

**PUBLIC ACCOUNTS COMMITTEE
1959-60**

TWENTY-NINTH REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (Defence Services), 1956-57 and
1957-58 and Audit Reports, (Defence Services), 1958 and 1959]



**LOK SABHA SECRETARIAT
NEW DELHI**

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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
1959-60**

CHAIRMAN

Shri Upendranath Barman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prashad Jyotishi
5. Shri Shamrao Vishnu Parulekar
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14. Shri Yadav Narayan Jadhav
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16. Shri Amolakh Chand**
17. Rajkumari Amrit Kaur
18. Shri Rohit Manushankar Dave
19. Shri T. R. Deogirikar
20. Shri Surendra Mohan Ghose
21. Shri Jaswant Singh
22. Shri S. Venkataraman.

SECRETARIAT

Shri V. Subramanian—Deputy Secretary.

Shri Y. P. Passi—Under Secretary.

*Shri Upendranath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959, (*vice* Dr. P. Subbarayan, who ceased to be a member of the Committee on his appointment as a Minister) and was appointed as the Chairman of the Committee on the 12th September, 1959.

**Ceased to be a Member of the Committee with effect from the 3rd April, 1960 consequent on retirement from the Rajya Sabha.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Twenty-ninth Report on the Appropriation Accounts (Defence Services), 1956-57 and 1957-58 and Commercial Appendices thereto and Audit Reports, 1958 and 1959.

2. The above-mentioned Accounts and Audit Reports were laid on the Table of the House on the dates shown below:

Audit Report (Defence Services), 1958	17-12-1958
Appropriation Accounts (Defence Services), 1956-57 and Commercial Appendix thereto	10-3-1959
Appropriation Accounts (Defence Services), 1957-58 and Commercial Appendix thereto and Audit Report, 1959	20-8-1959

3. The Committee examined these Accounts and Audit Reports at their sittings held on the 2nd to 6th February, 1960. A brief record of proceedings of each sitting has been maintained and forms part of this Report.

4. The Committee received evidence on a number of Audit-paragraphs on which they thought it unnecessary to report further than by noting them in this general paragraph. *They trust that the remarks of the Comptroller and Auditor-General in his Report on these cases will receive attention. If necessary, he will doubtless report upon them again in future years.*

5. At their sitting held on the 3rd February, 1960, the Committee appointed a sub-Committee to examine fully the case referred to in para 13 of the Audit Report, 1959 regarding 'Contract for supply of mechanical transport spares'. The Report of the sub-Committee as adopted by the Committee has been embodied in their Twenty-eighth Report (Second Lok Sabha), which was presented to the House on the 22nd April, 1960.

6. During the course of examination of these Accounts and Audit Reports, the Ministry of Defence brought to the notice of the Committee certain information which could not be furnished to Audit within the prescribed or agreed period and as such was not taken by Audit into account in the finalisation of the Audit Reports. It was explained by the Secretary, Ministry of Defence that after the

presentation of the Audit Report to Parliament he thought that further information, if any, should be placed before the P.A.C. Explaining the procedure, the Chairman observed that even after the presentation of the Audit Reports, the Ministry could have brought to the notice of Audit any information with regard to the facts incorporated therein to enable it to explain the position to the Committee. It would avoid any difference of opinion before the Committee over facts and facilitate their examination. *The Committee would like to draw attention in this connection to para 6 of their 25th Report (Second Lok Sabha) wherein they have reiterated their earlier recommendations contained in para 37 of their First Report (First Lok Sabha) that the Ministries should always make it a point to furnish the requisite information to Audit within the prescribed period of six weeks. If in exceptional cases it is not possible to do so, the correct position should be furnished to the Committee through Audit so as to enable them to arrive at proper conclusions.*

7. The Committee considered and approved this Report at their sitting held on the 29th April, 1960.

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

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

NEW DELHI;

The 4th July, 1960

Asadha 13, 1882 (Saka)

UPENDRANATH BARMAN,

Chairman,

Public Accounts Committee.

FINANCIAL WORKING OF THE GRANTS RELATING TO THE DEFENCE SERVICES, 1956-57 AND 1957-58

The following table compares the original and final grants and charged appropriations with the actual expenditure for the years 1956-57 and 1957-58:

(In lakhs of Rupees)

		1956-57			1957-58		
		Original Grant or Appropriation.	Final Grant or Appropriation.	Actual expenditure	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure
Expenditure from Revenue (Voted)	met	2,26,54	2,32,22	2,17,04	2,71,04	2,87,68	2,79,66
Expenditure from Capital (Voted)	met	28,00	28,00	22,35	25,00	27,92	25,89
Total (Voted)		2,54,54	2,60,22	2,39,39	2,96,12	3,15,60	3,05,55
Expenditure from Revenue (Charged)	met	..	97	99	91	91	92
Expenditure from Capital (Charged)	met	..	12	13	..	4	6
Total (Charged)		..	1,09	1,12	91	95	98

There was thus a saving of about Rs. 10 crores or 3.19 per cent. over the final grant during the year 1957-58 as against 8 per cent. (Rs. 21 crores) in 1956-57 and 12.47 per cent. (Rs. 31 crores) in 1955-56.

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

(In lakhs of Rupees)

Year	Final Grant	Savings	Percentage of savings
1952-53	2,33,66	25,51	10.9
1953-54	2,37,97	24,99	10.5
1954-55	2,43,52	24,97	10.25
1955-56	2,45,07	30,56	12.47
1956-57	2,60,22	20,82	8.00
1957-58	3,15,60	10,05	3.19

3. During the years under report, larger percentage of savings occurred mostly under Navy, Air Force and Defence Capital Outlay. (There was an overall improvement in working of the Defence Grants (Revenue) during the year 1957-58 inasmuch as the savings have been reduced to 3.19%). The Committee trust that effective

steps will be taken by the Defence Ministry to reduce the savings in the Capital Grants referred to above where the position continues to be unsatisfactory.

Excesses over Charged Appropriations—

4. During the years 1956-57 and 1957-58, excesses over Charged Appropriations occurred in respect of Army, Air Force and Defence Capital Outlay Grants. The Committee have already recommended to Parliament the regularisation of these excesses in the manner prescribed in Article 115 of the Constitution, in their Sixteenth Report (Second Lok Sabha) and Twenty-seventh Report (Second Lok Sabha), respectively.

Advances taken from the Contingency Fund of India—para 7(r) of the Audit Report, 1959—

5. During the year 1957-58, three advances (Rs. 3,965, Rs. 6,346 and Rs. 7,563) totalling Rs. 17,874 taken from the Contingency Fund of India during February 1958 to meet 'charged' expenditure in satisfaction of court decrees/arbitration awards notified in August and December 1957, were not recouped to the Fund during the year.

6. *The Committee are surprised why the Ministry did not take any action to recoup the fund by obtaining supplementary grant before the close of the financial year, although there was sufficient time. They desire that necessary instructions should be issued to avoid recurrence of such cases.*

Rush of expenditure during the month of March—para 28 of the Review of M.E.S. Expenditure—Appropriation Accounts, 1956-57, page 43 and para 24 of Review of M.E.S. Expenditure—Appropriation Accounts, 1957-58, page 37—

7. The expenditure during March, 1957, was a little more than $3\frac{1}{2}$ times the average expenditure of the first eleven months. The expenditure during March, 1958, was about 2.94 times the expenditure during the first eleven months. The rush of expenditure in the month of March was mainly due to late sanction of minor works, placing of more work orders for maintenance services in the latter part of the year, late conclusion of contracts, uneven flow of final bills and slow progress of work in monsoon months and also purchase of large quantities of steel in March.

8. *The Committee would like to reiterate their recommendations made in para 5 of their 17th Report (Second Lok Sabha) that the Ministry of Defence should devise specific remedies to remove the bottlenecks cited above resulting in uneven flow of expenditure during the year. They would like to know the action taken in this behalf.*

II

WORKS EXPENDITURE

Engineer-in-Chief's Branch

*Avoidable expenditure incurred on a work—para 9(a) pages 6-7—
Audit Report, 1959—*

9. The first phase of a project was administratively approved by Government in August, 1955, at an estimated cost of over Rs. 1.07 crores. A separate Works Division was formed for the execution and supervision of this project in the same month. Out of the land estimated at 360 acres required for the project, 280 acres were to be acquired from the Port Trust Authorities at the station and the remaining from private owners. The Port Trust Authorities declined to release the land and instead, suggested in August, 1955 an alternative site. Subsequent negotiations for the acquisition of a convenient site proved fruitless and as no suitable land was obtained even by December, 1957, the Works Division formed in August, 1955 was closed down with effect from December 1, 1957.

Against a total expenditure of Rs. 5,75,081 on the project, an expenditure of Rs. 3,19,560 was incurred on the pay and allowances etc. of the establishment of the Works Division. Besides an amount of Rs. 50,672 was spent on the custody, handling and preservation of the stores collected for the project and another sum of Rs. 9,523 on the survey and demarcation of the originally intended site.

10. In evidence, the Committee were informed that the Works Division was formed before administrative approval to the project had been accorded but no appointment was made until it was administratively approved. The Division comprised one Command Engineer, one Assistant Executive Engineer and 70 non-Gazetted staff and they were engaged on planning work. It was urged that the Ministry of Defence did not anticipate any difficulty regarding the transfer of the land for the work by the Ministry of Railways as the latter had given an assurance before. Later when the Ministry of Transport came into the picture, they declined in February, 1957 to transfer this land to the Navy, as it was required for building a marshalling yard thereon. It was admitted that the staff of the newly formed Works Division were not fully engaged during the period of 2 years.

