September, 1955).
27	Construction of roads at an academy.	2-12-52	43	Do.	2,92,509	26,592	39,456	Due to lesser expenditure during the first half of the year as progress of work was less because of monsoon.
28	Electrification scheme at an academy.	24-12-53	28	Do.	2,85,342	25,940	1,01,053	Due to payment of final bills amounting to Rs. 84,794 in March, 1956.
29	Provision of water supply for an academy.	9-4-52	21	Do.	94,160	86,560	67,366	Due to payment of final bills amounting to Rs. 53,735 in March, 1956.
30	Provision of drainage and sewage at an academy.	16-10-51	21	Do.	2,62,038	23,821	15,738	(No rush in March.)

31	Provision of furniture for cadets quarters, administrative and other buildings at an academy.	27-9-54	21	Do.	34,672	3,152	3,616	(No rush in March).
32	Preliminary and development works at a military station.	22-2-54	12	Do.	36,692	3,336	26,751	Due to payment of a final on account payment as the final bill for the work which was completed earlier could not be paid due to dispute with the contractor.
33	Prurchase of timber and other essential material for an academy.	27-8-49	30	Do.	39,736	4,415	9,272	(Expenditure during the year started from June, '55). Due to payment of a bill in March, '56.
34	Provision of permanent accommodation for a Wing Headquarter and Twin Engined Transport Squadron at an air force station.	17-6-53	379	Do.	32,79,815	3,27,981	3,30,721	(No rush in March).
35	Provision of permanent accommodation for a Command Headqaurter, Phase II.	26-11-55	53	2-56	27,900	27,900	10,250	(Expenditure started from February, '56). (No rush in March).

APPENDIX III

(Cf para 6 of the Report)

MINISTRY OF FINANCE (DEFENCE) (BUDGET)

Appropriation Accounts 1955-56 page 5-Para II Controller General of Defence Accounts Certificate 1955-56

“Circumstances explaining why it took the Financial Adviser, Ministry of Finance (Defence), more than a year to review the Appropriation Accounts in question submitted by the CGDA”

In order to remove any possible misapprehension, it is necessary, at the outset, to make clear the fact that the date of signature of the Review is the date on which the printed copies of the Appropriation Accounts are received from the Press and signed. This, therefore, represents the date on which the Accounts have, to all intents and purposes, been finalized except for the signature of the Comptroller and Auditor General. The CGDA's Audit Certificate together with the Annexure thereto constitutes but a small part of the entire Appropriation Accounts. Accordingly, even if the Certificate is finalized, a certain amount of time-lag is inevitable before the other parts of the Accounts can be finalized. In fact, the regulations themselves visualise a certain amount of time-lag. Thus, the CGDA's Certificate is required to be furnished by the 30th September whereas the printed copies of the Appropriation Accounts are required to be sent to Comptroller and Auditor General by the 15th January following. In practice, however, it is not possible to adhere to these dates, as the Accounts themselves have been closed much later than the prescribed date, *viz*, 15th July, (since changed to 15th August). It is also pertinent to point out in this connection that the preparation of the Review is linked up with some other material appearing in the Appropriation Accounts and cannot be undertaken unless such material is received. Similarly, action to finalize other parts of the Appropriation Accounts has to proceed independently of the CGDA's Audit Certificate. It will, therefore, be appreciated that the date of signature of the CGDA's Audit Certificate does not offer any significant basis of comparison with the dates of signature of the Review by the F.A. and the Defence Secretary. It may also be mentioned that the date of the CGDA's Audit Certificate merely represents the date on which the draft is signed by him. The finalization of this certificate naturally takes time as this is scrutinized by the F.A. and by statutory Audit and the observations raised by them have to be settled as far as possible before the Certificate can be finalised. It has been our experience in the past that the finalization of the Certificate takes anything between six to nine months. All possible efforts are being made to reduce this period to the minimum. But as the settlement of the observations very often involves collection of data from subordinate formations, the possibility of some delay has to be reckoned with. ¶

2. Thus, although the Audit Certificate appearing in the Appropriation Accounts 1955-56 was signed by the CGDA on 3-12-56 and the F.A.'s Review was signed by the Financial Adviser and the Defence Secretary on 1-8-58, it will, it is hoped, be agreed, in the light of the position explained in the preceding para that the two dates are not really comparable.

3. D.A.D.S. has seen.

Sd/-
Financial Adviser

13-3-59

APPENDIX IV

(cf para 8 of the Report)

MINISTRY OF DEFENCE (BUDGET)

Appropriation Accounts, Defence Services, 1956-57

A note stating the particulars of the training in financial and accounting matters imparted to the Military Officers who are responsible for the maintenance of accounts, handling of cash etc. at the initial stages of their service career and later in the form of Refresher Courses.

The nature of accounts required to be maintained in Military Units and formations is not complicated. The cash accounts portray receipt and expenditure transactions. The store accounts also represent receipts and issues of stores and generally no valued accounts are kept. The details of training given to military officers in financial and accounting matters are detailed below.

ARMY

Army Officers are given training in financial and accounting matters in three stages *viz.*

- (i) During the pre-commission training at the Military College
- (ii) During the post-commission training at the Infantry School and
- (iii) During Service.

(i) Training at Military College

'Military Accounts' is a subject in the training syllabus at the Military College. The Cadets are taught, among other things, functioning and up-keep of regimental accounts, audit boards and prevention of frauds. Thus the Cadets become conversant with the accounting system before they are commissioned as officers. They gain further experience in the units under the guidance of Senior Officers.

(ii) Training at Infantry School

After commissioning, all officers except medical and RVF officers have to attend a Course at the Infantry School. The syllabus includes subjects such as Accounts, Pay accounting system, Audit etc.

(iii) Training during Service

Officers of the arms like, AOC, ASC are given specialised training in accounting etc. in their respective Schools. The syllabus *inter alia* includes Unit Accounting, stock taking, stores accounting etc.

Officers are adequately tested at the Retention and Promotion Examinations in subjects like Accounting, Provisioning and stock taking procedure, Stores Accounting etc.

NAVY

Cadets for the Executive Branches undergo a short training in the maintenance of pay, cash and store accounts. They are also required to take an examination in these subjects. Commanding Officers also have to attend a similar course.

AIR FORCE

In the Air Force, there is a special Accountant Branch which is responsible for handling of cash and carrying out necessary checks on the maintenance of accounts. Candidates for this Branch must possess a B.Com., degree with advanced Accounting or B. Com. with AICWA/ACWA or Chartered or Incorporated Accountants. Thus, they possess a background of Accounting before joining the Service. In addition, they are given comprehensive training in Governmental system of Accounts and Audit, Air Force Accounting Organisation, Public and non-public Fund Accounts, Equipment, Accounting etc.

For promotion to the substantive rank of Flight Lieut. and Sq. Ldr. Accountant Officers have to pass promotion examinations where the syllabus for Accounting is exhaustive and covers in detail all aspects of Air Force Accounting, including practical working knowledge.

In addition a Refresher Course for Accountant Officers of the rank of Sq. Ldr. and Flight Lieut. has been sanctioned and the first course is likely to commence in April, 1959.

Air Force Officers of other Branches are given lectures on Accounting as part of their Course on Organisation and Administration during the pre-commission training.

For promotion to the substantive rank of Flight Lieut. and Sq. Ldr. Officers have to pass a promotion examination, the syllabus for which includes various aspects of Accounts.

The D.A.D.S. has seen.

Additional Secretary,
4th April, 1959.

APPENDIX V

(cf para 12 of the Report)

MINISTRY OF FINANCE (DEFENCE)

Appropriation Accounts, Defence Services, 1955-56 Section V— Review of Military Engineer Services Expenditure (Para 24)

“It has been stated in this para ‘..... Controllers continue to report cases in which technical sanctions were not accorded prior to issue of tender documents.....’. The details of these cases may be furnished”.

Details of cases in which technical sanctions were not accorded prior to the issue of tender documents during the year 1955-56 are furnished in the enclosed statement (Annexure).

The D.A.D.S. has seen.

Additional Financial Adviser,

13-1-1959.

ANNEXURE

Details of cases reported by the controllers of Defence accounts in which technical sanctions were not accorded prior to issue of tender Documents

Sl. No.	Garrison	Contract No.	Date of issue of tender Documents	Date of issue of Technical Sanctions
1	*Garrison Engineer, Chakeri	GE/Chk/3 of 55-56	19-5-55	20-5-55
2	Commander Works Engineer, Air Force Works, Agra.	CWE/AFW/Agri/EM/2 of 56-57	21-4-55	18-2-56
3	Garrison Engineer, Red Fort, Delhi	GEP-31 of 54-55	18-3-55	28-7-56 10-3-58
4	*Garrison Engineer, Allahabad	GE/ALL/7 of 55-56	22-9-55	26-9-55
5	*Garrison Engineer, Agra	GE/AGR/20 of 55-56	20-10-55	21-10-55
6	*Garrison Engineer, Jhansi	GE/JHA/12 of 55-56	6-9-55	12/14-9-55
7	Garrison Engineer, National Defence Academy Project, Khadakvasla.	CE NDAP-16 of 55-56	6-55	4-8-55
8	Garrison Engineer, Naval Works, Bombay	GE(NW)N-23 of 55-56	3-10-55	22-10-55
9	Garrison Engineer, Naval Works, Bombay	CE/SC/7 of 55-56	11-4-55	28-4-55
10	*Garrison Engineer, Bombay	GE(B)5 of 55-56	25-4-55	2-5-55
11	*Garrison Engineer, Poona	GE(P) 15 of 55-56	6-1-56	10-1-56

Note :—The delay in the cases of items marked * was very slight.

APPENDIX VI

(cf para 20 of the Report)

Para 9(c) of Audit Report, Defence Services, 1957—Over provisioning of Gauze Wire Brass—Supplementary information required by the Public Accounts Committee

(a) When was the overprovisioning detected? Why was the Board of Enquiry appointed so late as August 1956.

The fact that a surplus quantity of wire gauze had been provided by the factory was noticed by the Director General of Ordnance Factories in 1954 and the circumstances under which the excess provisioning had been made were investigated by him. It was stated by the factory that the provision of the store was made to cover the known liabilities as well as anticipated requirements on the basis of past consumption. In view of this, the D.G.O.F. did not consider it necessary to constitute any Board of Enquiry at that stage. However on receipt of an Audit objection in February 1956, he constituted the Board of Enquiry in August 1956 to investigate into the case.

(b) At what price the stores in question were purchased originally and sold later on. What was the market price ruling at the time of its sale? From whom were these purchased and to whom were they sold by the D.G.S. & D.

The Surplus quantity of 10,400 sq. ft. of the store in question was originally purchased at Rs. 40,135 approximately and sold later on at a total price of Rs. 12,764/-.

The market price of the store ruling at the time of its sale, as ascertained from the office of the Director of Supplies and Disposals, Calcutta, was Rs. 1/10/- per square feet. Based on that, the total price of the store was Rs. 16,900/-

The store was purchased from M/s. J. Das & Co., Calcutta. It was sold to M/s. Industrial Accessories Co., Calcutta, in an auction sale held at Gun and Shell Factory Cossipore, under arrangement made by the Director of Supplies and Disposals, Calcutta.

Director of Audit, Defence Services has seen.

*Additional Secretary,
20-12-58.*

APPENDIX VII

(See para 21 of and Report)

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING AND SUPPLY.

**Note regarding para. 9(c) of Audit Report, Defence Services,
1957**

(i) *What was the market price of this material when it was purchased by the Ordnance Factories in 1950-51?*

The material in question was not purchased through D.G.S. & D. in 1950-51. Since no purchases were made, the Rate Cards maintained by D.G.S. & D. also do not indicate the rate of Wire Gauze in that year.

(ii) *What was the condition of the material in question when it was disposed of?*

The condition of the store was indicated in the surplus report as 'Good,

(iii) *What was the market price of the material in the following 2-3 years subsequent to its purchase in 1950-51.*

Two statements indicating purchases effected by Regional Offices of D.G.S. & D. during 1953-1955 may be seen at annexures I and II Wire Gauze Brass of 100 Mesh was not purchased in 1950-51 or subsequently and the nearest size purchased in 1954 was 60 Mesh at Rs. 1/10/- per sq. ft. and in 1955 at Rs. 1/6/9 per sq. ft.

In April, 1955 Director of Supplies and Disposals, Calcutta, before arranging disposal of the material in question, deputed his Junior Field Officer to make enquiries from the market. The market value ascertained is shown below:—

M/S Standard Metal Co.	Rs. 1/10/- per sq. ft.
M/S Karfa & Co.	Rs. 2/-/-per sq. ft. (English)
M/S Karfa & Co.	Rs. 1/10/- per sq. ft. (German)
M/S Naik & Co.	Rs. 2/4/- per sq. ft. (Foreign)

(iv) *Whether the material in question was also subsequently purchased by the D.G.O.F. and other Defence Authorities or Government Departments? If so, at what price and from which firm?*

The information in respect of purchases made by D. G. O. F. and other Defence Authorities or Government Departments under 'the direct purchase power' is not available in this Ministry.

NEW DELHI

The 23rd Feb, 1959.

Secretary to the Govt. of India

ANNEXURE I

DIRECTOR OF SUPPLIES AND DISPOSALS, CALCUTTA

Statement showing the purchase of different sizes of Brass wire gauge during 1954-55

Sl. No.	Name of Indentor	A/T No. & Date	Stores	Qty.	Rate per unit	Total Value	Name of firm
1	2	3	4	5	6	7	8
				Sq. ft.	Rs. per sq. ft.		
1	C.O.S., N. E Rly. Gorakhpur.	Cal/M-13/16362-E/87 dt. 4-6-54	Brass wire gauze 3" wide x 60 mesh.	1263	1 10 0	} Rs. 4,002	M/s. Set Friend & Co., Calcutta
			Brass wire gauze 3" wide x 32 mesh.	1950	1 0 0		
2	C.O.S., E Rly., Calcutta.	Cal/M-IB/16509-E/110 dt. 8-7-54.	Brass wire gauze hard drawn 3" wide x 10 mesh x 22 SWG.	2163	1 6 9	Rs. 3,220	M/s. International Wire Netting Stores, Calcutta.