11. The Committee were given to understand that the Transport Ministry had communicated on the 1st February, 1960 their decision to transfer substantially the same area of land to the Navy. The work already done by the staff will, therefore, be useful when the project is revived, although their output would have been greater had the project come off and gathered momentum as originally anticipated. Apart from a portion of expenditure incurred on back-loading of stores, no other part of the expenditure might be regarded as really infructuous.

12. *The Committee feel that there was little justification for setting up a Works Division with such a large establishment costing over Rs. 3 lakhs, which was to do only the planning work till the land was actually made available.*

-Para 9(c)—page 8—Audit Report, 1959—

13. At a certain Naval Station, the Military Engineer Services constructed six single type units for keeping naval stores in February, 1951, two double type ones in November, 1954, and one more double type unit in April, 1955. During the rains in May, 1955 all the nine units were found to have developed leaks, in spite of the water proofing provided. An expenditure of Rs. 70,959 was incurred during 1956-57 in the rectification of the defects.

The Military Engineer Services while maintaining that the design adopted was structurally sound, the specification provided adequate and workmanship and supervision also satisfactory, could not explain how the leaks had developed. The Chief Technical Examiner, to whom the case was referred, expressed the opinion on December 9, 1958 that the execution of the work was defective, specifications faulty and site conditions unsuitable.

14. In evidence, the Committee were informed that the final decision had not been taken on the report of the Chief Technical Examiner. The comments of the Chief Engineer on the C.T.E.'s report had been referred to the latter for his further comments.

As regards the defects found in the buildings, the Committee were informed that the type of construction which was based on German design had been undertaken by the M.E.S. for the first time and certain unforeseeable defects in waterproofing were discovered. These defects had been rectified by altering specifications to suit the local climatic conditions. The cost of rectification which became infructuous was stated as Rs. 14,816 as against the total expenditure of Rs. 14.43 lakhs on the works as a whole. It was also stated that the figure of Rs. 70,959 shown in the Audit para included besides the cost of rectification of defects the cost of new works which became necessary to have roofing of enriched specifications.

15. From the above explanation of the Committee are inclined to feel that in this case the M.E.S. did not examine at the outset whether the specifications of waterproofing would suit the local conditions.

16. Although the Chief Technical Examiner had reported on the 9th December, 1958 that the execution of the work was defective and the site conditions unsuitable, no final decision has yet been taken thereon. The Committee are of opinion that if the purpose of the C.T.E's inspection is to be fulfilled, speedy action on his reports is necessary. They, therefore, desire that action on this and such other reports should be expedited.

Injudicious phasing of a project—Para 10—page 8—Audit Report, 1959—

17. The provision of permanent residential and office accommodation at an Air Force Station was sanctioned by Government in September, 1953, at a cost of Rs. 63·02 lakhs. The construction of the residential quarters started in December 1953 was completed in November, 1954. Internal electrification of these buildings and external services for water, sewage etc. taken up in November, 1954 and December, 1955 were completed in March 1955 and October, 1956 respectively. The residential quarters, therefore, were unusable before October, 1956. Owing to non-completion of the administrative and technical buildings, the sanctioned administrative staff could not be posted to the station even after October, 1956 and thus the residential quarters remained vacant till 1958 resulting in avoidable expenditure of Rs. 27,000 by way of watch and ward charges.

18. In evidence the representative of the Ministry of Defence stated that the occupation of residential accommodation was linked up with the completion of the runway with taxi tracks. Work on the runway with taxi tracks was taken up earlier than that on residential quarters and had the runway and taxi track been completed in 11 months as planned, actually the residential accommodation with services would have lagged behind. The completion of the runway was delayed due to discovery of rocky soil and as the residential quarters could not have been occupied before completion of the runway, installation of the internal electrification and external services therefore was allowed to proceed at an easy pace.

19. In the Committee's opinion the case reveals lack of coordination in the execution of this project. They trust that such lapses will not be allowed to recur.

Control over works expenditure—Para 11—pages 8-9—Audit Report, 1959—

20. No work can normally be commenced or liability incurred in connection with it until—

- (a) administrative approval to the execution of the work has been accorded by the competent financial authority,
- (b) technical sanction to the detailed design, specifications and estimates has been issued by the competent engineer authority, and
- (c) funds to meet the expenditure have been specifically allotted.

The following statement gives the break-up of expenditure on works held under objection during the years 1955-56, 1956-57 and 1957-58.

Sl. No.	Nature of objection	Amount objected to during		
		1955-56	1956-57	1957-58
		Rs.	Rs.	Rs.
1.	Want of administrative approval	8,64,619	6,76,108	15,16,763
2.	Want of technical sanction	8,60,253	3,67,024	7,31,041
3.	Want of allotment of funds	25,45,595	15,10,691	30,59,713

21. In evidence, the Committee were informed that most of the items held under objection related to the works of military operational or medical necessity and emergent works for meeting dangers to buildings etc. which could be undertaken under the rules in advance of the administrative approval. In some cases the excesses over the sanctioned estimates which came to light during the execution of works necessitated revision of administrative approval. The Committee enquired why explanations were not accordingly furnished to the internal audit if the cases under reference were covered by the exceptions provided in the rules so that these could have been excluded from the review on Appropriation Accounts. They were informed by the representative of the Ministry of Finance (Defence) that the expenditure had been held under objection pending its regularisation by covering sanctions. He was not sure whether all the items under objection were covered by the exceptions provided in the rules.

22. The Committee were concerned over the increase in the expenditure held under objection from year to year. They were assured by the representative of the Ministry of Defence that special efforts would be made to finalise the outstanding cases in about 6 months time. *The Committee hope that the objections will be regularised within this period after complete scrutiny thereof. They*

would like to watch progress made in this behalf through future Appropriation Accounts. They also desire to be informed of the quantum of expenditure incurred on non-emergent works included in the above statement which were started without complying with the rules and the action taken against the officers concerned for disregarding the rules.

Financial adjustments in works accounts—Para 12—Pages 9-10—Audit Report, 1959—

23. The Audit para disclosed some cases of adjustments made in the works accounts, as shown below:

- (a) (i) In a Works Division, during 1957-58 a sum of Rs. 84,480 representing the value of certain stores was debited against a project though the stores in question were not received in the Division during the year.
- (ii) Similarly a sum of Rs. 4,114 representing the value of 34 tons of cement was debited against the above project in 1957-58 as having been transferred from stock. In the beginning of 1958-59 the same quantity of cement was shown as having been retransferred to stock, though physical transfer of cement either way never took place.

According to Audit these "fictitious adjustments" enabled the Garrison Engineer concerned to avoid lapse of funds.

24. The Committee were informed in evidence that in the first case stores allotted to the project were not moved to the project site due to lack of storage accommodation at the site. The stores were kept aside in the Engineer park and issued to the contractor direct from there. In the second case cement which was required for the construction of certain tanks had to be transferred to another work due to delay in deciding the location of the tanks.

25. The Committee regret to find that such adjustments in Works Accounts continue to occur in spite of the assurance given to the Committee of 1953-54 (c.f. para 45 of 9th Report, First Lok Sabha) that these would not be repeated in future. Financial adjustments in respect of stores held in the Stores Depots without their physical movement to the sites of projects are irregular. They may also lead to frauds and losses of stores. It was urged before the Committee that the cases under reference were exceptional and that necessary instructions had been issued to avoid such adjustments in future. The Committee find it difficult to accept that the cases were exceptional. They trust that the Ministry of Defence will take a serious view of such cases in future.

26. In another case [sub para (d) of the Audit para], a sum of Rs. 1,12,442 representing the value of certain stores debited against a project in February, 1958 was subsequently (in March, 1958) cancelled though the stores were not physically transferred elsewhere. According to Audit, the cancellation of the debit enabled the Garrison Engineer concerned to adjust certain outstanding charges to this project during 1957-58 and thereby also avoid excess over allotment in another project.

27. It was urged before the Committee in evidence that in this case when the stores were actually despatched from the base depot to the project, the Garrison Engineer took over the stores mentioned in the voucher without checking them. On physical verification, deficiencies were disclosed which were adjusted by the Garrison Engineer. Subsequently the consignor amended the issue voucher to conform to the quantities actually received by the project authorities.

28. *The Committee wonder how stores worth Rs. 1,12,442 could be short delivered and accepted by the project authorities without physical verification. The procedure for issues and receipts of stores should be reviewed by the Engineer-in-Chief in order to ensure that stores issued actually tally with the vouchers and are promptly verified at the receiving end and discrepancies, if any, brought to the notice of the issuing depot. Unless there is prompt verification, it will be difficult to fix the responsibility for shortage, if any.*

III PURCHASE OF STORES

Air Force

Over-provisioning of stores—para 12—pages 6-7—Audit Report, 1958—

29. In June, 1953, Government entered into a contract with a foreign Government for the purchase of a number of aircraft. The foreign Government undertook to arrange for the supply of all spare parts for maintaining the aircraft for a period of eight years. There was no stipulation about the dates by which the spares for the first two years were to be ordered. The spares for the third to the eighth year were, however, to be ordered within three years of the signing of the Agreement, and it was provided that any modification in this order would be accepted if communicated within twelve months of the date of placing the order.

The contracts for spare parts, were, however, concluded by Government direct with two foreign firms who manufactured these spare parts and the foreign Government was not specifically made a party to these contracts. No stipulation was also made therein about the buyer's right to alter the contracted quantity of the last order within one year of the date of placing the order.

Order for spare parts covering two years' requirements were placed in November, 1953, and January, 1954. On the recommendation of the manufacturers, an order for three subsequent years' requirements calculated on the same basis, was placed in August, 1954. In March, 1956, the requirement for spare parts was reviewed and a reduction in the order, to the extent of £1,19,433 was advised in April, 1956, to the manufacturers. They agreed to accept a reduction only to the extent of £25,270. In the absence of a clause in the contract in favour of the buyer (Government to modify the order for spares for the third to the eighth year within 12 months of the placing of the order), the reduction could not be secured fully.

A review carried out by a team of experts early in 1957, disclosed surpluses in maintenance spares to the extent of £1,50,000 (Rs. 20 lakhs approximately). The experts also found that 23 of the 26 Turbine Wheel Assemblies valued at £45,867 (Rs. 6,11,560) were in excess of requirements. In the case of four other items of spares,

relating to the same aircraft, procurement on the basis of the manufacturers' recommendations had also resulted in overstocking to the extent of £64,598 (Rs. 8,61,306).

30. The following points arose in connection with this case:—

- (i) The justification for placing the order direct on the manufacturers abroad by-passing the foreign Government.
- (ii) The reasons for placing the contract for spares for the third to fifth year in August 1954 (within 8 months of the order for spares for the second year) although under the terms of contract it was open to Government to place this order by June, 1956.
- (iii) The reasons for accepting the advice of the manufacturers in placing the above order without waiting for the result of trials.
- (iv) Non-inclusion in the contract of a clause retaining the right to Government to modify the quantities of spares within a period of one year of the date of indent.

31. In evidence the Committee were informed by the representative of the Ministry of Defence that as the stock of spares was running out and a contract with the foreign Government would entail delay, the contracts for spares for the first two years were placed directly on the manufacturers. As regards the reasons for placing the order in August, 1954, for the third to fifth year, it was stated that Government wanted to avoid depending on the foreign suppliers for the spares and the aircraft for which the spares were needed was expected to go out of production. In support of the acceptance of the advice of the manufacturers which had resulted in the overprovisioning of spares, it was stated that as the Indian Airforce had no experience of this particular type of aircraft, they based their requirements on the recommendations of the manufacturers. In reply to a question whether Government consulted the foreign Government, who were actually using this type of aircraft in their Air Force in tropical areas, also, on the provisioning of spares, there was no direct answer. As regards the omission from the contract of the clause about the buyer's right to alter the contracted quantity on the last order within a period of one year of the date of placing the order, the Committee were informed that an alternative clause under which Government could cancel or reduce the order on payment of compensation for the material which was procured upto the date of concellation had been included in the contract. It was argued that this clause would enable Government to cancel or reduce the order for spares even after a period of one year

from the date of placing the order and this clause was thus "better in some ways and worse in some ways".

32. *The Committee find it difficult to accept the above arguments. From the facts placed before them, they could see no justification for placing the order for spares direct on the manufacturers, the placing of the order for the third to fifth year in August 1954 shortly after the order for the first two years, on the recommendations of the manufacturers, when Government could have waited with advantage till June, 1956 to assess their requirements precisely also lacked justification. The substitute clause in the contract was obviously necessitated by the fact that the order for spares was placed in August, 1954 much ahead of the last date permissible. The plea that this clause would enable Government to modify the order (but on payment of Compensation) beyond the period of one year envisaged by the old clause indicates, in the Committee's opinion, that at that time there was a doubt in the mind of Government that the quantity estimated would be unrealistic. A more prudent course would have been to await the result of actual utilisation for some time, if not till June, 1956.*

33. It was urged before the Committee that although the spares purchased represented only five years' requirements, the life of the aircraft being ten years, all the spares were being used up and now there would be no wastage and no surplus. *This development (though a fortuitous one) would indeed save Government from being saddled with unwanted stores. But it will not, in the Committee's opinion, mitigate the gross overprovisioning which is demonstrably clear from the fact that the spares estimated for a period of five years will, according to Government's own admission, be used up now in ten years.*

Procurement of unwanted equipment para 26(a)—page 20—Audit Report, 1959—

34. In 1954, 26 twin-engined transport aircraft of a particular make were purchased together with 24 reserve engines. In April, 1954 it was decided that the work of overhauling the engines should be entrusted to an Indian Company which was already handling the same engine. Due to difference between the Company and Defence authorities regarding the provisioning of spares and payment of commission to the company, arrangement could not be finalised till December, 1956, by which time a large number of engines were immobilised pending overhaul. Indents for additional spares were placed by the then Defence authorities between May and 513 (Aii) LS—2:

November, 1957, but the contracts with the manufacturers for supply of spares could only be finalised between September, 1957, and February, 1958. As a result of delays in the finalisation of the overhauling agreement with the Indian Company and in procurement of spares, a critical situation in transport fleet had developed and 12 reconditioned engines had to be ordered from abroad in August, 1957 at a cost of nearly Rs. 30 lakhs.

35. In evidence, the representative of the Ministry of Defence contended that although there was delay in finalising the overhauling agreement with the Indian Company, the delay did not hold up the overhaul work. The first batch of seven engines which needed overhaul in March, 1956, was overhauled by the company even before the agreement was finalised. The purchase of the twelve additional engines was due to increase in the reserve pool of engines consequent upon the reduction enforced (in 1955) in the maximum operating time per engine from 700 hours to 500 hours, by the country of its origin. He added that in this case the manufacturers had originally recommended the purchase of 48 reserve engines; Government, however, decided to acquire 24 such engines only on the advice of their own technical experts that the operating time per engine be taken as 700 hours.

36. The Comptroller and Auditor General, however, brought to the notice of the Committee that in a note dated the 4th March, 1958, the Chief of Air Staff had expressed concern at the delays that had occurred in overhauling and his misgivings about the likely serious operational repercussions.

37. From a note* furnished to the Committee at their instance, it is seen that according to the agreement entered into with the Indian Company in December, 1956, Government (Air Force) were to procure and supply the spares to the Company for the overhaul of I.A.F. engines. Procurement of stores through I.S.M. was very slow. During a certain period the Indian Company overhauled 73 of its engines from the spare parts procured by it through its own agency as against four engines of the Air Force during the same period due to lack of supply of spares by Government. As the inordinate delay in overhaul caused concern, to tide over the difficulty it was decided in March, 1958, to ask the Company to procure overhaul spares for forty Air Force engines through its own agency on payment of a commission of 4%.

38. Normally payment of agency charges at the rate of 1% were made to the I.S.M. in such case. But it was urged in extenuation

*Note not vetted by Audit.

that the procurement of spares for 40 engines was entrusted to the Company on payment of higher rate of commission as military operational requirements dictated this course. It was added that this deviation from the terms of the contract was only *ad hoc* for the 40 engines. In reply to a specific question whether any time limit was fixed for the overhaul of the 40 engines, it was stated that no time limit could be possible as it would depend upon the condition of the engines and the availability of the spares required. *Judging from the facts placed before them the Committee feel that there was delay in overhaul which was occasioned by the defective provisioning in regard to procurement of spares in the contract.*

Navy

Procurement of unwanted boats—para 14, page 8—Audit Report, 1958—

39. Indents for four each, of two types of boats for training purposes were placed by Naval Headquarters on the Director General, Supplies and Disposals in June, 1955. They were received between June, 1956 and January, 1957. On September 12, 1956, the Naval Headquarters informed the Defence Ministry that as a result of experience gained during the previous year, these boats would not meet the purpose intended. Further demands for three each of the same types of boats had been placed on the Director General, Supplies and Disposals on September 1, 1956. The orders for supply of the boats were placed by him on January 23 and January 29, 1957. An attempt was made only on February 28, 1957 to cancel the demands but this could not be done without payment of compensation. The additional boats were received during September and November, 1957. The expenditure of Rs. 3,86,963 incurred on these purchases thus became infructuous.

40. According to Audit, at a conference held on the 7th May, 1956, the N.C.C. Circle Commanders had expressed the view that the boats would not be suitable for training of the N.C.C. units. This was brought to the notice of the Ministry by the Naval Headquarters only in September, 1956 while the Ministry had accorded sanction to the purchase of additional boats on the 15th June, 1956. It was, however, urged by the representative of the Naval Headquarters that the views expressed at the Conference in May, 1956 did not constitute a final decision warranting cancellation of the demand and decision not to issue these boats to the Naval Wing of the N.C.C. was taken only in November, 1956. The Secretary of the Ministry of Defence admitted that in September, 1956 the Naval Headquarters brought to the notice of the Ministry that these types

of boats and cutters were not suitable for the N.C.C. units of the Naval Wing, on the basis of the experience gained in the handling of similar craft from the middle of 1955 at the NDA and that no action at this stage was taken by the Naval Headquarters to approach the DGS&D to pend action on the indent placed on 1st September, 1956 as the question of revision of scales of equipment required for the NCC units of the Naval Wing was still under consideration. In November 1956 it was decided that motor boats and sailing cutters should not be issued to the Naval Wing of the NCC units. Consequently an attempt was made in February, 1957 to cancel the indent placed in September, 1956. In reply to a question the Secretary stated that out of 14 boats, 10 had already been issued to units and the remaining 4 earmarked for issue in the next 18 months. It was admitted, however, that the crafts were not being used for purposes they were purchased for.