1	2	3	4	5	6	7	8
				Sq. ft.	Rs.		
					per sq. ft.		
3	C.O.S., N. E. Rly., Gorakhpur.	Cal/PM-1B/ 16233-F/129 dt. 14-6-55.	Brass wire gauze 2" x 60 x 60 mesh per sq. in. x 37 SWG.	1800	1 6 9	Rs. 2,634	M/s. J. Das & Co., Calcutta.
4	C.O.S., N. E. Rly., Gorakhpur.	Cal/PM-1B/ 16234-F/131 dt. 14-6-55.	Gauze Wire brass 3" wide x 32 mesh per lineal inch x 32 SWG.	2700	1 2 6	Rs. 3,122	M/s. International Wire Netting Stores, Calcutta.
5	Do.	Cal/PM-1B/ 16231-F/147 dt. 27-6-55.	Highly polished brass wire gauze 3 x 32 mesh per sq. in. x 32 SWG in rolls of 50 ft.	3150	0 14 0	Rs. 2,756	M/s. Jeetmull Jai- chandlal, Calcutta.

ANNEXURE II
D. S. & D. BOMBAY

Statement showing the details of offers received during 1953 against one tender enquiry issued by the Director of Supplies and Disposals Bombay, for gauze wire Brass 3'wide × 16 mesh × 24IWG
STATEMENT

S. No.	Name of the firm	Rate per sq. ft.	Remarks
1	M/s. Mehta Hardware Mart, Bombay	Rs. 1 15 6	Offer locally made. Sales tax extra.
2	M/s. Hindustan Wire Netting Co. Ltd., Bombay	Rs. 1 15 0	Offer to requirements. Sales tax extra.
3	M/s. Evergreen Wire Cloth Fy., Bombay	Rs. 1 14 0	Firm's own make, as per firm's sample No. T.S 28540.
4	M/s. K. N. Jaliwala, Bombay	Rs. 2 4 0	Offer Brass Woven Wire gauze, heavy, standard quality 16 mesh, 3ft. wide, 24 gauge.
5	M/s. Fakruddin & Co., Bombay	Rs. 1 10 6	Best Indian make as per firm's sample No. T.S. 28535—Sample of firm approved by D. I., Bombay. Sales tax extra.
6	M/s. Yalya & Co., Bombay	Rs. 0 7 0	Offer 16 mesh × 24 gauze × 3 ft. wide, Indian or imported. Sales tax extra. This firm did not supply sample though asked to do so. Late offer.

APPENDIX VIII

(cf para 35 of the Report)

MINISTRY OF DEFENCE

Para 17 of the Audit Report, 1957—Avoidable expenditure due to non-cancellation of an interfactory demand.

What action has been taken against the officials responsible for the lapse in the indenting factory and in the office of the Director General of Ordnance Factories?

A Board of Enquiry has already been set up on 31st July 1958 to investigate the lapses on the part of the Planning and Progressing staff at the Ordnance Factory, Kanpur. The disciplinary aspect of the case and remedial measures will be considered when the findings of the Board are received.

2. As regard the responsibility of the D.G.O.F's Headquarters Office in the matter, it is mentioned that progressing of Inter-factory Demands (I.F.Ds.) is not done by the D.G.O.Fs. office and the responsibility rests entirely with the factories. However, it is expected the position will change with the introduction of Centralised Planning and Provisioning System when the provisioning of components and materials will be mechanically controlled by D.G.O.F's Headquarters.

3. The Director of Audit, Defence Services has seen.

*Additional Secretary,
14th February, 1959.*

APPENDIX IX

(cf para 36 of the Report)

MINISTRY OF FINANCE (DEFENCE)

Para 17 of Audit Report, Defence Services, 1957— Avoidable expenditure due to non-cancellation of an Inter-Factory Demand.

QUESTION: *“What is the present procedure followed in the matter of forwarding copies of cancellation orders to the Finance Adviser attached to the Director General of Ordnance Factories of the Controller of Factory Accounts? Is any check exercised by these officers with a view to see that such lapses on the part of the Director General of Ordnance Factories, organisation could be checked in time?”*

ANSWER: According to the present procedure, copies of Army Indents placed on Director General of Ordnance Factories are received by Deputy Financial Adviser (Factories) (the associated Finance of the Director General of Ordnance Factories) through the associated Finance of the Indentor. Director General of Ordnance Factories' Extracts (*i.e.*, orders placed by the Director General of Ordnance Factories on the Factories for undertaking production) are received by the Deputy Financial Adviser (Factories) and compared with the relevant indent, after which the Extract is scheduled to the local Accounts Officer attached to the Ordnance Factory concerned. Similarly, when amendments to Indents are received from the Indentor through the associate Finance by the Deputy Financial Adviser (Factories) these are connected with the parent indents and compared with the amended extracts received from Director General of Ordnance Factories. The amended extracts are then scheduled to Accounts Officer for necessary action by Deputy Financial Adviser (Factories).

2. This procedure provides that—

- (i) the Indents on the Director General of Ordnance Factories (or subsequent revisions thereof) are scheduled to Deputy Financial Adviser (Factories);
- (ii) 'Extracts' issued by Director General of Ordnance Factories on the Factories are covered by Indents on him.
- (iii) revisions of Indents are reflected in corresponding revision instructions of Director General of Ordnance Factories.

3. As regards Inter-Factory Demands, according to the procedure that prevailed during the period to which the Audit Para relates, the Superintendent of the indenting factory used to send two copies of Inter-Factory Demand, duly concurred in by his Accounts Officer, to the Superintendent of the manufacturing factory. The letter was to transmit one copy of the Inter-Factory Demand to his Accounts Officer to enable him to check that the quantity manufactured was in accordance with the demand.

However, cases were reported where copies of such Inter-Factory Demands and also information regarding cancellation/amendment/suspension, etc. thereto were not made available promptly to the Accounts Officer of the manufacturing factory who was dependent on the Superintendent in this regard. Consequently, Accounts Officers could not exercise necessary check in regard to excess manufacture in such cases.

4. In order to remedy the defects disclosed in the working of the system as stated above, a new procedure was evolved in 1956 in consultation with the Director General of Ordnance Factories. Under this procedure, the Accounts Officer of the indenting factory is required to transmit a copy of the Inter-Factory Demand and any cancellation/amendment thereto, direct to his counter-part in the manufacturing factory, as soon as the Inter-Factory Demand is post-audited by the former, with a view to enable the latter to exercise the requisite check. In addition to this, the Accounts Officers of the feeder factories are required to maintain a register of Inter-Factory Demands to keep a watch over the quantity manufactured against the Inter-Factory Demand.

Director of Audit, Defence Services, has seen.

Financial Adviser.
17-12-1958.

APPENDIX X

(cf para 54 of the Report)

Para 19 (Pages 15-16) of audit report, 1957—Stock verification in army units and formations (other than factories)

A note stating the check exercised by the Ordnance Depots, Units, etc. on the receipt and issue of various categories of stores and the steps that are being taken by the Indenting Services to prevent losses in transit, pilferages etc. Is any surprise stock verification carried out? If so, through which agency and at what intervals?

(1) Stores are received in Ordnance Depots from several sources, namely trade, factories, overseas and units. Stores are issued from Ordnance Depots to Army units, other Services, State Governments, private bodies and individuals. The checks exercised by Ordnance depots on receipt and issue of various categories of stores are as under:

(a) Receipts	Nature of check
Source of receipt	
From Trade and Ordnance Factories	The packages received are counted 100%. 5% of the packages are opened and checked for their contents. If this check reveals discrepancy to the extent of 1%, then a cent per cent check of the consignment is carried out.
From Overseas	Cent per cent check is carried out, except in case of tropically proofed packages in which case a 5 % is carried out after 12 months of their receipt from UK/U.S. If this check reveals any discrepancy/infestation/deterioration then 100 % check is carried out.
Units/Inter depot transfers.	100 % check is carried out.

(b) Issues

In the case of issues effected from Ordnance Depots, they are subjected to the following types of checks:

- (i) Stores are inspected before issue under arrangements made by the store holders who personally check a percentage of all issues against the demands and vouchers. The Group Officer also check a percentage of stores prepared for issue.
- (ii) The packing notes, which are prepared to indicate the contents of packages and placed inside the package before they are closed are signed by the packer and a witness, for correctness of contents.

- (iii) A percentage of closed packages is also subjected to a check by the Group Officer who compares the contents with the packing notes and vouchers, checks the weights and markings shown outside the packages.

(2) *Surprise check and additional measures:* Orderly Officer in the Ordnance Depots carries out a surprise check of the stores held ready packed awaiting despatch at the Traffic Branch. In addition, orders exist to effect surprise test checks by a Board of Officers under local commander's arrangements on consignments awaiting despatch as well as those received at consignee ends. Escorts are provided for the conveyance of Secret equipments (when sent in open or unsealed wagons), Vehicles, Artillery equipments, Engineering Plant and Machinery, Arms, Ammunition and Explosives. Apart from the normal check at annual stock verification, attractive, important and fast moving items are subjected to surprise checks as frequently as practicable. If any discrepancy is detected as a result of such a check between ground stock and account card balance, a further special check is carried out along with other similar items.

Stocks of small arms including Quarter Master stores are also checked by Commandant/Chief Ordnance Officer/ Officer Commanding once a month. In addition, the Director Ordnance Services touring team whilst inspecting the depot (once a year) carry out a surprise check of 5 to 10 items undergoing stock verification at that time.

(3) From the above it will be seen that adequate measures have been enforced to ensure against losses in transit, pilferages and also that the physical stocks agree with the account card balances through regular periodical stock verification and surprise checks.

2. *What steps are being taken to train the various categories of staff in the three services, in the method of store-keeping, stock verification etc.*

I. *Ordnance Services.*

(1) Ordnance Depots, employ both combatants and civilian clerical and store keeping personnel for the purpose of accounting, provisioning, storage, receipt and issue of stores. These personnel consist of—

(a) *Combatants*

Storemen Technical
Clerks Store

(b) *Civilians*

Clerks
Storemen
Storekeepers

(2) The recruitment of combatant clerks and storemen is carried out through various recruiting centres. Minimum qualification for these trades is Matric. Apart from the basic military training, these personnel undergo a training for 32 weeks at Army Ordnance Corps School in accordance with their trades, *i.e.* Clerks Store and Storemen Technical.

(3) Civilian Clerks/Storemen /Storekeepers now employed in Ordnance installations are those who have considerable experience in their respective duties. The fresh intake in respect of these categories is negligible.

(4) However, it is a normal practice to impart departmental training to civilian storemen/clerical staff and their combatant counter-parts on various duties connected with store accounting, stock verification and so on. Refresher courses are also run for them at the Army Ordnance Corps School, Jubbulpore.

II. *Electrical and Mechanical Engineers.*

(1) In EME, Storemen Technical are responsible for handling technical stores. During their trade training as recruits these personnel are given intensive training at the Electrical and Mechanical Engineers Centre as well as Army Ordnance Corps School on all aspects of stores preservation/maintenance and stock verification/accounting. These personnel qualify as tradesmen only on successful completion of this training. During their subsequent service, they have to appear and pass trade tests for promotion to higher classes in their trade and this ensures that they keep their knowledge up-to-date.

(2) Officers/Junior Commissioned Officers during their basic courses are taught these procedures and they apply the knowledge in supervising the work of the stores personnel during day to day administrative work.

III. *Army Service Corps.*

(a) All Officers/Junior Commissioned Officers are trained in duties pertaining to store-keeping, stock verification and so on while undergoing courses at the Army Service Corps School Bareilly.

(b) Clerks (Store) are remustered from clerks General Duty and they are trained in these duties while undergoing training in Army Service Corps Centre (South) before they are posted to supply units.

(c) Refresher courses/cadres are subsequently held on unit/formation basis.

(2) In so far as Movement Control formations/units are concerned, there is no regular training in the method of store keeping and stock verification. The stocks and stores held on charge of these formations/units are, however, maintained properly under the guidance of Officer-in-Charge and the local audit authorities.

(3) The executive staff (*viz.* Assistant Supervisors) who are detailed for the Intermediate Course of the Remounts, Veterinary and Farms Corps (Farms) are given training in Stores Accounts, responsibility, procurement, acceptance, safe custody and issue of stores as well as in the method of preparation of indents, pricing and accounting of stores. This covers stock verification also.

(4) With regard to Army Postal Service, the Commandant Army Postal Service Centre has been directed to teach the correct method of store keeping and to emphasise the importance of annual stock verification on all Army Postal Service recruits.

IV. *Armed forces medical stores depots.*

Following steps are being taken to train the various categories of staff serving in these Depots in the method of store-keeping, stock verification etc:-

(i) Storemen and Storekeepers Grade II on their appointment are kept on probation for a period of six months. During this

period, they are trained in stores preservation, correct maintenance of ledgers, accounting, receipt, custody and issue of medical stores.

- (ii) Lectures are arranged by the Officer Commanding of the Depots on stock verification and storekeeping for the benefit of the Storemen and Storekeepers.
- (iii) The Storemen and Storekeepers before their promotion to the higher grades are trade-tested in accordance with the prescribed syllabus.
- (iv) Stores Officer (Civilian), Storekeepers (Grades I & II) and Storemen are also detailed for the elementary training course and senior training course of three weeks and ten weeks duration respectively, in stores preservation.

V. *Military Engineering services including engineers stores depots/engineer parks.*

With the experience gained over the years the Military Engineering Services staff are now generally conversant with stores accounting procedure. Refresher courses are also conducted at the College of Military Engineering to impart further training to the staff in accounting, preservation, etc. Further, only personnel with long experience in stores duties are promoted to higher appointments.

VI. *Navy.*

(1) *Naval Stores:*

(a) *Officers (Civilians)*

Officers' special training courses are arranged for the Officers on recruitment for a period of about 6 months and training is imparted in all subjects including Store-keeping and Stock verification etc.

(b) *Staff (Civilians).*

As regards the Store-house Staff, they receive training in the Store-keeping and Stock verification by actually working in the Store-houses and carrying out these duties. Special lectures are also arranged for the Store-house Staff on the various subjects including Store-keeping and Stock verification. They are required to pass a Departmental test in these subjects before promotion to the next higher grade.

(c) *Service Personnel.*

With regard to service personnel, all officers of the Supply Branch and ratings of the Stores Branch undergo courses in Naval Store-keeping which includes stock verification varying from periods of 12 weeks to 6 months at I.N.S.*** the Supply, Secretariat Training Establishment of the Indian Navy.

(2) *Naval Armament Stores:*

(a) *Officers (Civilians)*

In the Naval Armament Supply Organisation, all officers on recruitment undergo intensive training course for a period of 9-12 months

in all the different subjects including Store-keeping and Stock verification. The training includes instruction in all the Naval Armament Depots, major Ordnance factories and other Naval establishments.

(b) *Staff (Civilians)*

As regards Store-house Staff, they receive training in the Store-keeping and Stock-verification by actually working in the Store houses and carrying out these duties. Special lectures are also arranged for the Store-house Staff on the various subjects including Store-keeping and Stock verification. They are required to pass a Departmental test in these subjects before promotion to the next higher grade.