41. *The Committee feel that in this case there had been lack of co-ordination on the part of the various authorities. Had prompt action been taken even after November 1956 (when the final decision was taken) for cancellation of the demands the unnecessary expenditure could have been avoided.*

Master General of Ordnance Branch

Overprovisioning of Stores—Para 17(a), page 9—Audit Report, 1958

42. On the basis of an approved scale, a Central Ordnance Depot computed its requirements of an item of store for overhauling an equipment, as 1,270 numbers, on April, 1, 1953. The total deficiency of this item was calculated as 1,350 numbers. On January 8, 1954, the Army Headquarters intimated a revised and reduced scale, according to which the requirements for overhaul came to 64 numbers only. Despite this reduction in scale, a demand was placed by the Ordnance Depot on January 29, 1954 for the deficiency of 1,350 numbers as originally calculated.

In March, 1954, the Army Headquarters intimated also a reduction in the number of the equipment requiring overhaul. No action was taken by the Depot even then to revise the demand. The contract for the supply of stores was concluded in July, 1955 only and the stores received in January, 1956. As a result, unwanted store of the value of Rs. 28,000 was acquired.

43. In evidence, it was stated by the representative of the Ministry of Defence that the original demand for 1,350 numbers was placed on the basis of the scale of 200 numbers per 100 engines.

On 8th January, 1954, the Army Headquarters notified a reduction of scale to one-twentieth of the previous scale (10 numbers per 100 engines) but the Depot authorities referred the matter back to the Army Headquarters for reconsideration, as the actual consumption was 150 numbers for 127 engines. On reconsideration, the Army Headquarters agreed to the original scale of 200 numbers per 100 engines. This was, however, not noted on the provision card which resulted in the Audit objection in this case. In reply to a question, it was stated that although the number of engines to be overhauled was reduced from 635 to 444, in March, 1954 due to the withdrawal of the equipment from units, a corresponding reduction in the demand was not made by the Depot.

44. The Committee do not understand why the Depot did not take any action to reduce the demand till the conclusion of the contract in July, 1955 even though the reduction in the number of engines to be overhauled by about one-third had been intimated to it in March, 1954. In their opinion, it was a clear case of unnecessary provisioning which needs looking into.

The Committee also regret to observe that the drastic reduction of scales (from 200 to 10 numbers per 100 engines) communicated on 8th January, 1954 bore no relation to actual consumption and even when the latter was found to be 118 per 100 engines, it was decided to switch over to the original scale of 200 per 100 engines rather than determining a fresh scale. This indicates how defective was the procedure followed for determining scales in this case. The Committee consider that the provisioning procedure in the M.G.O's. Organisation should be looked into in the interest of realistic provisioning.

Para 17(b), Pages 9-10—Audit Report, 1958—

45. In September, 1951, a Central Ordnance Depot placed two demands of 1,10,635 lbs. and 1,10,100 lbs. on the Director General, Ordnance Factories, for an item of engineer stores, to be supplied during 1952-53 and 1953-54 respectively. These demands were based mainly on estimates made by the Engineer-in-Chief.

In December, 1951, another Central Ordnance Depot informed the first Depot that it had a surplus stock of over 1,50,000 lbs. of the same item. No action was, however, taken by the first Depot to reduce the demands already placed by it in September, 1951. Even during the subsequent provision review made on June 1, 1952 this stock of 1,50,000 lbs. was not taken into account. This review disclosed a surplus of 1,13,576 lbs. (exclusive of the stock of

1,50,000 lbs. referred to above); but the demand for a quantity of 1,10,100 lbs. only was cancelled, in October, 1952.

Including the quantity made available from the second Depot, a stock of 2,63,479 lbs. valued at over Rs. 3.6 lakhs got accumulated with the first Depot on December 1, 1956. As against the Engineer-in-Chief's estimated requirement of 1,09,648 lbs. for each of the years 1952-53 and 1953-54. consumption during those years was 7,504 lbs. and 1,932 lbs. only.

46. Obviously placing of two demands for 1,10,635 lbs. and 1,10,100 lbs. of the store in question by the first Depot in September, 1951, when there was a surplus stock of 1,50,000 lbs. of the same store in another Depot indicated deplorable lack of coordination in the M.G.O.'s Organisation. The Committee enquired why the indents placed were not reduced by the first depot soon after the surplus stock of 1,50,000 lbs. in the second Depot was brought to its notice in December, 1951. The Explanation was that the stock held in the second Depot, being in an "entangled" condition, was not taken into account by the first Depot. The Comptroller and Auditor General, however, pointed out that in December, 1951 when the second Depot informed the first about the availability of surplus stocks, it was not mentioned that the store in question was in an "entangled" state. Nor was it brought to the notice of the first Depot when in January, 1952 it requested the second Depot to continue to hold the stock on its behalf.

47. In a note* furnished to the Committee, it has been stated by the Ministry that according to the records available, the first Depot came to know of the entangled condition of the stock when the store was backloaded by the second Depot and received by it (the first Depot) in January, 1953. As, however, this stock was not taken as assets in December, 1951 or in the subsequent provision review in June, 1952, by the first Depot, it might be assumed that the Depot was aware at that time the stock held as dispersed was not entirely serviceable. Though no records to that effect were available the possibility of this information having been conveyed to the first Depot by telephone or by correspondence (now not traceable) could not be ruled out.

48. During their on-the-spot study-visit to the first Depot in March 1959, the Committee were given to understand that the condition of the store was detected in that Depot only in 1953. *In the face of this, the Committee cannot but reject the Ministry's explanation which*

*Note not vetted by Audit.

is prima facie conjectural and unconvincing. In their opinion, it was a clear case of negligence on the part of the first Depot. They feel reassured in this opinion because of the fact that the stock alleged to be unserviceable in January, 1953 was subsequently declared as usable.

49. In regard to wide variations between the estimates of requirements of this item by the Engineer-in-Chief and his actual consumption during the years 1952-53 and 1953-54 (para 45 above), it was stated in evidence that the estimates of the Engineer-in-Chief were based on expectation, as no records were available regarding the consumption of the stores in previous years. Intervening, the C. & A. G. stated that the Engineer-in-Chief's demands were based on requisitions for 1,000 cwt., 40 cwt. and 12 cwt. respectively from three Commands. *Obviously when two Commands together had asked for only 52 cwts. between them, the unusually high demand of 1,000 cwt. by the third was not scrutinised carefully. The Committee are surprised how the scrutiny by a technical organisation like that of the Engineer-in-Chief's could be so perfunctory.*

Local purchase of mosquito nets—Para 15, pages 13-14, Audit Report, 1959—

50. Since 1955, the Director General, Ordnance Factories had been experiencing difficulty in manufacturing mosquito nets—olive green round mesh—as the required quantity of netting was becoming increasingly difficult to obtain. His suggestion, in 1955, to use other types of netting—square mesh or other shades, like white/khaki, was not accepted by the Army authorities with the result that in November, 1956, a quantity of 1,63,500 mosquito nets demanded for 1956-57 was outstanding. In view of urgency, orders were placed in June, 1957 on four firms, for 60,000 mosquito nets at rates varying between Rs. 18·50 and Rs. 19·08 each, to be supplied by July, 1957. Actually 54,000 mosquito nets only were purchased at an aggregate cost of Rs. 10,27,020. Of these as many as 47,000 were white. The date of delivery was extended by about a month, without imposing any penalty and the nets were accepted after visual and without the usual technical inspection. Several material deviations were also permitted, such as—

- (i) smaller size than in the specification,
- (ii) incorrect seaming, joint in netting, darned patches, over-size holes in netting, etc.

No price reduction for these defects was also made, excepting in the case of 297 nets which had tears in them. The main considerations on which no price reduction was insisted were stated to be—

- (a) negotiations for price reduction would entail delay and hold up the supply of nets which were required for personnel in operational areas, and
- (b) the minor defects would not affect the serviceability of the nets.

Out of 54,000 nets, only 5,824 were issued to units in operational areas by the end of September, 1957 and the balance of 48,176 were sent to depots in non-operational areas, of which 5,304 nets were subsequently issued to formations in peace area. 932 of these latter issues were prematurely condemned within a period of six to seven months. The technical authorities, it was reported, had estimated the life of these nets as less than 2 months against the prescribed life of 18 months.

51. In evidence, the Director of Ordnance Services informed the Committee that the suggestion of the Director General, Ordnance Factories made in 1955 to use other types of netting—square mesh, was not accepted as medical authorities did not approve of square mesh netting. As there was no urgent demand for nets, the matter was not pursued further. Subsequently, on receipt of an urgent demand local purchase became necessary.

As regards the difficulty experienced by the Director General, Ordnance Factories in procuring netting of the specified quality, it was stated by the Additional Secretary, Ministry of Defence that the difficulty arose not because of the inability of the mills to supply the required quantities, but because according to the standing order then prevailing, the Director General, Ordnance Factories could not place his demand with the Director General, Supplies and Disposals more than a year in advance of his requirements whereas the latter required more time for procurement. It was added that the Director General, Ordnance Factories had since been given full powers to indent for raw materials in advance to the extent necessary to meet his production programme. Further, in order to effect economy in the procurement of raw materials, certain changes in specifications of mosquito nets had also been made.

52. *The Committee are not convinced by the explanation. In their opinion, fuller consideration of the suggestion of the D. G. O. F. in 1955, would have avoided the local purchase of nets of inferior quality at a higher cost in this case. The plea that there was no*

urgent demand pending then is not acceptable as indecision on the D. G. O. F.'s proposal had prevented him to equip himself properly to fulfil urgent demands that came up subsequently. Thus the situation necessitating local purchase in 1957 was largely their own creation. The fact that while the Ministry was earlier averse to relaxing the specifications in the case of supplies by the D. G. O. F., 88% of the nets purchased locally in 1957 were accepted although they were below the prescribed standards indicated the risks in resorting to local purchase.