In order to impart proper training to the Staff, an Armament Training Cell has been established at Naval Armament Depot, * * * Among other Courses, training in Basic/Advanced Stores Courses have also been included in the series of Courses to be conducted at the Training Cell.

VII. *Air Force.*

(1) Officers of the Equipment Branch of the Air Force are primarily responsible for demanding, storage, issue and accounting including stock-verification of all Air Force Stores. Comprehensive training is imparted on all aspects of storage, accounting and stock verification etc. to all personnel dealing with stores in great details and to others in broad outlines.

(2) The training given to officers, airmen and civilians dealing with equipment is given below in brief:

(a) *Officers.*

Civilian candidates with a degree or higher qualifications are taken into the Service after exhaustive tests and are given 52 weeks course to fit them up as Equipment Officers. Under professional training which is imparted to them all aspects of storage, accounting and stock verification of equipment etc. is taught in great details. Further, Officers are also given advance course in preservation of stores and specialist courses in explosives and fuel.

(b) *Airmen.*

Civilians with a minimum qualification of matriculation are selected for a 40 weeks' course on successful completion of which they become Equipment Assistants in the Air Force. Professional training imparted to Equipment Assistant covers all aspects of storage, accounting of equipment, stock verification etc. Selected Equipment Assistants are given specialised advanced training in preservation of explosives and Petrol, Oil, Lubricants.

(c) *Civilian Store-keepers.*

Only graduates are selected and given intensive training in all methods of storage and stores accounting connected with the Air Force.

(d) *Progressive training.*

In addition both officers and airmen have to pass certain examinations as pre-requisite to further promotions. These examinations are designed for improving their professional knowledge.

(e) *Other personnel.*

Basic principles of elementary store-keeping and accounting is also taught in broad details to officers of all branches during their training period. It may, however, be mentioned that only officers of Equipment Branch and Equipment Assistants deal with storage, accounting and preservation of equipment in the Indian Air Force.

D.A.D.S. has seen.

Additional Secretary,
12-3-1959

APPENDIX XI

Appropriation Accounts (Defence Services)—1955-56 Statement of Losses of Cash Overpayments etc.

Sl. No. 31 at page 55 of Defence Appropriation Accounts 1955-56

(i) Time taken to raise the alarm and the time taken by the fire engine to come and start functioning.

Time taken in raising general fire alarm by sounding hooter—about 25 minutes. However, before the general fire alarm was raised, fire Stations were alerted by telephone within 10 minutes of apprehension of fire.

The Fire engine started functioning within about 5 minutes of being alerted on telephone.

(ii) How far is the Fire Brigade located from the depot?

No. 1 Sub Fire Station nearest to the scene of fire is located approximately at 300 yards.

(iii) What are the existing orders with regard to giving alarm in case of fires? What particular order was not carried out in this case?

The existing orders for raising an alarm in the event of fire in the depot are as under:—

(a) Shouting 'Fire', immediately on detection of a fire.

(b) Sounding of:

(i) Fire gongs—in the close vicinity of location of fire.

(ii) Electric/Hand Sirens—for raising general fire alarm.

In this case the part of the Fire Orders relating to (a) & (b) above was not complied with, in that the first action taken was to get in touch with the Fire Stations by telephone, instead. Hooter was sounded at 00.30 Hours, while the fire occurred at about 00.05 hrs.

APPENDIX XII

MINISTRY OF DEFENCE

D(QS)

Losses due to theft, fraud or neglect exceeding Rs. 5,000, in each case 51 S. No. 7 Appropriation Accounts (Defence Services), 1955-56

Regularization of the irregularities in the store Accounts.

- (a) Whether the Court dismissed the case because it was delayed for want of the requisite sanction of the Government ? (a) The Court dismissed the case for want of requisite sanction of the Government under section 6 of Prevention of Corruption Act, 1947.
- (b) On what date was the complaint filed ? (b) The case was reported by the unit to the Police on 24th March, 1951. The accused who was absconding was apprehended on 10th/11th November, 1951 and was produced before SDM Dalhousie on 24th December, 1951. The case which on the passing of the Criminal Law Amendment Act, 1952 was transferred to the court of the sessions Judge, was adjourned from time to time by the Court between 24th December, 1951 and 1st May 1953, when this case came up for hearing, this time in the Court of Special Judge Gurdaspur on transfer from the court of the sessions Judge on 18th April, 1953.
- (c) On what date did the public prosecutor apply for sanction ? (c) Superintendent of Police Gurdaspur under his letter dated 7th June, 1953 sent a prescribed *pro-forma* to PATHANKOT Base for signature of competent authority to accord sanction to try the accused under Prevention of Corruption Act, 1947.
- (d) what were the grounds advanced by the public prosecutor for adjournment petitions from time to time ? (d) The case was adjourned from time to time between 24th December 1951 to 1st May 1953 as would appear from the enclosed extract of paragraph 1 (Annexure I) of the Judgement of the Additional Sessions Judge dated 13th June 1953. The public prosecutor asked for four adjournments between 1st May 1953 and 13th June 1953, the reasons for adjournments

being absence of sanction of the Government for prosecution of the accused.

- (e) When did the Court strike off the case? What are the reasons for the failure of Government to accord sanction even by that time?
- (e) The case was struck off on 13th June 1953. On 7th June 1953 Superintendent of Police of Gurdaspur sent a *proforma* to PATHANKOT Base for signature of the competent authority to accord sanction for trying the accused. The sanction was accorded on 2nd September 1953 *i.e.* within 3 months. This delay was unavoidable as the unit in which the accused was working at the time of committing the offence had been disbanded and its records transferred to the Records office LUCKNOW. Besides it required a detailed examination and sorting out of unit documents.

The Director of Audit, Defence Services, has seen.

Joint Secretary,
10th March, 1959.

ANNEXURE

Extract of paragraph 1 of the judgement of the Additional Sessions Judge dated 13th June, 1953.

The accd. * * * * was sent up by the Police under Sec. 409 IPS on 24-12-51, in the court of SDM, DALHOUSIE. The trial proceeded in that court, when the Criminal Law Amendment Act, 1952 was passed, and the case was transferred to the Court of the Sessions Judge. The accd. appeared in Police custody before the Sessions Judge on 9-10-1952 and was remanded for 20-10-52. On that day, the Sessions Judge, was on tour and the case was postponed to 4-11-52. On that date, also the case was not taken up, and was adjourned to 19-11-52. On that date, the Sessions Judge ordered prosecution evidence to be summoned and produced on 2-1-53. Evidence was not recorded and the case was postponed to 18-2-53. It was again postponed to 6-3-53 and then to 18-4-53 and thereafter to 1-5-53 for evidence.

* * * * *

APPENDIX XIII

MINISTRY OF DEFENCE

Appropriation Accounts (Defence Services) 1955-56—Para 19 of the Commercial appendix thereto—Note containing further information regarding Canteen Stores Department (India) desired by Public Accounts Committee.

Number of Cinemas run by the Canteen Stores Department (India) and their financial working during the year 1955-56, 1956-57, and 1957-58—Reasons for losses, if any.

Number of cinemas run by Canteen Stores Department (India) :—

1955-56	1
1956-57	3
1957-58	10

2. *Financial working*

1955-56.

JULLUNDUR CANTT.

The working of the cinema showed a loss of Rs. 3,775·00 in six months after providing Rs. 1,973·00 for depreciation. The main reasons for the loss were :

- (a) This cinema, before it was taken over by CSD(I), was showing second rate old pictures which produced about Rs. 5,000·00 total revenue per month and it was not possible for CSD(I) to command better pictures immediately.
- (b) Rs. 1,000·00 was spent on repairs to old cinema equipment acquired from the contractor. This charge will be absorbed in the trading account over a period.
- (c) Limited patronage during winter months when troops go out for training/exercises.
- (d) The cinema was taken over by the CSD(I) in October, 1955 only.

In addition to the above loss of Rs. 3,775·00 on the working of the cinema Rs. 17,266·00—the establishment expenses of the Office of the Administrative Officer, Cinemas, for the year were debited to the cinema accounts and thus in the balance-sheet/profit & loss account a net loss of Rs. 21,041·00 was shown.

1956-57.

1. JULLUNDUR CANTT.

The cinema yielded a profit of Rs. 6,714·00 after paying Rs. 3,780·00 as Show-tax to Punjab Government, Rs. 1,105·00 as Octroi duty on films to the Cantonment Board and providing depreciation of Rs. 4,456·00.

From the later part of the year, this cinema was able to get first run pictures like the other civil cinemas at Jullundur Cantt. and the monthly business improved from Rs. 5,000·00 to Rs. 6,740·00.

2. DELHI CANTT.

This cinema was acquired by the Department in June 1956 and after providing for Rs. 5,774·00 as depreciation on the machinery and furniture etc., there was a loss of Rs. 3,062·00. Main reasons for this loss were :—

- (a) This is a semi-commercial cinema serving a small garrison and limited civil population as its location is also not central to the entire Cantt.
- (b) There are two other cinemas competing with this. One of them, namely PALAM which is controlled by one of the biggest commercial circuits in India is able to command all the good films.

3. AMBALA CANTT.

This cinema worked at a loss of Rs. 4,823·00 after providing Rs. 4,000·00 as depreciation. Main reasons for the loss were :

- (a) This is also a semi-commercial cinema located in a fore corner where it cannot attract much of civil population.
- (b) The cinema is unable to produce a substantial revenue on Hindi pictures as troops who would patronise Hindi pictures are located at a distance of 4/5 miles in Panipat lines.
- (c) Show-tax and Octroi duty paid during the period amounted to about Rs. 4,000·00.
- (d) Owing to frequent changes of pictures, railway freight and packing/forwarding charges amounted to nearly Rs. 2,500·00 as against Rs. 450·00 at Jullundur and Rs. 1,336·00 at Delhi Cantt.
- (e) This cinema was acquired in September 1956 only.

4. The expenses of the Administrative Officer, Cinemas for the year under review amounted to Rs. 20,164·00. After taking into account this amount the result of the working of the three cinemas run during 1956-57 shows a net loss of Rs. 21,335·00.

1957-58*

1. JULLUNDUR CANTT.

This cinema made a profit of Rs. 9,286·00 after providing depreciation of Rs. 4,562·00 and payment of Rs. 5,294·00 as Show-tax and Octroi duty.

2. DELHI CANTT.

This cinema showed a profit of Rs. 4,710·00 after providing Rs. 4,738·00 for depreciation.

3. AMBALA CANTT.

There was a loss of Rs. 2,199·00 during the year after providing Rs. 3,742·00 for depreciation. Reasons for loss were :

- (a) This is a semi-commercial cinema and is situated at such a location that neither civilians nor a large number of troops (particularly those who see Hindi pictures) can reach it easily.
- (b) Show-tax and Octroi duty amounting to Rs. 5,886·00 is a heavy burden on its revenue.

- (c) Railway freight and packing/forwarding charges on films amount to about Rs. 3,000·00 in a year.

4. LOHGAON (Poona)

This cinema was taken over by the Department on 1st April 1957. During the year it worked at a *loss* of Rs. 18,950·00. Reasons for this loss are :

- (a) The rent of this cinema, which is a non-commercial situation is Rs. 1,096·00 per month.
- (b) The strength of this Air Force Station is limited. Owing to certain technical reasons the Station functioned on a reduced strength up to August/September 1957.
- (c) The cinema is situated very far from the camp with no transport facilities.
- (d) For other domestic requirements airmen visit Poona town using free amenity when they can also see the pictures running in the town.

5. KASAULI

This cinema was taken over by the Department on 7th April 1957. It has worked at a *nominal profit* of Rs. 54·00 only after providing a depreciation of Rs. 2,922·00.

6. DEHU ROAD

This cinema has worked at a *loss* of Rs. 1,325·00 after providing Rs. 2,432·00 for depreciation. Reasons for this are :

- (a) Civilian population is very small and poor and as such a semi-commercial situation.
- (b) Army units are located at considerable distance away from the cinema and bazar area.
- (c) This cinema was acquired in October, 1957.

7. ANAND PARBAT (New Delhi)

This cinema was taken over by the Department on 1st August 1957. It has worked at a *profit* of Rs. 31,932·00 on an investment of Rs. 40,000·00 in 8 months after providing a depreciation of Rs. 2,885·00. This incidentally is the smallest cinema with 284 seats, but as the cinema is located in an ideal situation it has shown good results.

8. ROORKEE CANTT.

This cinema has worked at a *loss* of Rs. 3,370·00 after providing Rs. 2,146·00 for depreciation. Reasons for loss are :

- (a) The cinema is not yet licensed by civil authorities and hence is not open to civil public.
- (b) The garrison strength can only support a film for 2 shows and as such only old films are available for this cinema.
- (c) There are two competitive civil cinemas fairly close to Cantonment showing latest first run Hindi films.
- (d) This cinema was acquired in November, 1951.

9. TAMBARAM

This cinema was taken over in the last week of January 1958. It worked at a *profit* of Rs. 398·00. This is a non-commercial situation

as admission is restricted to Air Force personnel and their families. The rent of the cinema is also very high Rs. 850·00 a month. Tambaram being far away from Madras, cost of transportation of films is Rs. 300·00 per months.

10. COLABA (Bombay)

This cinema was taken over by the first week of February 1958. The cinema has shown a profit of Rs. 1,325·00 in 2 months after providing Rs. 1,090·00 for depreciation and payment of Rs. 956·00 as Show-tax.

The over-all result of the cinema scheme during the financial year 1957-58 was a net loss of Rs. 13,139·00 after taking into account the administrative expenses of the offices at Bombay and Delhi amounting to Rs. 35,000·00.

*The figures for 1957-58 are provisional as the audited accounts of the CSD(I) for the year 1957-58 are not yet ready.

3. A tabular statement showing the financial working of the cinemas acquired and run by the CSD(I) during the year 1955-56, 1956-57 and 1957-58 is attached.

4. D.A.D.S. has seen.

Joint Secretary to the Government of India.

16th February, 1959.

NOTE:—Information contained in the Note is based on facts and figures supplied by Secretary, Board of Control, Canteen Services. As no documents are available in the Ministry of Defence and QMG's Branch, the reasons for losses have not been verified by audit.

SUMMARY OF CANTEEN STORES DEPARTMENT (INDIA) CINEMAS ENTERPRISES

1. Number of Cinemas run and final results :

1955-56	. . . . .	1	Net Loss Rs. 21,041.00
1956-57	. . . . .	3	Net Loss Rs. 21,335.00
1957-58	. . . . .	10	Net Loss Rs. 13,139.00

2. Final Results—Detailed.

Trading Year Net Results	I	Commenced From		1955-56		1956-57		1957-58		Total 1955/58 Resultant net	
		2	3	4	5	6	7	8	9	10	
1. Jullundur Cantt. .	Oct. 55	..	3,775	6,714	..	9,286	..	12,225	..		
2. Delhi Cantt. .	Jun. 56	..	..	3,062	4,710	..	1,648	..		
3. Ambala Cantt. .	Sep. 56	..	..	4,823	..	2,199	..	7,022	..	
4. Lohgoan (Poona)	Apr. 57	..	..	..	..	18,950	..	18,950	..	
5. Kasauli . . .	Apr. 57	..	..	..	..	54	..	54	..	
6. Anand Parbat (New Delhi) . .	Aug. 57	..	..	..	..	31,932	..	31,932	..	
7. Dehu Road . .	Oct. 57	..	..	..	..	1,325	..	1,325	..	1,325

APPENDIX XIV

MINISTRY OF DEFENCE

Note showing the action taken or proposed to be taken in respect of Serial No. 51, Paragraph 74 of the Sixth Report (Second Lok Sabha) of the PAC.

The proposal for the creation of a Canteen Stores Fund, outside the Consolidated Fund of India but within the Public Accounts of India, has been considered in consultation with the Ministry of Law and the Director of Audit Defence Services.

2. With regard to the objection that receipts and expenditure of the Department are kept out of the Consolidated Fund of India, the Ministry of Law has observed that Article 266(1) of the Constitution requires only certain classes of public moneys to go into the Consolidated Fund. On the other hand, if the activities of the Canteen Stores Department constitute commercial operations of the Government, the moneys of the Department may have to be credited to the Public Account of India under Clause (2) of Article 266. This would not require appropriation by means of an Appropriation Act, as the working of the Public Account of India is required under Article 283 to be regulated by law made by Parliament. Until such a law is made, the requisite rules may be made by the President.

3. The Director of Audit, Defence Services, to whom the observations of the Law Ministry were referred, has also examined the proposal in consultation with the Comptroller and Auditor General of India, and has suggested that such a Fund may be created with the approval of Parliament signified either by a token vote or a resolution, though not by statute. All expenditure out of the Canteen Stores Fund is to be initially treated as expenditure from the Consolidated Fund of India by initially debiting it to Defence Services Estimates subject to the normal process of voting and appropriation by Parliament, and subsequently transferred to the Canteen Stores Fund by a deduct entry. This suggestion of the D.A.D.S. is now under detailed examination of the Government.

4. D.A.D.S. has seen.

Joint Secretary to the Government of India
27th October, 1958.

APPENDIX XV

MINISTRY OF DEFENCE

D(MOV & RVF)

SUBJECT :—*Statement showing profit/loss made by individual Military Farm during the year 1955-56.*

In accordance with para 32 (reproduced in the margin) of the proceedings of the Military Accounts Committee on the Accounts of 1943-44, Command-wise accounts of Military Farms are furnished to the Members of the Public Accounts Committee to enable them to see which set of Farms is being run at a profit and which at a loss. In consultation with the financial and audit authorities, a Statement (Appendix-A) showing the profit/loss made by each individual Military Farm in each of the three Commands during 1955-56 is furnished for the information of the Members of the Public Accounts Committee. The reasons for variation in the losses/profits of the various Farms as compared with the figures for the year 1954-55 are also shown separately in the form of a Statement (Appendix-B).

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

set of Farms is being run at a profit and which at a loss. In consultation with the financial and audit authorities, a Statement (Appendix-A) showing the profit/loss made by each individual Military Farm in each of the three Commands during 1955-56 is furnished for the information of the Members of the Public

Accounts Committee. The reasons for variation in the losses/profits of the various Farms as compared with the figures for the year 1954-55 are also shown separately in the form of a Statement (Appendix-B).

2. The data contained in the Statement at Appendix A have been tested by the Director of Audit, Defence Services.

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*Joint Secretary to the Government of India,
25th October, 1958.*

APPENDIX 'A'

Tabulated Statement Showing the working results of all Military Farms in India for 1955-56 as compared with those for the year 1954-55

Military Farms	1955-56		1954-55		Variation	
	Loss	Profit	Loss	Profit	Worse	Better
I	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Southern Command</i>						
Ahmednagar	1,373	20,926	..	..	' 22,299
Bangalore	3,73,783	..	' 1,59,986	..	' 2,13,797
Belgaum	7,600	..	1,257	..	' 6,343
Deolali	1,40,628	..	61,567	..	' 79,061
Jubbulpore	1,22,266	..	99,183	..	' 23,083
Kirkce	2,53,359	..	21,466	..	' 2,31,893
Pimpri	2,77,478	..	21,3,852	..	' 63,626

	1	2	3	4	5	6	7
Secunderabad	.	.	4,79,802	..	3,54,787	..	1,25,015
Wellington	.	7,262	..	..	11,690	18,952	..
TOTAL	.	7,262	16,56,289	20,926	9,23,788	18,952	7,65,117
NET RESULT	.		16,49,027		9,02,862		7,46,165

Eastern Command

Agra	.	.	1,15,142	..	' 83,983	--	' 31,159
Allahabad	.	.	' 95,954	..	' 6,893	..	" 89,061
Barrielly	.	' 6,847	..	' 72,365	--	--	' 65,518
Dehra Dun	.	--	' 98,047	--	' 1,04,179	' 6,132	..
Jhansi	.	--	' 2,71,636	--	' 2,05,013	--	' 66,623
Kanpur	.	--	' 68,152	--	' 39,552	--	' 28,600
Lucknow	.	' 14,440	--	--	75,827	90,267	..

Meerut . . . . .	..	1,42,009	..	59,901	..	82,108
Namkum . . . . .	..	1,33,126	..	35,525	..	97,601
Panagarh	3,81,724	..	4,33,475	51,751	..

TOTAL	21,287	13,05,790	72,365	10,44,348	1,48,150	4,60,670
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NET RESULT		12,84,503		9,71,983		3,12,520
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Western Command

Ambala	64,559	..	963	..	63,596
Delhi	55,985	..	25,930	..	30,055	..
Ferozepore	2,13,153	..	1,25,438	..	87,715
Jullundur . . . . .	..	2,14,464	..	2,16,912	2,448	..
Mhow . . . . .	..	70,265	..	63,618	..	6,647
Pathankot . . . . .	..	4,56,621	..	11,01,064	6,44,443	..
Kasauli . . . . .	..	9,066	..	..	..	9,066

I	2	3	4	5	6	7
'Y' Station	..	4,91,116	..	..	..	4,91,116
'W' Station	..	44,294	..	..	..	44,294
19 Division	..	87,337	..	..	..	87,337
TOTAL	55,985	16,50,875	25,930	15,07,995	6,76,946	7,89,771
NET RESULT	..	15,94,890	..	14,82,065	..	1,12,825
<i>All India</i>						
TOTAL	84,534	46,12,954	1,19,221	34,76,131	8,44,048	20,15,558
NET RESULT		45,28,420		33,56,910		11,71,510
Defence Accounts Department charges centrally adjusted		+6,021		+9,686		
		<u>45,34,441</u>		<u>33,66,596</u>		

APPENDIX B

REASONS FOR VARIATIONS (1955-56)

The better result at Military Farm, Ahmednagar is due to

- 1 Saving under head Pay of Indian Staff during the year.
- 2 Receipt on account of feeding charges of 46 Young stocks and calves made as boarders of Military Farm Secunderabad with effect from 1st January, 1956 to 31st March, 1956.
- 3 More receipts on account of auction of Kurans for grazing rights.
- 4 Less audit charges adjusted during the year 1955-56.

The better result at Military Farm, Bangalore is due to

- 1 Receipt of compensation amounting to Rs. 37,000/- on account of condemned Skimmed Milk Powder.
- 2 Increase in receipt on account of interest on Government account 'C'.
- 3 Production of more green fodder during the year and subsequent reduction in expenditure on purchase of green fodder.
- 4 Less expenditure on repairs to buildings during the year.
- 5 Less expenditure on purchase of Plant and Machinery out of revenue.
- 6 More amount was realized during the year from grazing of farm-land.

The better result at Military Farm, Belgaum is due to

- 1 491 acres of land was sold for cutting rights at Turruckmati instead of whole of the land auctioned last year. From the rest of land, harvesting was carried out from which 4,14,970 lbs. fodder was received against Nil last year.
- 2 Decrease in administrative charges.
- 3 Less rail charges than anticipated to be adjusted this year. Rs. 1,138/- pertaining to last year which was intimated late could not be adjusted during 1954-55 and have been adjusted this year.

The better result at Military Farm, Deolali is due to

- 1 Decrease in expenditure under the following heads:—
 - (i) Pay of establishment.
 - (ii) Feed of grain etc. on account of reduced rates.
 - (iii) Miscellaneous stores and charges.
- 2 More receipts under the following heads:—
 - (i) Interest on Government Account 'C'.
 - (ii) Recovery of house-rent from class IV staff (January 1955 to December 1955).
 - (iii) Sale of condemned packing material etc.

The better result at Military Farm Jubbulpore is due to

- 1 More receipt on account of interest on Government Account 'C'
- 2 Less loss on capital (Line Stock, Buildings and Plant and Machinery) during 1955-56.
- 3 Less purchase of dairy produce due to better production from herd.

The better result at Military Farm, Kirkee is due to

- 1 Less audit charges adjusted during the year due to less expenditure.
- 2 Less expenditure on purchase of dairy produce due to lower rate of Skimmed Milk Powder and dairy produce purchased locally.
- 3 Last year payment of Rs. 72,674/- was made against a receipt of Rs. 24,859/- during the year 1955-56 owing to better position of Government Account 'C'.

The better result at Military Farm, Pimpri is due to

- 1 Less expenditure on establishment, Miscellaneous stores, maintenance of building and Feed and Keep.
- 2 Interest on Government Account 'C' earned during 1955-56 whereas Rs. 44,04/- debited in the accounts for last year i.e. 1954-55.
- 3 More sale of dairy produce.

The better result at Military Farm Secunderabad is due to

- 1 Less expenditure under head "Hire of cattle and purchase of dairy produce" on account of reduction in rates of Skimmed Milk Powder and decrease in average purchase rate of milk.
- 2 Increased receipts on account of interest charges on Government Account 'C'.
- 3 Less expenditure on feed of animals due to decreased rates of concentrates.
- 4 General economy in consumption of stores and on expenditure on miscellaneous charges.
- 5 Recovery of house-rent from class IV servants.

The worse result at Military Farm, Wellington is due to

- 1 Adjustment of rail charges for 1954-55 during 1955-56 as these were intimated by the C.D.A. after completion of accounts for 1954-55.
- 2 Reduction in the dairy produce trade in the station.

The better result at Military Farm Agra is due to

- 1 Less purchase of milk as compared with last year.
- 2 Less expenditure under feed and keep.

- 3 Less expenditure on consumption of electricity.
- 4 Less condemnation of live stock.
- 5 More trade during the year.
- 6 Sale of more fodder to the Army
- 7 More valuation of young stock.

The better result at Military Farm Allahabad is due to

- 1 Transfer of 34517 surplus milk to Military Farm Kanpur thus avoiding a loss of its conversion into Ghee.
- 2 Increase of 33,170 lbs milk sale thus avoiding a loss of its conversion into Ghee.
- 3 Decrease of -/1/- per hundred lbs in cutting charges of hay a Military Farm Depot Majhgawan.
- 4 More receipts of interest on Government Account 'C'
- 5 Decrease in pay of establishment.
- 6 Less expenditure on purchase of ice due to decrease in rate and quantity purchased.
- 7 Decrease in water and electricity charges.
- 8 Less expenditure on feed of animals.
- 9 More receipts on account of grazing rights of plots.
- 10 More receipts on account of more transfer of baled hay from Depot.

The better result at Military Farm Barielly is due to

- 1 The financial year (1955-56) has ended with a loss of Rs 6,847/ which is better by Rs. 65,518/- as compared with a last year
- 2 The loss during the year is due to low trade at this station.

The worse result at Military Farm Dehradun is due to

Less trade as compared with last year and reduction in the sale rates of Butter and Cream with effect from 1st August 1955.

The better result at Military Farm Jhansi is due to

- 1 Less quantity of dairy produce purchased during the year 1955-56.
- 2 Less quantity of grains purchased during the year.
- 3 Less expenditure incurred on maintenance of buildings by the Military Engineering Service than previous year.
- 4 Increase in trade.
- 5 More drafting during the year.
- 6 More animals were condemned and more transfer of cattle and Plant and Machinery, thus more receipts.

The better result at Military Farm Kanpur is due to

- 1 More receipt on capital items due to condemnation of cattle.
- 2 Less expenditure on establishment due to reduction in staff due to decrease in animals.

The worse result at Military Farm Lucknow is due to

- 1 Less receipt from land due to heavy rains causing heavy damage to crops.
- 2 Loss on sale of fodder to Civil Department.
- 3 More condemnation and casualties of cattle.
- 4 Less appreciation of cattle.
- 5 Less trade due to move of troops from the station.

The better result at Military Farm Meerut is due to

- 1 All round improvement in milk and fodder production during the year.
- 2 The actual result would have been much better if the following adverse factors have not created a financial set back during the year under report :—
 - (i) Loss of the outturn of the standing crops *i.e.*, Jowar and Bajra due to heavy rain and storm.
 - (ii) Less revenue receipts on account of reduction in sale of milk to Military Farm Delhi.

The better result at Military Farm Namkum is due to

- 1 Less establishment charges during the year.
- 2 More valuation of calves.
- 3 Less repairs to buildings.
- 4 Less rent of land.
- 5 Less T. A. paid to staff.
- 6 More receipt on account of interest on Government account 'C'.
- 7 Less depreciation, casualties and transfer to Unpriced Inventory.
- 8 Feeding of animals at cheapest rate of concentrates as compared with last year.
- 9 More milk yielded by cattle this year as compared with last year.

The worse result at Military Farm Panagarh is due to

- 1 More TA paid to staff due to more movements.
- 2 More Government transport used for carting loose hay from Base Area.
- 3 Less receipts on account of decrease in sale of dairy produce

- 4 Less quantity of hay issued to Army Services Corps during the year.

The better result at Military Farm Ambala is due to

- 1 Better yields from cattle.
- 2 Better outturn from land.
- 3 Increase in interest on Government Accounts 'C' due to adjustment of interest on Rs. 3,03,754/- (accumulated losses written off) incorporated in the balance of Government Account 'C'.