53. It was urged before the Committee that the urgency of the demand had led to the local purchase in this case. For the same reason Government could not enforce price reductions even for the deficient dimensions of the nets supplied by the local firms. The Committee find it difficult to accept this plea of urgency. Out of the 54,000 nets procured by the Ministry in July, 1957, only 5,824 were issued to units in operational areas and the balance 48,176 were sent to depots in non-operational areas. To a specific question whether there was an operational emergency necessitating early issue of the nets, the reply of the Additional Secretary, Ministry of Defence was in the negative. *In these circumstances, the Committee consider that the plea of urgency was not valid. They fail to see why no attempts were made to impose price reductions on the contractor when the supplies were decidedly inferior in quality and not according to specifications. They desire that this aspect should be investigated further.*

54. *Another unsatisfactory feature in this transaction was that even the usual technical inspection was dispensed with and the goods accepted on mere visual inspection. The Committee are constrained to observe that the persons responsible for this deal had not acted in the best interest of Government.*

Avoidable expenditure in local purchase of winter clothing—Para 16, pages 14-15—Audit Report, 1959—

55. Two items of winter clothing for troops. Shirts-Angola Drab and Trousers-Battle Dress were continuously in short supply since 1954-55, as the supply of flannel and serge of the requisite colour and quality could not be arranged by the Director General, Supplies and Disposals. The main bottlenecks in the supply position were—

- (i) One out of the four dyes required was not available in the country and had to be imported.
- (ii) Only the product of one mill had been certified as acceptable by the Defence Inspectorate in respect of the shirts.

- (iii) Only the products of two mills had been certified as acceptable by the Defence Inspectorate in respect of the trousers.

The supply position deteriorated in 1957-58 and in order to overcome the acute shortage and to meet immediate winter requirements of the troops in certain areas, the Army Headquarters suggested in October, 1957 local purchase of 15,000 units of each of the two items from a firm in Delhi (The Army Headquarters had obtained the firm's quotation on September 21, 1957). At the suggestion of Finance, fresh quotations were invited from four firms including the first firm on November 1, 1957. The quotations of the other firms were not accepted and a contract with the first firm was concluded on November 12, 1957 for the supply of both the items at Rs. 22 and Rs. 32 per unit respectively, as against the ordnance factory's cost of production of Rs. 17.46 and Rs. 30.91. In the actual execution of the contract, the following relaxations were made:—

- (i) deviations were allowed in respect of shades without effecting any price reduction.
- (ii) against the stipulated delivery date of December 24, 1957, the firm was allowed extensions upto February 20, 1958.

The extra expenditure incurred by Government in effecting the above local purchase worked out to Rs. 84,450 approximately.

56. The Committee enquired why deviations from specifications were allowed in the case of local purchase while no such relaxation was considered in respect of supplies through the D. G. O. F. The explanation was that as it was an emergent purchase, they had no alternative but to accept the material available.

57. *The Committee are unable to accept this plea inasmuch as requirement of winter uniform for troops was not an unexpected item which could not be foreseen. Further, the extensions granted to the firm till winter was over practically defeated to a large extent the object of local purchase. The Committee further understand from Audit that on 5-2-1958 when the extension was granted to the firm there were "dues-out" to the extent of 15,100 trousers to the troops in a particular cold region. Out of 7,497 trousers delivered by the firm during the extended period of delivery only 150 numbers were issued to a field depot in the particular cold region on 28-4-1958, i.e. after the winter months. It is, therefore, demonstrably clear that the plea of urgency was untenable in this case.*

In extenuation of the extension of time granted to the firm, it was stated that the supplies of shirts were completed by the firm by the 30th December, 1957, but only 7,500 trousers had been supplied by that date. (The firm completed all the supplies by the 20th February, 1958). In reply to a question, it was admitted that by February, 1958, the rigours of winter were over in the plains; but it was added that the clothing was required for issue to the troops in colder regions.

58. *The Committee are firmly of the opinion that this transaction also was not conducted in a business-like manner. When it was evident from the very beginning that even the only firm of manufacturers of cloth was unable to produce cloth of the correct shade due to difficulty in obtaining one of the four dyes required for manufacture, it is inexplicable why a slight colour deviation could not have been allowed in the case of supplies by the D. G. O. F. Had this been done, resort to local purchase of ready-made articles of inferior quality at prices higher than the Ordnance Factory's rates would not have been necessary. The manufacturing capacity of the Government Clothing Factories would also have been more fully utilised.*

Loss due to lack of co-ordination between the indenter and the manufacturing organisation—para 17, pages 15-16—Audit Report, 1959—

59. A demand for 1,06,240 feet of copper tubing was placed by the Ordnance Branch in June, 1950 on a Purchase Organisation abroad. 31,000 feet of the tubing was received by March, 1951 and the remaining quantity was expected by the end of that year.

In view of the anticipated delay in the supply of the residual quantity of tubing, the Director of Ordnance Service asked the Director General, Ordnance Factories on September 3, 1951 to investigate the possibility of indigenous manufacture through Government Ordnance Factories or through private firms, and to intimate the quantity which could be delivered by the end of October, 1951, (a firm demand on Director General, Ordnance Factories was to follow on receipt of his reply). The Director General, Ordnance Factories, intimated on September 22, 1951 that facility for the manufacture of tubing was available at one Ordnance Factory, but in view of other urgent work only 3 to 4 thousand feet could be supplied by October 31, 1951. At the same time, the Director General, Ordnance Factories instructed the above factory to undertake the manufacture of 77,000 feet of tubing without waiting for a demand from the Director of Ordnance Services. By October 24, 1951, this factory had

manufactured 10,000 feet of tubing. On being informed of the quantity manufactured by this factory, the Director of Ordnance Services asked the factory on November 12, 1951 to stop further manufacture, as the quantity ordered through the Purchase Organisation abroad was already under shipment. By that time the Ordnance Factory had, however, manufactured 31,684 feet of tubing of which only 10,000 feet were drawn by the Director of Ordnance Services and the remaining quantity of 21,684 feet valued at Rs. 48,101 was declared surplus in 1957 and disposed of in the same year for Rs. 4,810 resulting in a loss of Rs. 43,291 to Government.

60. In evidence, it was admitted by the representative of the Ministry of Defence that in this case there was lack of co-ordination between the Director of Ordnance Services and the Director General, Ordnance Factories. The Director General, Ordnance Factories in his anxiety to meet the emergent requirement of the Army started manufacture on the basis of an enquiry. To obviate cases of this type, it was added, instructions had since been issued that the D. G. O. F. would start manufacture only against firm orders placed on him. In reply to a question, it was stated that without consulting the D. G. O. F. beforehand, it was presumed by the Ordnance Branch that this item, being a new item, could not be manufactured by Ordnance Factories.

61. *This is yet another case of lack of co-ordination between the organisations under D. O. S. and the D. G. O. F.*

Director General, Ordnance Factories

Overprovisioning of stores—para 20 (a) of Audit Report, 1959—

62. In 1952-53 the Director General, Ordnance Factories obtained 5,30,388 lbs. of certain chemical stores valued at Rs. 8 lakhs through the High Commission in London in response to an indent placed in November, 1949. The stores were packed in second hand barrels and as a result a quantity of 32,581 lbs. valued at Rs. 49,797 was lost in transit. A further loss valued at Rs. 29,087 occurred at the factory during 1953-54 mainly due to evaporation as the containers were not air-tight. A claim for Rs. 45,825 was preferred against the suppliers but they paid Rs. 13,333 only. The stores were repacked in 1955 in new containers obtained at a cost of Rs. 78,629. The cost of proper type of packing, if it had been originally used in U.K., would have been Rs. 21,333 only. Thus in addition to the loss of stores worth Rs. 65,551, in transit and in storage, an extra expenditure of Rs. 57,296 on repacking had to be incurred by Government.

63. In evidence the Committee were informed that second-hand barrels were used for packing the material as in the opinion of the Government of the U.K. through whom the supply had been arranged "it was not obligatory to put packing which was new but any sound packing could be put in." In reply to a question the Committee were informed that the consignment was inspected by the inspectors of the Ministry of Supply of U.K. It was added that some compensation had been received. It is unfortunate that in trying to save money on packing initially, Government had to spend more subsequently on repacking the stores. According to the Audit Report out of the quantity of 5,30,388 lbs. purchased, the actual consumption between August, 1952 and March, 1959 was only 140,795 lbs. The Committee enquired how long it will take to utilise the store completely. They were informed that the surplus material could safely be preserved for another 3—5 years and it was expected that it would be consumed within that period. Thus the quantity of stores indented represented the requirements for about 13 year. *This is a typical case of over-indenting.*

Overprovisioning of stores—para 20(b) of Audit Report, 1959—

64. 47,700 yards of silk fabric were procured by the Director General, Ordnance Factories, in 1952 for replacement of a particular component of certain aviation stores, but in the actual renewal work, only 6,643 yards were utilised during the period of three years upto July, 1955. 34,630 yards were disposed of as surplus in 1956, at a loss of Rs. 1.39.593 after retaining 6.427 yards to meet future requirements.

65. In evidence before the Committee, the D. G. O. F. stated that the original estimate was made on the basis of repairs done to a batch of considerably old stores. *The Committee are surprised how estimation could be so unrealistic.*

Quarter Master General's Branch

Purchase of milk cooling and pasteurising plants—Para 19 of Audit Report, 1959—

66. Ten milk cooling and pasteurising plants costing about Rs. 3.80 lakhs were purchased between September, 1954 and March, 1958, for use in the Military Farms. According to the Audit Report nine out of ten plants had not been installed till April, 1959. One plant was installed in October, 1957 but due to non-availability of A. C. supply it had not been put to any use.

67. In evidence, the Committee were informed that actually six out of 10 plants had since been installed (5 before April 1959 and one thereafter). It was, however, admitted that there was no urgent necessity for these plants which had obviously been purchased without proper assessment of the needs of the Farms. A court of enquiry which was held to investigate into this deal had fixed responsibility on certain officers. *The Committee would like to be apprised of the action taken in this case*

IV

**DEFENCE FACTORIES AND INSTALLATIONS
DIRECTOR GENERAL, ORDNANCE FACTORIES**

Heavy rejections—Para 21—pages 13-14—Audit Report, 1958—

68. In para 66 of their Ninth Report, the Public Accounts Committee (1953-54) had commented upon the continued rejections in the manufacture of two items in an Ordnance Factory from 1943-44 to 1951-52. The rejections were attributed to shortage of skilled workmen and want of proper quality of sand, steel, etc. The Committee were then informed that the labour had been trained for the work and proper quality of sand had also been located. In spite of this, rejections in the manufacture of the same items continued to be quite substantial during the period 1952-53 to 1955-56 as shown in the statement below.

Item	Quantity cast	Quantity accepted	Quantity rejected	Approx. value of rejections	Percentage of Col. 4 to Col. 2
1	2	3	4	5	6
A(1) . . .	2,92,646	2,00,453	92,193	10,80,655	32
A(2) . . .	3,06,415	88,992	2,17,423	6,35,432	71

In respect of another item, the production of which was taken up in 1951-52, the rejections formed 31% of the total number of completed items. During 1957-58 rejections in respect of the three items were reported to be 31·6%, 49% (against 42% in 1956-57) and 37% (against 31% in 1956-57) respectively.

69. In evidence, the D.G.O.F. informed the Committee that the latest figures were 31·32·8 and 21·7 per cent respectively. He attributed the high figure of wastage [particularly referring to item A(2)] to non-availability of proper quality of sand required during manufacture of castings for which tolerances were extremely narrow. In the absence of a suitable organisation and machinery for proper gradation of sand the Ordnance Factories could not get the right-grade of sand required by them. He added that rejections

would be much less under another process of manufacture; but that involved the use of an imported material. The overall cost of production might not come down thereby. The material to be used in the new process of manufacture was likely to be produced in the country in the near future. When such material has been tried out, the Ordnance Factories would prefer to switch over to the new process.

70. *The Committee are concerned at the persistence of a high rate of rejection of products and consequent wastage of material and labour even after an experience of over 15 years in respect of items A(1) and A(2) (and of 9 years in respect of the third item) in their manufacture. The latest figure of 31% for 1959-60 given by the D.G.O.F. for item A(1) is the same as that in 1952-53—1955-56. In their opinion, non-availability of better quality of sand cannot always be put forth as a valid plea inasmuch as it is a handicap of which the D.G.O.F. was not unaware. The matter, therefore, should be looked into. If increase in the percentage of rejections in the manufacture of these items between 1955-56 and 1957-58 is due to outmoded processes of manufacture, sustained efforts to modernise them are called for. The Committee feel that by repeated experiments and research with indigenously available raw materials, it should not be difficult to find out a process of manufacture which will not only reduce dependence on manual skills and avoid wastage but will also prove economical in the long run.*

71. It was urged before the Committee by the D.G.O.F. that foundries engaged in high precision castings in the private sector also were handicapped because of the lack of an organisation to supply sand of the requisite grades. *If so, the Committee feel that Government should examine how far the difficulties alleged are hampering efficient production and take necessary steps to remove them early.*

Infructuous expenditure incurred by an Ordnance Factory—Para 22 of Audit Report, 1958 and para 27 of Audit Report, 1959—

72. In May, 1952 Government sanctioned the conversion of one unused open-hearth furnace from "acid" to "basic" in an ordnance factory at an estimated cost of Rs. 35,000. In October, 1955 when conversion was nearing completion, further work was suspended under the orders of D.G.O.F. and the work was finally abandoned in August, 1957, as the factory had electric-arc furnaces to meet its requirements and it was therefore unnecessary to undertake the conversion work or recommission the open-hearth furnace. As a result, a sum of Rs. 24,000 had been unnecessarily expended in the factory.

In 1952, it was also decided to instal two generating sets of 2000 K.W. each in the factory to meet its increased requirements of power. The sets were received in the factory in June, 1953 but erection commenced only in May, 1954. In October, 1954 the State Government apprised the factory of their intention to increase the electric (power) supply to 3,000 K.W. Despite this, the work of installation was proceeded with. The State Government actually stepped up their supply to 2,700 K.W. from 1st April, 1955 and to 3,000 K.W. in February, 1956, which met the full requirements of the factory. The two generating sets were sold off at the original price but meanwhile an infructuous expenditure of Rs. 2.8 lakhs had been incurred on their installation.

73. In evidence, the D.G.O.F. admitted that it was a mistake on their part to have proceeded with the conversion of the open-hearth furnace when it had already been decided to increase the power supply in the factory by installation of two generating sets. (Within 3 months of the sanction of conversion work, sanction had also been accorded to the erection of 2 generating sets. One of the main reasons for undertaking conversion of the furnace was inadequacy of power for working the electric arc furnace). As regards the installation of generating sets, notwithstanding the intimation from the State Government assuring increased power supply to the factory, the Committee were informed that it was finally decided to abandon the erection of generating sets only after the Bhakra-Nangal Board promised in July, 1955 to supply power upto 4000 K.W. by 1957.

74. *In the opinion of the Committee the cases referred to above indicate prima facie faulty planning and lack of fore-thought on the part of officers concerned. It reveals also lack of proper coordination in the Office of the D.G.O.F. The Committee trust that Government will devise remedial measures to avoid such lapses in future.*

Manufacture of a store in an Ordnance Factory—Para 29 of Audit Report, 1959—

75. In August, 1949, Air Headquarters placed an indent on the Director General, Ordnance Factories for 4,750 numbers of an item of aviation store to be delivered between June, 1950 and May, 1951. The Director General, Ordnance Factories acquired components and raw materials costing Rs. 24.35 lakhs (including a large quantity of silk fabric valued at Rs. 17.01 lakhs) to cover the entire quantity on order before successful production had been established and proper tests carried out.

After the materials worth Rs. 20 lakhs had been indented for (by January, 1950), the Air Headquarters reduced the quantity on order to 3,250 numbers. In February, 1952 the indenter further desired that production should be restricted to 50 experimental units and bulk production commenced only if the tests showed satisfactory results. 55 numbers delivered to the indenter revealed that the stores were unsuitable due to defects in some of the materials used. These materials costing Rs. 4.21 lakhs were thus rendered useless. In March, 1954, the order was further reduced to 2,350 numbers. In June, 1956 it was decided by Air Headquarters that a fresh batch of 20 should be manufactured by using different materials. Fresh materials worth Rs. 10,485 were accordingly acquired by the factory. Though the results of the tests were this time reported to be satisfactory, it was decided in March, 1957, that another batch of 60 should be manufactured for further trials. According to Audit, the entire quantity of raw materials purchased (including the silk fabric which deteriorates in storage) has been lying unused for 7 years.

76. In evidence, the Director General, Ordnance Factories admitted that it was not prudent on their part to proceed with the procurement of components and raw materials required for the entire quantity on order without establishing production successfully. As the Air Headquarters had placed a firm order, the factory thought that it could take up the manufacture of the store in question. The item in question had been produced by the factory before and the materials were procured for the entire lot. He added that it might have improved matters if the indenter had asked the factory to wait until the tests had been successfully completed. As regards utilisation of the raw materials, it was stated that material worth Rs. 8 lakhs had since been utilised. The balance would be utilised against firm orders for another item and future orders, except material worth Rs. 5½ lakhs about which decision had yet to be taken.

77. The Committee consider that both the D.G.O.F. and the Air Headquarters were to blame in this case. It was not prudent on the part of the D.G.O.F. to have made bulk provisioning of raw materials before successful production was established. Also the Air Headquarters should have restricted their demands initially and placed a "trial order". Had this been done the heavy accumulation of raw materials could have been avoided in this case.

In this connection the Committee would like to draw attention to para 33 of their sixth Report (Second Lok Sabha) criticising such instances of indenting and bulk provisioning. Government

have issued exhaustive instructions to be followed in the matter of both indenting and provisioning (Appendix X to 6th Report—Vol. II). The Committee trust that those instructions are being followed strictly now. The Committee would like to know the progress made in the utilisation of the surplus stock.

Accumulation of raw materials and components in Ordnance Factories—Para 30 of Audit Report, 1959—

78. In the Audit Paragraph referred to above instances have been cited where raw materials/components had accumulated in factories due either to cancellations or reductions of demands or to non-materialisation of demands in anticipation of which the stores had been collected. In one case, the manufacture of certain components of a store was commenced in a factory in response to a demand from another factory in September, 1955. Surpluses of this store were already available in a third factory but this fact was lost sight of at the time of placing the demand. Subsequently, when it was known that the store was already available, further manufacture of the store was stopped. Components valued at Rs. 1,04,664 already manufactured thus became surplus.