The worse result at Military Farm Delhi Cantt is due to

- 1 Reduction in sales.
- 2 Adjustment of cost of transport hired from Station Transport Officer during the year *vis.*, Rs. 66,698/-. Hiring of transport has been considered to be more expensive as compared with that of Farm Transport.
- 3 More repairs to residential quarters in No. 4 Poultry Farm Delhi Cantt.
- 4 Payment of approximately Rs. 9,000/- to Civil Court in connection with accident cases.

Better result at Military Farm Ferozepore is due to

- 1 Less temporary establishment employed.
- 2 Less purchase of miscellaneous stores.
- 3 Less repairs and maintenance of buildings.
- 4 Less repairs to plant and machinery.
- 5 Due to more and timely rains Tube Wells worked less hence less expenditure under the head "water and electricity".
- 6 Due to less transfer of stores and fodder less expenditure under the head "Rail and other transportation charges."
- 7 Less purchase of Skimmed Milk Powder and fodder during the year.
- 8 Due to adjustment of interest charges on accumulated losses written off during the year 1954-55 and incorporated in the balance of Government Account 'C'.

The worse result at Military Farm Jullundur is only small and is treated as negligible.

The better result at Military Farm Mahow is due to

- 1 Economy drive all-round.

- 2 More receipt of fodder from Chandmari land taken over during 1955-56 and consequently heavy despatches of baled fodder to various Farms and formations.
- 3 Cheaper rates of grain commodities and stock consumed.

The worse result at Military Farm Pathankot is due to

Decrease in profit is mainly due to separation and making Jammu and Kashmir Farms ('Y' Station 'W' Station and 19 Division) as independent Trading Account Units with effect from 1st April, 1955. Profits made by the Jammu and Kashmir Farms during the year 1954-55 as per their monthly Financial Statistics were as under :—

	Rs.
Military Farm 'Y' Station .	4,71,593
Military Farm 'W' Station .	1,53,913
Military Farm 19 Division .	1,26,170
TOTAL .	7,51,676

Military Farm Kasauli
 Military Farm 'Y' Station
 Military Farm 'W' Station
 Military Farm 19 Division

} These farms have been made independent Trading Account Farms with effect from 1st April, 1955 as such no comparison can be made with that of the previous year *viz* 1954-55 having no trading results.

APPENDIX XVI

MINISTRY OF DEFENCE D. (Prod.)

Note on S. No. 1 of the Statement showing action taken or proposed to be taken on the outstanding recommendations of the P.A.C. (para 64 of the Ninth Report—1st Lok Sabha)—Amounts due to certain Ordnance Factories for Services rendered or stores supplied to private individuals.

The amount outstanding from fabricating contractors of Branch Harness & Saddlery Factories which stood at Rs. 7.14 lakhs on 1-10-1955 has now been reduced to Rs. 6.56 lakhs. The reduction is due to the write off of dues from four firms to the extent of Rs. 58,392-6-10, as it was found that in spite of the best efforts of the Director General of Supplies and Disposals, there were no prospects of recovery of the dues from the four parties in question whose whereabouts could not be located.

The latest position in respect of the remaining cases is furnished below :—

Serial Number	Amount in	Present position
No. of parties	lakhs of Rs.	
1	1	21 The case involves inter-departmental adjustment of accounts. As the transaction pertains to the pre-partition period and since formal adjustment of such transactions has now been dispensed with, the Director of Supplies & Disposals (Litigation Section) Calcutta has put up a proposal to the C. D.A. (Fys.) Calcutta in April 1958 for the closure of the case, final decision on which may please be awaited.
2	2	5.62 Both cases are still pending before the arbitrators.
3	1	17 The case is still under consideration in consultation with the Government Solicitor.
4	1	17 As the judgement debtor has not yet been traced in spite of the best efforts of the Director General of Supplies & Disposals, he is taking action for writing off of the dues.
5	6	39 The Court Decrees/Claims are still under execution/finalisation.

The amount due from firms for stores supplied by Ordnance Factories against orders placed by the former which stood at Rs. '94 lakhs has now risen to Rs. 2'04 lakhs. This increase is due to the fact that the amount due from one firm is Rs. 1'46 lakhs and not Rs. '36 lakhs as intimated earlier. This revision is due to the fact that the amount of Rs. 48,370/- (including the sale proceeds of Rs. 12,138/1/- of the stores manufactured on behalf of the firm) on which the figure intimated by this Ministry earlier was based, represented only the amount which had been billed for by the Accounts Officer, Gun & Shell Factory, Cossipore, for stores issued but not paid for by the firm. This amount did not include the other elements *viz.*, the value of stores ready for issue, the value of semis etc. because at that time negotiations were going on with the firm for an amicable settlement of the case. The revised figure includes these elements. The latest position of these cases is furnished below :

No of parties	Amount	Present position
	Rs.	
1	30,029 9 0	The case is still pending before the arbitrator.
1	145,799 15 0	No recoveries have so far been effected.
1	27,675 10 0	The case is still pending before the Law Court.

D.A.D.S. has seen.

Additional Secretary,
24th Nov., 1958.

APPENDIX XVII

MINISTRY OF FINANCE (DEFENCE)

- (i) Particulars of Report : . . . Sixth Report (Vol. II) of the Public Accounts Committee on the Appropriation Accounts (Defence Services) 1954-55.
- (ii) Item No. thereof : . . . Item No. 2 of Appendix I.
- (iii) Particulars of item : . . . The High Commissioner for India in London should be asked to pursue the question of early settlement of outstanding claims against the U.K. Government which amounted to £. 3,788,100 at the end of March 1953 at high level with the War Office as further delay is likely to complicate matters.
- (iv) Comments of the P.A.C. : Further report regarding clearance of the outstanding amount should be submitted to the Committee.
- (v) Remarks of the Ministry :

This item figured as item 6 of Appendix I to the Nineteenth Report (Vol. I) of the Public Accounts Committee on the Appropriation Accounts (Defence Services) 1953-54. A note dated 3-1-57 on the subject was submitted to the Public Accounts Committee which appears as Appendix XXIII to the Sixth Report (Vol. II). In that note the position of outstandings was shown to be :—

	£
(i) Sea freight & Shipping charges	22,813
(ii) Claims of Miscellaneous nature	88,001

The present position of these outstandings is as under :—

(i) *Sea freight and Shipping charges* :—
Since cleared.

(ii) *Claims of Miscellaneous nature* :—

Out of the amount of £88,001 reported as outstanding in the report dated 3-1-57 to the Public Accounts Committee, a further clearance of £ 21,989 has been reported by the High Commission in U. K. upto 31st March 1958.

Effort is being made to expedite the clearance of the outstanding balance.

The D A.D.S. has seen.

Financial Adviser,
24-11-1958.

APPENDIX XVIII

MINISTRY OF DEFENCE

S. No. 5 of the Statement of outstanding recommendations re: Clearance of outstanding bills of contractors in the M.E.S..

When the last report was submitted to the Public Accounts Committee the amount still under objection was Rs. 11,825/6/1, made up of the following three items :—

	Rs. A. P.
1. Objection relating to Darjeeling	139 6 0
2. Objection relating to Burdwan District	2,081 0 1
3. Terminal compensation for requisition of land for Kalaikunda Airfield	9,605 0 0
TOTAL	<u>11,825 6 1</u>

As regards the 1st item, intimation has been received from the Accountant General, West Bengal that objection relating to Rs. 139/6/- might be treated as settled.

With regards to 2nd item, Government of West Bengal have since confirmed that the objection stands settled.

Government sanction regularising 'on account' payment of terminal compensation amounting to Rs. 9,605/- for the land requisitioned for Kalaikunda Airfield was issued on the 11th January, 1957. The 3rd item, also thus stands finally settled.

Director of Audit, Defence Services has seen.

Joint Secretary,
29-11-58.

APPENDIX XIX

MINISTRY OF DEFENCE

Note on S. No. 8 of the Statement of outstanding recommendations re:
Savings in Defence Grants*

The broad reasons for savings in the Defence Grants and the various steps taken to ensure that expenditure corresponds to the estimates have already been explained in the statements sent to the Public Accounts Committee showing action taken on the recommendations made in previous reports of the Committee (Serial Nos. 13 and 14 of Appendix I and Appendix IA of the Sixth Report of P.A.C.—Second Lok Sabha) Vol. II—Appendices.

The following table shows the sanctioned grants, actual expenditure and savings over voted grants during the last five years.—

(In crores of Rupees)

Year	Sanctioned Grant	Actuals	Savings	% of savings
1953-54	237·97	212·97	25·00	10·5
1954-55	243·52	218·55	24·97	10·3
1955-56	245·07	214·51	30·56	12·5
1956-57	261·30	240·52	20·78	8·0
1957-58	316·55	305·03†	11·52	3·6

It would be observed from the table that the trend of large scale surrenders was arrested in 1956-57 and the year 1957-58 has recorded considerable improvement as compared with the previous years. Savings which ranged from 8 to 12·5 per cent in previous years have now been brought down to 3·6 per cent as a result of the remedial measures mentioned in the earlier statements furnished to the Committee.

*Appendix I.

†Provisional figures upto March supplementary.

The position with regard to savings on Defence Capital Outlay has also improved considerably. The following table compares the savings, in the grant for works projects during the past five years :—

(In crores of Rupees)

Year	Sanctioned grant	Actuals	Savings	% of Savings
1953-54	11.98	8.01	3.97	33
1954-55	11.41	8.75	2.66	23
1955-56	11.36	8.61	2.75	24
1956-57	13.32	10.88	2.44	18
1957-58	11.64	10.89*	0.75	6.4

*Provisional figures upto March supplementary.

It would be seen from the above that the savings in the grant for works expenditure during 1957-58 is considerably lower than the corresponding figures of the previous years. Thus, the general policy now followed of including in the budget, provision for those works only which have been administratively approved sufficiently in advance, has already begun to bear fruit.

Director of Audit, Defence Services has seen.

Additional Secretary,
27-10-58.

APPENDIX XX

Note on S. No. 9 of the Statement of Outstanding recommendations (Para 6 of the Sixth Report—1st Lok Sabha) re. Budgetary Control

In the case of procurement of stores as already explained to the Committee in Appendices I and IA of the Sixth Report of the P.A.C (Second Lok Sabha) Vol. II—Appendices, there are certain inherent difficulties in the framing of accurate estimates of expenditure. While appreciating these difficulties, the Committee have reiterated the need for a closer liaison between the indenting and supplying Departments.

A close liaison already exists between the indenting Departments and the procuring agencies. In all cases of indents placed on D.G.S. & D, D.G., I.S.D London and other procuring agencies abroad progress with regard to finalisation of contracts and materilisation of supplies is watched by the indentors. Continuous efforts are also being made to obtain periodically as much information as possible from the procuring agencies, based on which the budget estimates are framed. Nevertheless, cases continue to occur of actual expenditure falling far short of the estimates furnished by procuring agencies even as late as January, due to various reasons, such as failure on the part of suppliers to adhere to the expected delivery schedules, end of the year delay in shipping arrangements, etc. If estimates furnished even in then closing months of the financial year are apt to show wide variations, the difficulties of framing with any degree of accuracy, estimates of expenditure on the basis of information available some three months before the commencement of the financial year, as is the case at present, could well be imagined. However, subject to these limitations inherent in the situation, great care is being taken to prepare the estimates as accurately as possible.

Savings over voted grants in the last two years (*vide reply to S. No. 8*) testify to the fact that the trend of large scale surrenders of Defence Services Grants has already been arrested to an appreciable extent. The year 1957-58 has recorded a definite improvement in the situation. It is hoped that in the coming years the estimates will prove to be more accurate and realistic and the improvement already discernible will be steadily maintained.

Director of Audit, Defence Services has seen.

Additional Secretary

27-10-58

APPENDIX XXI

MINISTRY OF DEFENCE

Note on S. No. 12 of the Statement of Outstanding Recommendations (para 10 of 6th Report—Second Lok Sabha) re: loss of revenue due to defective planning of works.

Necessary Instructions were issued to HQ Commands in Army Headquarters letter No. 63150/Q3Wiii, dated 6th October, 1955, to ensure that all efforts are made to make the approximate estimates realistic and to avoid subsequent changes in specifications or cost for reasons which could be foreseen at the time of preparing approximate estimates. Further instructions to ensure proper planning of projects were issued in Army Headquarters letter No. 83097/Q3W (Policy), dated the 3rd January, 1957.

2. Various measures have been taken recently to minimise surrenders of funds. Among the important ones are :—

(a) Improvement in Users' planning, e.g., drive for finalisation of Key location Plans and Establishments; formation of Quartermaster General's Planning teams in Commands; emphasis on finalisation of Users' requirements at the Acceptance of Necessity stage; planning on a continuous cycle; etc.

(b) Drive for increasing the time interval between Administrative Approval and execution, so as to facilitate better Technical and Budget Planning by Engineers, and early commencement of works.

(c) It has been agreed that :—

(i) as soon as Administrative approval is issued, Services Headquarters/Director General of Ordnance Factories will indicate whether or not the project will be started during the following financial year, to enable Engineers to take preliminary action;

(ii) in the case of new construction, Administrative Approval will not be released for execution for it is anticipated that the site cannot be made available to the Engineers within a period of one year;

(iii) in order to avoid delay in the receipt of allotment of funds allotments will be made direct to the Garrison Engineers with copies to intermediate formations.

(d) Emphasis on better estimating, taking into account all ground factors. The M.E.S. Review Committee have also recommended 5% tolerance on Administrative Approval. This recommenda-

tion has since been accepted by the Government and Government orders implementing the recommendation have been issued.

3. It may, however, be added that even under the best procedure, surrenders may become unavoidable due to unforeseen factors, *e.g.*, difficulties over contracts, procurement of stores, failure of contractors, non-receipt of book debits, or inter-departmental schedules and cannot, therefore, be entirely eliminated. The budget situation is reviewed periodically during the year and funds which cannot be utilised economically are surrendered, so that they may be diverted to other projects.

The D.A.D.S. has seen.

Joint Secretary

6-1-59.

APPENDIX XXII

MINISTRY OF DEFENCE

*Note on S. No. 13 of the Statement of Outstanding recommendations re:
Acquisition of unwanted Stores*

When the review carried out in 1951 revealed a surplus of quantity 863, our Ministry Adviser to the High Commissioner in U.K. was informed in October 1951, to cancel quantity 545 out of the outstanding demand without financial repercussions. As, however, conditions of emergency in the country accentuated, it was decided on 12-4-52 that the demand on U.K. should not be cancelled and the position should be re-examined at the time of the next review in 1952.

II. The review undertaken in September/October 1952 revealed a surplus of quantity 1,027 after taking into account the quantities that were still outstanding from U.K. as well as those against the demands placed on DGOF. As the situation in the country had somewhat eased at that time, an effort was made to cancel 50 per cent of the demands on U.K. but the demands on DGOF were left untouched to ensure speedy development of indigenous manufacture. As the cancellation on U.K. would have entailed heavy financial repercussions it was not pressed and it was then decided to reduce the demands on DGOF to quantity 40 and to utilise the components already manufactured by D G OF against maintenance requirements. Demand for quantity 40 has been retained to keep the production technique alive. The old type will be retained in service for a number of years as a standard item of equipment and this item is not of a perishable nature.

III. Orders have already been issued on 16-1-57 that bulk order for a store will only be placed by the Services on the DGOF after he has successfully established the technique of production. Cases of the nature mentioned are not likely to occur in the future.

Under the revised procedure introduced with effect from 1-4-57, for the review of outstanding orders on the Ordnance Factories, the indenter has adequate opportunity to review his demands in the light of the latest trend both in technique and demand. Orders have also been issued, on 15-2-56 to all defence indentors stressing the need to review periodically all outstanding indents. In addition to the above, Ammunition and Ordnance Sub-Committees have been created under the Defence Production & Supply Committee to progress the development and production of important items of ammunition, ordnance and general stores, in the Ordnance Factories. These Sub-Committees meet periodically and review the progress made from time to time.

IV. The foreign Government concerned specifically wanted to have the latest type and the latest mark was issued.

V. The observations are noted for compliance. The issue of instructions laying down the procedure to be followed for declaring equipments/stores obsolescent/obsolete is under consideration by Government.

D.A.D.S. has seen.

Additional Secretary

6-2-1959.

APPENDIX XXIII

MINISTRY OF DEFENCE

Note on S. No. 14 of the Statement of Outstanding recommendations—para 15 of the Sixth Report (Second Lok Sabha)—Accumulation of surplus materials due to delay in reduction of demand.

The basis for each annual provision review is decided by Government in consultation with the Chief of the General-Staff and all likely factors are taken into account at that stage. However, it will be appreciated that certain factors cannot be foreseen at the time of these reviews and to that extent, it will be necessary to modify the demands later. In the case of expendible stores like ammunition, provisioning cannot be made on a common yard-stick applicable also to non-expendible equipment such as vehicles or wireless sets. The wastage of the latter type is not affected by commitment of units to operational roles such as moves to concentration areas.

2. The surplus of 23,973 revealed in January 1954 could not have arisen if—

- (a) it had been possible to expend unexpended balance of 4,493 of the training entitlement for 1951-53 rendered impracticable by moves to and from the concentration areas such as of XI Corps and I Armd Div ; and
- (b) effect had not been given to the reduction in operational reserve^s consequent upon review of the strength of the force for which reserves were to be catered for.

3. Under the procedure recently introduced, firm demands for recurring items covered by staff policies required for use during 3 financial years indicating separately the quantities required in respect of each year, are to be placed on the Director General of Ordnance Factories, 9 to 12 months ahead of the 3 years period. The idea in placing firm demands for a three years period is to facilitate DGOF to plan economic utilisation of capacity and economic production ; but in arranging the production programme, the DGOF is to ensure that items (for instance filled ammunition) which do not have a long life, are not produced long before they are required by the Services.

4. The provision review covering 3 years at a time is to be held annually by the Services Hqrs. who are to assess their total requirements to the end of the next 3 years. After taking into account all outstanding "dues-in" against firm indents already placed, the balance quantity required is to be normally demanded from the DGOF for supply during the year subsequent to the period already covered. If the total requirements thus worked out indicate a reduction in the demands already placed, an indication, is to be given to the DGOF with brief reasons therefor indicating whether the reduction is due to normal fluctuations or any changes in policy. Where reductions are due to normal fluctuations

it is to be left to the DGOF to decide whether production programme already planned, based on earlier firm indents, should or should not be modified and while examining this, he is required to consider whether actual manufacture relating to the earlier firm indents should not, to some extent, be limited to components which could be assembled during the subsequent period. Where, however, a fall in demand occurs or is likely to occur as a permanent or long term measure, the matter is to be referred by the Service Hqrs. to the CGDP at the earliest opportunity without necessarily waiting for the annual review and he is to make every endeavour to reduce production of the quantities already included in the original demand to the extent possible consultation with the DGOF and associated Finance with a view to limiting infructuous expenditure to the minimum.

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

Additional Secretary.

27-10-58.

APPENDIX XXIV

MINISTRY OF DEFENCE

SUBJECT :—*Public Accounts Committee—VI Report—Consideration of the statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee.*

Reference S. No. 18 of the Statement of Outstanding recommendations—Purchase of unwanted stores :

What is the present position of the action taken against (i) the other Deputy Naval Stores Officer (ii) the Stores Receiver ?

2. The disciplinary proceedings against the Deputy Naval Stores Officer and the Stores Receiver have not so far been finalised. The final action taken against the above officers will be intimated to the Public Accounts Committee in due course.

3. The D.A.D.S. has seen.

Joint Secretary (N)

30-1-1959.

APPENDIX XXV

MINISTRY OF DEFENCE

Note on Serial No. 19 (Para No. 25 of the 6th Report (2nd Lok Sabha) re: delay in supply of drawings to the D.G.O.F.

Instructions have already been issued to the Authorities Holding Sealed Particulars to ensure that the D.G.O.F. is supplied with the paper particulars and drawings etc. within 15 days of an indent being placed on him. Suitable action is also taken by the Research and Development Organisation where no such paper particulars and drawings exist to prepare indigenous designs.

2. Any hold-ups in production in the Ordnance Factories due to non-acceptance of certain materials, dimensions or standard of workmanship etc. are reported immediately by the Inspectors to the Director of Inspection Armaments and the AHSP telegraphically who take remedial action in the case. Effective liaison also exists between the D.G.O.F. and the Inspection authorities and timely action is taken in cases where there is any major hold up in inspection.

3. In addition to the above Committees are being formed with representatives of the Inspectorate and the Ordnance Factories to carry out a survey of all material bottlenecks in respect of items in production and recommend substitute/alternative materials to those specified in the drawings.

4. Director of Audit, Defence Services has seen.

Additional Secretary
9th December, 1958.

APPENDIX XXVI

MINISTRY OF DEFENCE

Note on S. No. 19(ii) of the Statement of outstanding recommendations — para 25 of the 6th Report (Second Lok Sabha).

Orders exist that all Defence Indentors should take timely action to suspend/cancel outstanding demands for items where surpluses are revealed as a result of the Annual Provisions Reviews. Owing to certain factors which cannot be foreseen at the time of Annual Provision Review, it becomes necessary occasionally to modify the demands later.

2. In the case of expendible stores like ammunition while provisioning has to be done on the basis of scales, if due to some unforeseen factors the full scales could not be operated during a particular financial year surpluses will result. But the surpluses thrown up as a result will be revealed at the time of the succeeding reviews and adjusted at that time.

3. Before a decision is taken to cancel or suspend an order on the DGOF the matter is given very careful consideration at the appropriate level and if only it is absolutely inevitable, orders are suspended/cancelled. Under the existing procedure, demands in respect of recurring items are to be placed on the DGOF to cover requirements of three years indicating separately the quantity required in respect of each year. While arranging the production programme, the DGOF is to ensure that items, for instance (filled ammunition) which do not have a long life are not produced long before they are required by the Services. The provision review covering 3 years requirements at a time continues to be held annually by the Services HQ who assess their total requirements to the end of the next three years. If the total requirements worked out at a particular provision review indicate a reduction in the demand already placed, an indication is given to the DGOF with brief reasons therefor indicating whether the reduction is due to normal fluctuations or any changes in policy. Where reduction is due to normal fluctuations, it is left to the DGOF to make necessary adjustments in his production programme. In case, where a fall in demand occurs or is likely to occur as a permanent or long term measure, the matter is required to be referred by the Services to the Controller General of Defence Production at the earliest opportunity without necessarily waiting for the annual review and every endeavour has to be made to reduce production of the quantity already included in the original demand to the extent possible with a view to limiting infructuous expenditure to the minimum.

4. With the introduction of the above revised system of placing indents on the DGOF, it is hoped that the cancellations of orders placed on the DGOF which has been the subject of comment of the PAC will be reduced to the minimum.

5. D.A.D.S. has seen.

Additional Secretary
31-10-1958.

APPENDIX XXVII
MINISTRY OF DEFENCE

κ D. (Prod)

Note on Serial No. 21 Para No. 27 of the 6th Report (Second Lok Sabha) re : procurement of raw materials by the Ordnance Factories.

The Director General of Ordnance Factories chases up his indents on the Director General of Supplies & Disposals Organisation as much as possible. Whenever necessary, he approaches this Ministry for the expeditious procurement of materials. In order to effect coordination between the D.G.S.&D. and the Defence Services (including the D.G.O.F.) and to pursue the indents placed by the Defence Services (including the DGOF) on the D.G.S.&D., a permanent Defence Services Liaison Cell has been functioning at the D.G.S.&D. Office. DGOF's indents on India Store Department, London and India Supply Mission, Washington are progressed by him as vigorously as possible by correspondence. Indents for some special items are pursued by the DGOF's Officer attached to the Ordnance Consulting Officer in London.

2. So far as the D.G.S.&D. Organisation is concerned, as recommended by the Committee, they have reviewed the present procedure of processing of indents of the D.G.O.F. with a view to removing inordinate delays in supplies. It is stated, that generally, contracts against all Defence indents are already being actively progressed and chased up through Field Officers of the D.G.S.&D. Organisation. Pre-A/T progressing of all Defence indent as also recording and watching their progress at every stage to ensure that there is not avoidable delay in timely coverage of these indents has also been introduced. Indents which are outstanding for coverage for over six months and urgent and operational indents outstanding for over four months are discussed every month at meetings held between Additional Director General and Deputy Director General (Supplies) with Directors of Supplies concerned in order to analyse the causes of delays and to initiate necessary action to expedite coverage. To eliminate avoidable delays in the issue of tender enquiries and decision on tenders, all such indents where enquiries are not issued for more than two months and where tenders are not decided for more than three months, are brought to the personal notice of Directors of Supplies on the same lines as is being done in the case of Railways indents. With this additional measure, it is expected that a better control over delays at different stages can be exercised, thereby accelerating coverage of Defence indents. The D.G.S.&D. has assured that special attention will be paid to the indents of the D.G.O.F. at every stage from their receipt till inspection of the stores.

So far as textile items are concerned, a Planning Committee was constituted in August 1955 with a view to reviewing periodically the supply position of textile materials required for garments for the Defence Services and plan their future requirements. This Committee has so far held three meetings and has been doing commendable work by way of assessing the requirement of textile materials for the Services and suggesting ways and means of expediting procurement.

3. Generally the DGOF does not place any orders for raw materials on the ISM, Washington. . In the case of D.G.I.S.D. London, also, the DGOF's indents for raw materials are very few and spasmodic.

4. Director of Audit, Defence Services, has seen.

Additional Secretary.

2nd December, 1958.

APPENDIX XXVIII

MINISTRY OF DEFENCE

D. (Prod)

*Note on Serial No. 25 Para No. 24 of the 6th Report (2nd Lok Sabha)
re: Manufacture in Ordnance Factories for Stock purposes in excess requirements.*

(i) As recommended by the Stock Holdings Committee, the Ordnance Factories have examined their stocks of stores with individual value of less than Rs. 1 lakh. As a result of this examination, nearly 4,500 items valued at Rs. 43 lakhs approximately have been reported to the D.G.S. & D./Iron & Steel Controller, Calcutta, for disposal since 1-1-1957. Out of these, stores worth about Rs. 20 lakhs have already been disposed of. Information relating to the profit/loss earned/ incurred by Government by the disposal of these stores is being collected and will be furnished to the Public Accounts Committee in due course.

On the basis of the recommendations of the Stock Holdings Committee in their Final Report, instructions were issued in November 1956 by this Ministry to the Director General of Ordnance Factories that the priced stores ledgers in respect of stores held in Ordnance Factories should be reviewed periodically with a view to detecting and disposing of slow moving and non-moving stores. The D.G.O.F., in turn, issued corresponding instructions to the Factories in January 1957. Since a procedure for review is already in force, no further action is contemplated by this Ministry.

So far as Ordnance Depots are concerned, under the existing procedure, a review of all the stores held in the various Ordnance Depots is carried out annually on the basis of the policy approved by Government, and if as a result of this review, surpluses are revealed after off-setting the liabilities, the Ordnance authorities refer to the General Staff Branch to indicate their retention policy. All such surpluses, as are not required to be retained in accordance with the policy of the General Staff, are declared for disposal. Thus the overall position of all India stocks is determined by these annual provision reviews carried out by Central Ordnance Depots. The holdings in each Ordnance Depot (other than CODs) are also reviewed monthly and any quantities held over and above their normal stock potential, are reported to the C.O.Ds. for disposal instructions. The stock potential of these Depots is based on their past issues.

This Ministry is fully alive to the importance and urgency of clearing our Depots and Factories of unwanted stores. The aim of this Ministry is to make the best and maximum use of surplus stores held in the various Ordnance Depots and Factories and if there is any possibility of any item being used within the remaining shelf life of the store, the same is retained in stock although it might not be required for some time. In view of the existing financial stringency and foreign exchange shortage, the Defence stock holders were recently instructed in June 1958 to be very careful in the matter of

declaring surplus defence stores for disposal and to ensure that only what is really surplus, is disposed of. It has been stressed that they should try to continue utilising old equipment and stores as long as possible by repairing or reconditioning and also, that all possible alternative uses should be thoroughly examined before the stores are declared for disposal. Under this policy it might happen that we have to keep our existing stocks in our Depots Factories for a longer time and to that extent congestion in the Depots Factories may not be relieved. The Public Accounts Committee will no doubt appreciate that, in the present economic conditions and shortage of foreign exchange resources, Government cannot afford to discard any equipment or store for disposal, if there is any possibility of its being used in the near future, if not immediately.

In pursuance of the recommendations made by the Defence Production Planning Committee, the Government have since issued orders that in respect of recurring demands the Services should place firm indents on the D.G.O.F. on a three yearly basis. The question of provisioning of materials by the D.G.O.F. for Ordnance Factories is under examination in this Ministry. The point raised by the P.A.C. is closely related to the above question, a decision on which is expected shortly.

Director of Audit, Defence Services, has seen.

Sd/-

Additional Secretary,

6th December, 1958.

APPENDIX XXIX

Note on S.No. 39 of the Statement of outstanding recommendations—para 41 of the 6th Report (Second Lok Sabha)—re : store accounting.