79. In evidence, the D.G.O.F. stated that as a result of a subsequent demand for the components, the entire surplus stock had been utilised. The Committee were also informed that a proposal for establishment of central control over production and stock of important raw materials in different factories was under examination of Government. This system when introduced will ensure better coordination among the factories and eliminate the recurrence of cases such as cited above.

80. The Committee would like to point out in this connection that the same explanation was given in October, 1958 when they examined the Audit Report, 1957 [vide paras 41 and 166 of their 17th Report (Second Lok Sabha)]. They deplore that so much time was taken by Government to arrive at a decision on this very important matter. It is needless to point out the need for an early decision in the matter.

V
MISCELLANEOUS IRREGULARITIES

Navy

***Overtime payments to workers in the Naval Dockyard—pages 33-34,
para 50—Audit Report, 1959—***

81. In a section of the Naval Dockyard overtime was claimed by workers on practically every working day during the month of December, 1955 and in some cases the actual hours of work done including overtime totalled 12 to 20 hours a day for five or six days in a week at a stretch. A Board of Enquiry, constituted for the purpose, reported in November, 1956, after reviewing the records for 4 months ending February, 1956 (during which a sum of Rs. 4,96,955 had been disbursed as overtime) that in the Dockyard the proper procedure for preparation of overtime documents had been persistently disregarded, that these documents contained unattested and/or unauthorised overwritings, erasures, insertions and substitutions and that in some cases the overtime date appeared suspicious. The Board also found that the system prevailing in the Dockyard provided opportunity for malpractices, as supervision on overtime was inadequate. They suggested that as a more detailed examination might reveal serious irregularities, careful Departmental enquiries should be instituted into the cases of overpayments suspected by the Board.

82. In evidence, the representative of the Ministry of Defence stated that as a result of the recommendations of the Board of Enquiry, disciplinary action was initiated against seven persons. In four cases charges were dropped and in the other 3 cases, 2 electrical fitters and a time keeper were dismissed. Steps were also being taken to recover the overpayments to the extent possible. In reply to a question, the representative of the Naval Headquarters stated that no action was taken against any officer for overlooking unauthorised insertions, erasures, etc. in this case as it was not possible for them to check the overtime documents while signing them because apart from their day-to-day technical work they were required to sign several thousands of such documents and authorisations every day. As regards the action taken to remedy the defects pointed out by the Board in the procedure, the witness stated that strict administrative instructions on the subject had been issued to prevent fraudulent entries being made in the overtime

records. He added that extra staff had also been sanctioned to bring down the incidence of overtime.

83. *The Committee deplore that the persons responsible for the preparation of the overtime documents resorted to malpractices taking advantage of inadequate supervision. They cannot, however, accept the plea that the supervising staff could not be blamed. In their opinion, the unattested/unauthorised overwritings, erasures, insertions and substitutions in the document should have been sufficient to arouse doubts in the minds of the supervising staff about the state of affairs. If the supervisory staff had been inadequate, it was their duty to point this out to the appropriate authorities for remedial measures. There was also unconscionable delay in taking action on the recommendation of the Board of Enquiry.*

Engineer-in-Chief's Branch

*Purchase of electricity by the Military Engineer Services at a station—
Pages 29-30, Para 42, Audit Report, 1959—*

84. Under the terms of an agreement concluded in June, 1941, with an Electric Supply Company, the Military Engineer Services were obtaining electricity at annas -/2/9 per unit at a certain station. The rate was reduced by the Company to annas -/2/6 per unit with effect from April, 1949.

On October 16, 1951, the Company was taken over by a State Government which continued the supply of electricity to the Military Engineer Services at the old rate of annas -/2/6. The State Government introduced their standard tariffs (which were lower) with effect from March 1, 1952 in the areas previously served by the Company and suggested to the Military Engineer Services on February 9, 1952 that the terms of their agreement with the defunct Company might be reviewed. According to Audit, no effective action to revise the agreement was, however, taken by the Military Engineer Services with the result that the benefit of the lower standard tariffs could not be availed of from March 1, 1952. Further reductions in the tariffs were introduced by State Government with effect from January 1, 1954. Negotiation to secure supplies at the reduced rates was initiated by the Military Engineer Services thereafter on February 10, 1954 and the revised tariffs were made applicable to the Military Engineer Services from November 1, 1955 only.

85. In evidence, the representative of the Ministry of Defence stated that the Audit paragraph did not contain all the facts for

a correct appreciation of the position. The Comptroller and Auditor-General stated that the comments of the Defence Ministry on this paragraph were not communicated to him within the prescribed time-limit of six weeks of its receipt by them. Even after the presentation of the Audit Report to Parliament the Ministry could have brought to his notice any information with regard to the facts incorporated in the Audit Report to enable him to explain the position to this Committee. The Secretary, Ministry of Defence observed that after the presentation of the Audit Report, he thought that the proper procedure for the Ministry was to explain the position before the Public Accounts Committee. He assured the Committee that in future any information which might come to light after the expiry of the time allowed for verification of Audit paragraphs or after the presentation of the Report to Parliament would be made available to the Comptroller and Auditor General.

86. *In view of the disagreement over the facts, the Committee desired to have a note giving completely all the relevant facts and figures which were not earlier made available duly verified by Audit. They regret that the note is still awaited.*

Loss of timber in a Military Engineer Services Division—Para 44—pages 30-31, Audit Report, 1959—

87. An Auction for the sale of about 2,500 cft. of timber was held on October 10, 1952 under the supervision of a Garrison Engineer. A sale release order for this quantity was issued to the successful bidder on October 23, 1952 after he had deposited the amount of the bid viz. Rs. 5,100 in the Treasury. When, however, he went to take delivery of the store, in the first week of November, 1952, he was offered only 1,200 cft. of timber, the quantity available at site, which he refused to accept. As the full quantity of 2,500 cft. of timber was not handed over, the contractor filed a suit against the Government and got a decree in his favour, in May, 1957, for Rs. 6,617. This sum which included the amount deposited by him plus interest and also the proportionate cost of suit, was paid to him by the Garrison Engineer in June, 1957. No action was, however, taken by the latter to investigate into the shortage of 1,300 cft. of timber. The entire quantity of 2,500 cft. of timber was later sold in an auction in January, 1959, for Rs. 1,397.

88. The Committee were informed in evidence that the Ministry of Defence learnt of this case only on receipt of the audit paragraph. On the Ministry calling for a report from the Army Headquarters, the latter ordered a court of enquiry to investigate into the matter. The Committee inquired whether it was not the practice for the lower authorities to inform the Ministry about suits

filed against Government. The representative of the Ministry of Defence stated that financial powers had been delegated to authorities at different levels to deal with certain disputes and the Ministry were not informed if the case did not exceed those limits. The representative of the Ministry of Finance (Defence) stated that in important cases even if the decretal amount payable was within the powers of sanction delegated to a local authority, the matter was brought to the notice of the Finance Ministry by the local accounts authorities. Further all payments in fulfilment of court decrees being charged on the Consolidated Fund, the local accounts authorities submitted reports to the Ministry in regard to such payments in pursuance of instructions issued recently. He promised to check up whether this procedure existed at the time the court gave its decree in the present case. *The Committee regret that the requisite information has not been furnished so far to them either by the Ministry of Defence or Finance (Defence).*

89. *The Committee deprecate the delay in this case in instituting a court of enquiry which should have been set up soon after the shortage of timber was detected in November, 1952. The Committee have in the past urged the need for expeditious investigation into cases of losses, defalcations, etc. so that the officers responsible might not escape punishment because of lapse of time. The Committee desire that the present procedure of setting up courts of enquiry to investigate into losses should be reviewed with a view to ensuring that all cases requiring such investigation are taken up without delay.*

90. *The Committee wonder how the full quantity of 2,500 cft. of timber which was not available in 1952, was produced at the time of auction held in 1959. They would like to know the result of investigations made into the case and the action taken against the officials concerned.*

Engagement of Departmental Labour—Para 45—page 31. Audit Report, 1959—

91. With the employment of Permanent Gangs and Term Contractors in the Military Engineer Services, direct engagement of labour was restricted, by a Departmental order issued in 1949, to urgent works rendered necessary by operational, technical or medical reasons. In a certain Division, although Permanent Gangs were sanctioned and Term Contracts were concluded for every station under its jurisdiction, an expenditure of nearly Rs. 1.7 lakhs was incurred during 1953-54 alone, on additional directly employed labour (other than Muster Roll Labour), notwithstanding the fact

that there was no operational/technical medical necessity. Records of works such as Requisitions for the works, Progress Report, Statement of Stores issued, etc. were not maintained and, therefore, it was not possible for Audit to find out whether there was any justification for the employment of additional labour.

92. In evidence, the Committee were informed that according to the procedure obtaining in the M.E.S. regarding pre-check of the payments to labour, the bills along with the documents testifying to their proper employment were examined by two different authorities viz., Survey of Works Branch and Accounts Branch. In the present case these authorities would have scrutinised these records before making payments, and the records might have been destroyed subsequently. The Comptroller and Auditor General pointed out that although in this case test audit was conducted in October, 1954, i.e. within six months of the close of the financial year during which the expenditure was incurred, no records were produced by the M.E.S. at that time.

93. The Committee understand from a note* submitted to them that the following records maintained in this case are still available.

- (a) Requisitions, in the case of minor works and other specific jobs. (Requisitions were not prepared for maintenance services chargeable to bulk allotments).
- (b) Requisition Registers.
- (c) Progress reports on broad lines.

The Ministry have also stated in this note that normally Audit has access to all M.E.S. records required for audit purposes. It is not, however, possible for the ground staff to say, at this stage whether or not in this particular case the records were seen by the Audit in October, 1954.