The observations of the Committee have been noted. The importance of maintaining correct store accounts, besides the essential requirements of a correct and up-to-date location record of all holdings, is fully appreciated. The position is constantly being watched and in order to improve the standard of store accounting and stock verification, a re-organisation scheme was carried out in out of 25 Ordnance Depots. The Scheme embraced opening, checking, preserving, packing in standard packages and marking of contents of war-time doubtful packages, representing 45 % of the stores held in the depots. Before the re-organisation scheme, the average of discrepancies in these depots was in the range of 34% . It has now come down to 6.2%.

2. The comparison given below of the number of items found discrepant in three major Ordnance Depots during 1955-56, with the figures of previous year, indicates that there has been some improvement in the position.

	No. of discrepant items	
	1954-55	1955-56
1st Depot	8945 (9.7%)	2896 (3.1%)
2nd Depot	22068 (19.8%)	11000 (6.9%)
3rd Depot	15845 (9.8%)	14723 (8.7%)

3. Stock verification is an annual process. During stock-takings, in the case of prepacked bales or packages, a minimum of one package in every stack is opened and checked for quantity and condition. If a discrepancy is found further five packages from the same stack are opened. If further discrepancies are discovered from these five packages the whole stack will be examined. Tropic proofed packages are not, however, opened. In view of all this, the possibility of discrepancies coming to light in subsequent stock-taking cycles, in packages not covered by the re-organisation scheme, cannot entirely be ruled out. Another reason for discrepancies is that at the time of receipt of stores from the Trade and Ordnance Factories only 5 % of the packages are checked for quantity and condition. If this check reveals discrepancy to the extent of one per cent or more, then 100% of the consignment is checked. In respect of consignments received from abroad while ordinarily 100 % check is affected, in the case of tropic proofed cases received from the U.K./ U.S.A., only 5% check is carried out after 12/18 months of their receipt.

4. In accordance with the existing instructions, pre-stock-taking location check is carried out of all the items held in the depot, with a view to ensuring that all physical locations are correctly recorded in store location cards.

5. It is almost impossible to achieve complete concord between the physical and account card balances, in view of factors such as,

- (i) discrepancies occurring as a result of the element of human errors ;

- (ii) deterioration of stores in storage;
- (iii) wrong identification by non-technical staff of stores which differ only minutely;
- (iv) discrepancies found in factory packed packages which are initially subjected to a percentage check only.

A certain percentage of discrepancies has, therefore, to be accepted in the nature of things, unless 100% check is exercised at all states which would however, require a huge increase in manpower.

6. Stores held in the Engineer Stores Depot which is the biggest Engineer Stores Depot, holding more than 1 1/2 lakhs tons of stores have been stacked and re-zoned properly to ensure ready and detailed check. It is significant to note that the 1956-57 stock verification in this depot, revealed only surpluses amounting to Rs. 22,247, but no deficiency in stock.

7. With a view to minimising the recurrence of discrepancies in stock, a directive has been issued by the Naval Headquarters, emphasising the necessity to take utmost care in the receipt, issue, proper accounting, care and preservation of stores. An improved method of verification of stores and adjustment of deficiencies has been catered for in the Revised Naval Storekeeping Manual, the main feature of which is that continuous stock-taking is ensured and recorded.

8. To clear the large volume of war-time stocks in Air Force Depots the stocks are being segregated into active and inactive stocks. Active stock comprise all new equipment, equipment in current use and equipments which are no longer in current use but which may be required in an emergency. Stocks not in current use and those already put up for disposal are categorised inactive. In active items will be packed, suitably labelled and kept segregated for eventual disposal. They will be subjected only to quantitative stock-taking periodically in terms of the number of packages.

9. In the case of Ordnance and Clothing Factories, the total number of items to be verified during 1955-56 was 5,68,355, out of which only 144 items constituting .025% valued at Rs. 77.39 lakhs alone remained unverified. There has been appreciable improvement in 1956-57 in that, out of 5,95,349 items to be verified, only 9 items remained unverified, thus reducing the percentage of unverified items from .025 to .0015. The value of surpluses and deficiencies revealed during 1956-57 stock-verification was also much less, compared to the previous year, as may be observed from the figures given below:—

Year	Value of	
	Surpluses	Deficiencies
	Rs.	Rs.
1955-56	9,55,602	7,85,291
1956-57	5,64,160	2,80,733

The position with regard to store-accounting and store-keeping is periodically reviewed. No serious procedural defects or shortcomings have been noticed. The directives issued from time to time emphasise the need for complying strictly with the instructions on the subject; and if the result does not fulfil expectations in all cases, this, in a sense, is characteristic of all human effort.

The reply to the recommendation concerning surprise check of the physical stock by the C.G.D.A. was furnished *to the Lok Sabha Sectt. *vide* Min. of Finance (Defence) O.M. No. 146 (3)/58-Bud. III/2473-B, dated the 18th November, 1958.

The D.A.D.S. has seen.

Sd/-

Additional Secretary.

30-12-58.

*See remarks of Ministry of Finance (Defence) against the S. No. 39 of the statement of outstanding recommendations.

APPENDIX XXX

Note on S. No. 43 of the Statement of outstanding recommendations

Paras 60 & 62 of the 6th Report (Second Lok Sabha) re : Losses due to be lated/incorrect fixation of price/rates.

Accounts Officers attached to the Ordnance Factories were required to intimate the basic production costs half-yearly to the Ministry of Finance (Defence) only in respect of items for which the entire order (warrant) had been completed. This practice was in accordance with correct costing principles as cost of production cannot be accurately calculated till the production of a given batch or lot is completed and all returns submitted to the Accts. Branch. In the case under consideration, no warrants were closed during the years 1953-55 and, therefore, no intimation of the basic production cost of the item as was furnished by the Accounts Officer to the Ministry of Finance (Defence) in this case till March, 1956.

To prevent recurrence of such cases, instructions have been issued by Army Hqrs, DGOF and CDA (Fys) providing that in respect of items ordered for the first time or after a lapse of three years or more, estimates of cost of production will be furnished to the Ministry of Finance (Defence) before the commencement of the delivery of stores to Ordnance Depots. Instructions have also been issued that warrants of manufacture will be so regulated that they are closed at reasonable intervals and are not allowed to remain open for years. Instructions have also been issued by CDA (Fys) providing that even in respect of warrants not closed at the end of a financial year, the actual cost of production for the portion completed should be indicated to the Ministry of Finance (Defence) in an annual statement in so far as the principal items of manufacture in Ordnance Factories are concerned.

Orders already exist to the effect that in the case of stores already produced by trade in the country and non-warlike stores for which no trade capacity exists, the cost of production in the Ordnance Factories should be assessed by a trial order (which should be for the absolute minimum economic unit of production) and accepted by Government before a bulk order is placed, vide this Ministry's u.o. note No. 26(36)/55PC/SO-3/D(O) dated the 4th January, 1958. These orders are also normally applicable to war-like stores for which demands are likely to be of a recurring nature.

This Ministry is examining the question of issuing instructions to the effect that in respect of items which are already under production in Ordnance Factories, if the estimated cost of production is likely to exceed than indent estimate (which will be based on the cost of last supply) by more than 66 2/3%, then D.G.O.F. should obtain the prior approval of the indenter before undertaking the production of the item. This will afford an opportunity to the indenter to obtain the item from trade sources if it is cheaper to do so. The question whether D.G.O.F. should refer back to indenter for prior approval cases where the estimated cost of production is likely to exceed the indent estimates by over Rs. 5 lakh, even though the percentage increase may be within 66 2/3%, is also under examination.

D.A.D.S. has seen.

Additional Secretary,
3-11-1958.

APPENDIX XXXI

[See S. No. 50 of the Statement of outstanding recommendations
No. PII-211(33)/II]

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING & SUPPLY

New Delhi, dated the 26/30 June, 1958

MEMORANDUM

SUBJECT : *Changes in specifications-Avoidability of obtaining the prior concurrence of the Indentors by the purchasing Organisations in cases where specifications are changed for any reason.*

The undersigned is directed to say that in connection with the loss sustained by Government in the case relating to purchase of Asbestos Cement Sheets by the India Store Department, London, the Public Accounts Committee in para 73 of their Sixth Report 1957-58 (Second Lok Sabha) have observed as follows :

“The Committee wonder how the Defence authorities (indentor) could acquiesce in the view that the asbestos cement sheets required by the Defence authorities would have been accepted even with changed specifications. The Committee are of the view that the Director General, India Store Department, London had failed in his duty in not getting the prior consent of the indentor before placing orders for stores of the changed specifications. They desire that in future prior concurrence of the indentors should invariably be taken by the Supply Wing in cases where the original specifications are changed for any reason”.

2. It may be mentioned that instructions already exist which enjoin that “indenting departments” should avoid changes in specifications after placing contracts. Similarly instructions also exist in so far as the C.P.Os. are concerned, that they should strictly go by the specifications given in the indent in making purchases, and that they should obtain the specific confirmation from the indentor to changes/deviations to such specification before they purchase any stores not conforming to the specifications given in the indents.

3. In order to avoid losses of the type referred to in para 1 above, it is again reiterated that the purchase Organisations should invariably obtain the specific prior concurrence of the indentors as indicated in the preceding paragraph in cases where for some reason or the other, they propose to purchase stores to a different specification than indicated in the indents.

Sd/ J.G. Kumaramangalam,
Deputy Secretary.

To :

The Director General India Store Department, London

The Director, India Supply Mission, Washington.

The Director General (Supplies & Disposals), New Delhi.

Copy to all Ministries of the Government of India, etc.

APPENDIX XXXII

MINISTRY OF DEFENCE

Note on S. No. 54 of the Statement of outstanding recommendations—para 28 of 19th Report (1st Lok Sabha) and para 78 of 6th Report (Second Lok Sabha)

The Survey of the tanks on requisitioned land has been completed and the position is as follows :

		Above ground	Under ground
Total available	128	79	49
Serviceable	78	56	22
Unserviceable	40	23	17
Exhumed	6	..	6
Being exhumed	4	..	4

As the underground tanks on non-requisitioned lands were to be disposed of *in situ*, they were not exhumed, and, therefore, information as regards their serviceability or otherwise cannot be furnished.

The reasons leading to the decision to dispose of these tanks *in situ* were that their conditions was generally poor and the cost involved in retrieving them by excavation, scrapping, repairing, welding, external painting and procurement of deficient fittings was not considered an economical proposition. Moreover, expenditure was being incurred on their 'Watch & Ward'. As regards the 4 Tanks which have not been exhumed, it may be stated that the difficult terrain and climatic conditions have hampered the progress of the work relating to exhumation. However, these 4 Tanks are expected to be exhumed shortly.

Out of 78 serviceable tanks, 48 tanks have since been used in the project. 30 tanks are kept earmarked for I.A.F. projects, which are under sanction.

The condition of 6 tanks subsequently exhumed is as under :

- (i) Serviceable 1 No.
- (ii) Repairable 1 No.
- (iii) Under test 4 Nos.

Of the 36 tanks on non-requisitioned land, 15 tanks have been used in projects. The remaining 21 tanks have been disposed of. The book value, sale proceeds, etc., of these 21 tanks are indicated below :

Location	No. and capacity of tanks.	Book value	Receipt value
		Rs.	Rs.
*	3 × 10,000	4,500	3,300
*	1 × 10,000	1,500	1,650
*	1 × 10,000	1,500	
*	9 × 10,000	22,500	20,000
*	2 × 10,000	8,000	1,320
*	2 × 35,000	20,800	19,000
*	3 × 35,000	31,200	19,500

Disposal action in respect of the forty unserviceable tanks lying on requisitioned land is in hand by the Chief Engineer, Eastern Command.

D.A.D.S. has seen.

Joint Secretary

APPENDIX XXXIII

Note on S. No. 56 of the Statement of Outstanding recommendations—Para 80 of the 6th Report (Second Lok Sabha) re: Procurement of mechanical transport Vehicles

(i) One of the firms has, so far, established indigenous manufacture of 35% of the components of 4×4 vehicles. The second firm has since stopped production of Studebaker Vehicles and will be taking up production of other types of trucks.

There is no system of assessing depreciation in the value of vehicles in the Army. All vehicles are classified as fit or repairable depending upon their mechanical condition. The fit and repairable vehicles are classified into five classes, Class I, II, III, IV & V, each successive lower classification indicating a worsening in the mechanical condition. †For purposes of assessing the book-value of the vehicles put up for disposal, the following *ad hoc* scale of the prices is adopted :

(a) *Fit Vehicles.*

- (i) Class I (new) Full P. V. Rate.
- (ii) Class I (2nd hand) 4/5th of P.V. Rate.
- (iii) Class II 2/3rd of P. V. Rate.

(b) *Repairable and Unfit Vehicles.*

- (i) Class III, IV & V 1/2 of P.V. Rate
- (ii) Class VI (Beyond Economical Repairs) 1/5th of P.V. Rate

The above rate are subject to review from time to time depending on any basic changes in the system of classification of vehicles. Vehicles declared as Class VI (*i.e.* beyond economical repairs) by the Technical Boards and those for which there is no requirement, whose disposal is specifically agreed to by Government, are put up for disposal through the D.G.S. & D.

There is no fixed period of life of a vehicle after which it is automatically declared for disposal.

(ii) Before a vehicle is declared for disposal, retrieval of all useful components for which there is requirement for Army use and which would otherwise have to be imported/purchased is effected without reference to the value that the vehicle would fetch during auctions/sale. I may be mentioned also that spares for most of our War-time Vehicles are difficult to procure as the vehicles are obsolete in the countries of origin. The items retrieved are accounted for as per instructions contained in Army Hqrs. letter No. 65861/MG/OS-1B, dated 13-6-53.

D. A. D. S. has seen.

Additional, Secretary
28-11-1959.

APPENDIX XXXIV

MINISTRY OF DEFENCE

*Note on S. No. 57 of the Statement of Outstanding recommendations—
para 81 of the Sixth Report (Second Lok Sabha)*

In 1952, provision of spares for the overhaul of 39,000 'B' vehicles over a period of 3 years was arranged based on the workshop capacity of 13,000 vehicles per year as assessed at that time, and without reference to the number of repairable vehicles actually available and likely to become available. Thus 39,000 repairable vehicles of the types, makes and models, for which spares were provisioned, were not physically available in 1952. Later on, in March 1956, however, spares worth about Rs. 30 lakhs were cancelled out of the total quantity demanded which was valued at Rs. 63 lakhs approximately.

2. During the years 1953/57, 15,775 'B' vehicles were actually overhauled by the EME Workshops. On the 31st December, 1957 there were 20,993 repairable 'B' vehicles (Standard Units) requiring a major overhaul. Out of these 20,993 repairable vehicles only those in the categories for which there may be a deficiency of fit stocks to meet the Army requirements, will be required to be actually overhauled. The existing capacity of the Base Workshops for overhauling 'B' vehicles is 3,785 Standard Units (a Standard Unit being a lorry 3 Ton 4×4 per year. 8,847 Class V (repairable) 'B' vehicles (Standard Units) are included in the current repair programme for 1958—60. The average annual arisings of repairable 'B' vehicles (Standard Units) are approximately 4,525 (based on an average of the last 3 years). The repair capacity of the EME Workshops is being stepped up to 5,750 'B' vehicles (Standard Units). It is, therefore, hoped that apart from overhauling the repairable vehicles which arise every year, some of the vehicles which were available for repair on the 31st December, 1957 will also be repaired in the EME Workshops when the increased capacity actually becomes available by about April, 1960.

D. A. D. S. has seen.

Additional Secretary,

12-3-1959.

APPENDIX XXXV

MINISTRY OF DEFENCE

*Note on S. No. 58 of the Statment of Outstanding Recommendation—
Paras 82 and 83 of 6th Report (Second Lok Sabha) re : infructuous
expenditure due to cancellation of a demand.*

(i) The presumption that the Director General of Ordnance Factories proceeded with the expected order from a foreign Government on the basis of a casual enquiry is not correct. Actually, the D.G.O.F. did not commence manufacture of the store on the basis of the enquiry from that foreign Government. When the annual review for 1953 confirmed the existence of surpluses, action was taken on the 16th July, 1953 to scale down production in the Ordnance Factories from 15,000 to 4,000 a month. The order on the D.G.O.F. could have been reduced but in view of the enquiry received from a foreign Government for this item in February, 1953, such action was not taken. Unfortunately, the demand of the foreign Government did not materialise and as soon as it became known that the foreign Government was not interested in the procurement of the item, the question of closing the production of the item by the Ordnance Factories was taken up and the D.G.O.F. was eventually instructed to discontinue further manufacture of the item on the 11th June, 1954.

(ii) (i) As has already been explained by this Ministry on earlier occasions the system of provisioning of stores now in vogue is comprehensive and ordinarily, there should not be any over-provisioning except due to circumstances which cannot be foreseen. It is only if certain reductions or re-organisations, which affect the store requirements, are decided after the provisioning action has been initiated, the stores already demanded may be found unnecessary. Under the existing procedure, where a fall in demand occurs or is likely to occur as a permanent or long term measure, the matter has to be referred by the Services to the Controller General of Defence Production at the earliest opportunity without necessarily waiting for the annual review and he has to review production of the quantities already included in the original demand to the extent possible in consultation with the D.G.O.F. and the Ministry of Finance (Defence) with a view to limiting infructuous expenditure to the minimum. In case, where the surplus dues cannot be cancelled without heavy financial repercussions, every attempt is made to make use of the stores to the fullest extent possible.

2. As will be appreciated, in the case of expendible stores like ammunition while provisioning has necessarily to be carried out on the basis of scales and if due to some unforeseen factors the full scales could not be operated during a particular financial year surpluses will result.

But the surpluses thrown up as a result of non-operation of those scales will be revealed at the next provision review and adjusted at that time. Under the existing procedure demands in respect of recurring items are placed on the D.G.O.F. to cover the requirements of three years.

3. In order to avoid over-provisioning of ammunition items, when for any reason actual expenditure over a period is below the prescribed scale a procedure was evolved in 1956 whereunder future provisioning of such items for training purposes is regulated with reference to the actual wastage in the past. According to this formula, where the expenditure of an item of ammunition in the preceding period was 75% or more of the authorised scale, provisioning is done upto the full authorised scale; where the expenditure was 50% or more but under 75%, provisioning is limited to 75% of the authorised scale; and where the expenditure was below 50%, the provisioning is done on the basis of the highest of the two figures in the past two years. This formula eliminates the possibility of over-provisioning.

4 This Ministry is fully well aware of the implications of over-provisioning and, as stated above has taken all possible measures to reduce over provisioning to the minimum.

5. D.A.D.S. has seen.

Additional Secretary,
1-11-1958.

APPENDIX XXXVI

MINISTRY OF DEFENCE

*Note on S. No. 58 of the Statement of Outstanding recommendations—
paras 82 and 83 of the 6th Report regarding infructuous expenditure
due to cancellation of a demand.*

Q. *In working out liabilities for purposes of provision review, are such
casual inquiries now excluded and only firm requirements taken
into account ?*

Answer.—Casual inquiries are not taken into account in working out liabilities at the time of provision review. When, however, firm orders are received from foreign governments they are considered in the Ministry of Defence in consultation with the Services Headquarters and Ministry of Finance (Defence) and, after a decision is taken about the quantities to be supplied in respect of each item the fact is intimated to the stock holder, who earmarks those items for supply to the foreign Governments. At the time of the Departmental provision reviews, such earmarked stocks have not hitherto been taken into account as assets. They have been regarded liabilities and provisioning action used to be taken to meet the deficiencies caused by such earmarking of stores for eventual issue to foreign Governments. This practice will now be stopped. Instructions are being issued to the Services Headquarters that, until actual release order are issued by the Ministry of Defence, the stores earmarked for supply to foreign governments should be treated as assets and no liability assumed for pending orders from foreign Governments.

2. D.A.D.S. has seen.

Additional Secretary,

24-2-59.

APPENDIX XXXVII

MINISTRY OF DEFENCE

*Note on S. No. 61 of the Statement of Outstanding recommendations—
para 87 of the 6th Report (Second Lok Sabha) regarding Arrears
in linking of invoices with packing Accounts.*

The procedure for linking of invoices by the Controller of Defence Accounts with the Packing Accounts received from the Consignees relating to stores purchased through D.G., I.S.D., London is set out below:

(i) Embarkation Commandants at the ports receive invoices of stores landed at ports along with Packing Accounts. One copy of the invoice is retained by them for record, on which are noted all damages/discrepancies noticed in the consignment.

Any military office receiving shipping documents for Government stores is required to forward them immediately to the Embarkation Commandant at the port of arrival, to clear and despatch the stores.

(ii) The officer landing the stores forwards the Packing Accounts (in duplicate) to the consignee. After noting on the Packing Accounts or damages and deficiencies noticed in the consignment, the consignee forwards both copies of the Packing Accounts, together with the certified receipt vouchers, to the Local Audit Officer. The Local Audit Officer, after comparing the Packing Accounts with the certified receipt vouchers, returns one copy of the Packing Account to the consignee for retention as his record and forwards the other to the C.D.A. The C.D.A. compares it with the invoice received from the Director General, India Store Department, and after noting on the invoice any discrepancies found between the Packing Account and the invoice, forwards the Packing Account to the Officer landing the stores, for transmission to the United Kingdom. The invoice is retained in C.D.A.'s Office.

(iii) In the case of discrepancies /damages found in packages unopened at the port of landing for which suppliers are held responsible, a discrepancy report is prepared by the ultimate consignee and sent to the purchasing agency/consignor. A copy of the discrepancy report is also endorsed to the Service Headquarters concerned of the consignee, stating whether replacement or reimbursement of the cost of the stores involved is required.

The procedure is the same in the case of stores imported through India Supply Mission, Washington/Canada and other overseas agencies except that invoices take the place of Packing Accounts.

2. The following factors contribute to some extent to the difficulties in the immediate linking of invoices with packing accounts :

(a) Delays in the receipt of packing accounts.

(b) 100% inspection of stores received from overseas with the exception of those tropically packed, and technical inspection of stores before clearance of the packing accounts.

- (c) Hold up of packing accounts with the Embarkation Commandant when discrepancies have to be pursued by him with the carrier.
- (d) Non receipt/short receipt of stores against packing accounts due to the following reasons :
- (i) Non-availability of rolling stock.
 - (ii) Technical inspection of certain equipments prior to their despatch to the ultimate consignee.

Packing accounts pertaining to stores received short cannot be cleared such time as the last package in the consignment is received and checked by the consignee.

3. A comparative statement showing the number of outstanding invoices on 28th February, 1957 and the 1st July, 1958 is given below:

Year to which the invoices pertain	No. outstanding on		Value £	U.S./ Canada invoices	Value \$
	28-2-57	1-7-58 U.K. invoices			
1948-49 . . .	53	44	84,529	..	..
1949-50 . . .	117	80	31,135	..	..
1950-51 . . .	74	43	18,025	..	..
1951-52 . . .	113	75	47,390	..	..
1952-53 . . .	73	22	23,827	..	..
1953-54 . . .	265	58	1,13,547	..	..
1954-55 . . .	474	72	53,789	1	..
1955-56 . . .	901	155	6,54,573	39	16,69
	2,070	549	10,26,815	40	16,70
1956-57 . . .	..	463	33,48,669	17	1,04,41
1957-58 . . .	..	2,661	1,11,75,151	185	1,12,56

It will be seen from the above statement that the major portion of the outstanding invoices pertaining to years earlier than 56/57 has now been cleared. Continued efforts are being made to clear the remaining outstanding invoices also, as early as possible, particularly the ones relating to the early years.

The D.A.D.S. has seen.

Joint Secretary,
11-2-1959.

APPENDIX XXXVIII

MINISTRY OF WORKS, HOUSING & SUPPLY

Note for the Public Accounts Committee in respect of paras. 90-100 of the 19th Report (First Lok Sabha) Para 89 of the 6th Report (Second Lok Sabha) (S. No. 63 of the Statement of Outstanding recommendations relating to ex gratia payment to a private firm).

In para 89 of their 6th Report (Second Lok Sabha), the Public Accounts Committee desired to be furnished with further information on the following two points relating to *ex gratia* payment of sales tax to a private firm referred to in paras 90 to 100 of their 19th Report :—

- (a) How many jeeps were moved out of Bombay State within a period of three months of their purchase and how many moved within six months?
- (b) What is the position regarding claim of refund of the sales tax of this quantity?

2. The requisite information is given below :—

- (a) In 1948, originally three orders were placed for 3090 jeeps. One order for 6 jeeps was subsequently cancelled. 4 jeeps were supplied to Bombay Police and one direct to the Commandant, T.D.E.V., Ahmednagar. Out of the remaining number of 3079 jeeps.
 - (i) 2147 jeeps were moved out of Bombay State within three months, and
 - (ii) 489 jeeps after three months but within six months of purchase.
- (b) As regards the claim for refund of the sales tax, it is to be stated that the refund could be claimed under the provisions contained in the proviso to section 6(1)(b) of the Bombay Sales Tax Act, 1946 only subject to fulfilment of the conditions prescribed in the rules. The said proviso was as under:—

“Provided that the general and special tax payable by a dealer on his taxable turnover in respect of sales or supplies of goods which are despatched or removed by him or on his behalf or by the purchaser of such goods to such place outside the province as may be notified by the Provincial Govt. in the official Gazette within such period and subject to such terms and conditions as may be prescribed shall be levied at such rate not exceeding half the rate of the tax payable under this section as the Provincial Govt. may by notification in the official Gazette specify.”

This proviso was inserted by Bombay Act of 1949 and the amendment took effect from 1-4-49. Hence the benefit of the reduction in rate was available in the case of sales that took place only after 1-4-49. The condition, however, in the case of despatch or removal of the goods by the purchaser was as prescribed in rule 5C, that such despatch or removal should have taken place within a period of three months from the date of the sale, and the purchaser should have furnished the dealer with necessary particulars and relevant receipts showing such consignment of the goods outside the Province (State) and receipts, if any, in respect of payment of any local tax or octroi, within one month of the date of despatch. The proviso to rule 5C permitted an extension of the period of three months in any particular case by a further period not exceeding three months if the Commissioner was satisfied that the goods could not be despatched or removed within the period of three months due to any circumstances beyond the control of the parties.

3. The position accordingly was that a reduction in the rate of sales tax could have been claimed in respect of only 394 jeeps which were delivered on or after 1-4-49 and despatched outside the State of Bombay within a period of three months from the date of delivery, provided the necessary particulars and documents had been furnished to the contractor by the consignee within one month from the date of despatch. This was, however, not done in the present case by the consignee since at the relevant date the A/Ts did not contain a provision for payment of sales tax in addition to the price. Such provision was made only in July 1950 in respect of two contracts and in April, 1949 in respect of the remaining one contract when the right to claim the reduction in the rate of sales tax had already been barred long ago. Hence no remedy was really available under the Law.

4. However, when the consignee intimated the despatch particulars to the contractor on 19-12-1953, the contractor took such steps as could then be resorted to with some plausibility. The particulars furnished by the consignee were of despatches in the year 1948-49 for the most part. The contractor could have refrained from taking any action whatsoever on the ground that no claim was tenable in respect of those despatches. However, he proceeded to take certain steps under the Sales Tax Act. The assessment for that period had already been made in December, 1952 and an appeal had become barred by time, the period allowed being sixty days (See Sec. 30 of the Bombay Sales Tax Act). In the circumstances, the contractor tried to secure a refund by invoking section 19 of the Bombay Sales Tax Act, 1953 read with section 13 of the Act, 1946. This application was, however, rejected on the ground that it did not lie after the assessment had been made as it involved a re-opening of the assessment. An appeal against this order of the Sales Tax Officer was made to the Assistant Collector of Sales Tax but it was also rejected on the ground that the refund claimed was not due under the assessment order and the application did not therefore lie under section 13 of the Bombay Sales Tax Act, 1946 read with section 19 of the Act of 1953 as interpreted by the High Court of Bombay. Against the order of the Sales Tax Officer, the contractor also applied to the Additional Collector of Sales Tax for revision. This too was rejected as not tenable by reason of section 31(3) of Act of 1953 which bars a revision in the case in which an appeal could have been filed but was not filed against any order. An application of the company to the Sales Tax Tribunal was likewise rejected as not maintainable.

It will be seen that the Company made genuine efforts to secure the refund but failed because the assessment had already been made towards the end of 1952. Government have been advised that so far as the year 1948-49 was concerned, there was no cause of action for claiming any refund and the application would have been rejected in any case on that ground. Government have further been advised that though a claim for reduction in tax lay in respect of jeeps sold to them on or after 1-4-49 and moved out of the State of Bombay within three months, the claim could not have succeeded as the condition subject to which the reduction was admissible, namely, intimation of despatch within one month from its date, was not fulfilled.

6. As already explained above, it was not possible in the circumstances of the case to have fulfilled this condition. Government are, therefore, satisfied that the loss that has been sustained was inevitable in the circumstances of the case. Government are, however, considering whether Government of Bombay should be approached to sanction refund that may be due as an executive measure as the omission to comply with the requirements of the rules had occurred because at the time when the required information ought to have been given it was not known to the concerned authority that any sales tax was payable under the contract to the dealer.

New Delhi;

Secretary.

The 25th October, 1958.