The Committee reserve their comments till the note is vetted by Audit.

Master General of Ordnance Branch

*Capital locked up in chassis without bodies—para 30, page 21—
Audit Report, 1958—*

94. On April 1, 1958 as many as 740 chassis delivered between January, 1953 and September, 1955, were waiting at various stations

*Note not vetted by Audit. In a subsequent note the Ministry of Defence have stated that the position is being examined and a further report will be submitted.

for body-building. The reasons for this serious hold-up were mainly that specifications for body-designs were not finalised and contracts for body-building were not concluded even long after the receipt of the chassis. The result was that a sum of Rs. 2 crores was prematurely spent on their acquisition. These had since been covered by contracts for body-building. But another batch of about 650 chassis (valued at Rs. 98 lakhs approximately) acquired before 1948 were yet to be covered by any body-building contracts.

95. In evidence, the Committee were informed by the Secretary, Ministry of Defence that while in the case of specialist vehicles (numbering 269) there was delay in the finalisation of specifications of body designs, the delay in respect of general service vehicles was due to various reasons, e.g., delay in finalisation of contracts, extensions in periods of delivery, difficulty in procurement of raw materials, etc. To avoid delay on the part of contractors, Government had asked the manufacturers of chassis to supply them complete with bodies. Although one of them agreed to do so, repeated extensions had to be given.

The D.G.S. & D. informed the Committee that, by and large, there was not much delay in placing the contracts. Out of the four contracts placed by him for body-building, there was delay in the finalisation of only one contract for which his organisation was only partly responsible. According to him, the delay occurred mainly in execution by the contractors, the main reason for which was the detailed and rigid process of inspection by the Inspectors of the Defence Ministry.

96. *The Committee feel that before placing orders for such a large number of chassis, the Ministry of Defence should have ensured that adequate arrangements for building of bodies thereof had been made. Purchasing chassis much in excess of that for which timely body-building arrangements could be made, had not only not provided mobility for the Army to the extent planned but also had resulted in the locking of funds (mostly foreign exchange) to the tune of Rs. 2 crores, not to speak of the expenditure on the storage and safe custody of the chassis. The Committee understand that to get over these difficulties and as part of a programme of self-sufficiency in the production of defence equipment, the Ministry have undertaken a project for the construction of trucks (including bodies). The Committee trust that the different stages under this programme will be properly synchronised with a view to ensuring that as chassis roll out of the production line, bodies therefor will be ready to be fitted on to them.*

As regards delay in building bodies for the 650 pre-1948 chassis, the Committee learnt from the Additional Secretary, Ministry of Defence that although the General Staff had recommended disposal thereof (except 132 chassis assigned to special roles) as early as 1951, the matter was under discussion for several years between the Army Headquarters, Ministries of Defence and Finance. In the meantime, the chassis were neither put to use nor disposed of.

The Committee are distressed at such delays, as in their opinion, only expeditious action in such matters will be in the best interests of Government.

Disposal of vehicles—para 31—pages 21-22, Audit Report, 1958—

97. 1,284 transport vehicles graded by the Army Engineers as Class III and IV (as requiring only minor repairs and replacements) were declared for disposal during 1955 and 1956. During the same years orders for 2,300 new vehicles of the same types (i.e., 3 tonners, 15 cwts. and 5 cwt., 4x4) were placed on the Director General, Supplies and Disposals. While class III and class IV vehicles (i.e., requiring only minor repairs and replacements) were declared for disposal, about 2,000 vehicles of the same types, makes and models, but graded as class V (i.e., requiring thorough overhaul), were retained and included in their repair programme of the year 1956-57.

98. In evidence, the Committee enquired whether declaring 1284 class III and IV vehicles for disposal when there was a deficiency of vehicles of the same type and 2,300 new vehicles were purchased during the same period, was justified. The representative of the Ministry of Defence stated that purchase of the new vehicles was in pursuance of the policy of Government to add a certain number of vehicles every year to the fleet of vehicles irrespective of the holdings. As for the disposal of vehicles, the Committee find from a *note furnished by the Ministry of Defence that in regard to pre-1948 vehicles, all vehicles which admitted of economical repairs and which on repair could be utilised to meet the deficiencies against requirements were to be retained and repairs carried out according to planned programmes; disposal was restricted only to surplus categories and that too, to such vehicles as were in need of a major overhaul. *If so, the Committee doubt whether the disposal of 1284 vehicles of 4 x 4 type graded as class III and IV, of which there was a great deficiency, was in consonance with the policy decision of Government cited above.*

*Note not verified by Audit.

99. In reply to a question as to why vehicles graded as class III and IV were declared for disposal while vehicles of the same types, makes and models, but graded as class V were retained for repairs the Committee were informed that it was originally decided to dispose of 10,000 vehicles from the last category (grade V) making up the balance from the vehicles in the higher categories. Certain number of class III and IV vehicles were, therefore, included in the number. Later, some class V vehicles were received in the Depots. As subsequently certain additional demands for vehicles were received, it was decided to overhaul the class V vehicles in the Depots.

100. *The Committee are not satisfied with this explanation. Apart from the larger outlay that will be necessary to repair Grade V vehicles, it is a matter for consideration how far reconditioning of vehicles in the lowest category will serve the Army's needs. The Committee would in this connection like to draw attention to para 108 of their 17th Report (Second Lok Sabha) wherein they had recommended that in view of the magnitude of the capital outlay, the existing procedure of classification, condemnation and disposal of vehicles should be examined by the Ministry of Defence in consultation with the Financial Adviser with a view to removing any defects and chances of malpractices and achieving economy and preventing avoidable waste. The Committee feel that this matter requires detailed study and trust that Government will look into this matter early.*

Loss due to delay in the disposal of a store—para 32—page 22, Audit Report, 1958—

101. A quantity of Cloth Drill 'Unbleached' with a book value of about Rs. 3.5 lakhs was held by an Ordnance Depot since 1944-45. This is not a prescribed item of service store. (The exact date of purchase and the authority at whose instance the provisioning was made could not be ascertained). The total issues (including 629 yards for test purposes) were only 905 yards upto June 1, 1957, leaving a balance of 7,83,211 yards. The samples tested in 1952 showed that the strength of the material was 40 per cent less than that of Drill Bleached and it was not, therefore, suitable for issue in lieu of Drill Bleached. Two further tests carried out in December, 1954 and April, 1957 gave the same result.

102. In evidence, the Committee were informed that decision had recently been taken to utilise the cloth in the manufacture of certain items of clothing and as a result the entire stock was expected to be utilised by 1962. To a question, why it took the Ministry so long to take a decision, there was no convincing reply. Apparently, no

serious attention had been paid for about 15 years to the utilisation or disposal of the cloth, till the matter was raised by Audit. *The Committee would urge that greater care and prudence are called for in looking after Government assets, especially materials like clothing, which are liable to deterioration due to long storage.*

Irregularities in the accounts of a Central Ordnance Depot—para 39; pages 28-29—Audit Report, 1959—

103. In July, 1958, it came to the notice of the Commandant of a Central Ordnance Depot that Government stores were being surreptitiously used by a contractor who was carrying out some repair and maintenance work within the depot premises. Investigations subsequently carried out revealed that large quantities of nails, nuts, bolts, screws, metal tubings, small tools, vehicle components, etc., had been kept unaccounted for in the depot, being hidden, or buried underground. The value of such unaccounted for stores, unearthed upto the end of February, 1959, was estimated at over Rs. 7 lakhs. According to Audit, stocks of certain items of stores later unearthed had been declared in the past as deficient and written off the depot stocks. Also the depot authorities had in the past failed to produce receipted copies of issue vouchers on which some of these stores were alleged to have been issued to various units and formations. These and certain other irregularities in the local purchase of stores such as paint, caustic soda, ink, timber, etc., effected during 1956-57 were brought to the notice of the higher authorities in June and November, 1958.

104. In evidence, the Committee learnt that the matter had been the subject of a detailed enquiry and the proceedings were at present with the Army Headquarters. Some aspects of the case had also been referred to the Special Police Establishment. The officer concerned who was given extension of service pending the investigation of the case had been placed under suspension. *The Committee would like to be apprised in due course of the findings of the Court of Enquiry and of the Special Police Establishment in this regard and the action taken thereon by Government.*

Quarter Master General's Branch

Consolidated trading and profit and loss accounts of Military Farms—para 27 of Audit Report, 1958—

105. During the year 1955-56 about 98 per cent of the milk produced in the Military Farms was actually issued free to troops and hospitals, but in the accounts the value of the entire issue has been indicated as a sale. Such free issues of milk which consist primarily

of 'reconstituted' or 'standard' as well as 'blended' milk was priced in the accounts at the same rate as pure milk. As pointed out by Audit, value of "sales" and "free issues" should have been shown separately in the Trading and Profit and Loss accounts of the Farms. The value of free issues of milk shown in the accounts should be at the prevailing market rates for comparable products. Free issues as at present priced do not reflect correctly the economics of the working of the dairy Farms. Certain adjustments in the sale and free issue rates of milk were made at a number of stations in 1948 and 1950 and at a few other stations thereafter. As these adjustments were made in order to keep the profit as far as possible at an even level year after year, the issue rates were only theoretical. The financial picture presented therefore lacked clarity and was misleading.

106. In evidence, the Committee were informed that an expert committee appointed by Government to go into the question of reorganisation of the Directorate of Military Farms and to examine the financial and economic policy governing dairy produce and the price structure thereof had submitted its report in December, 1958. The Committee had suggested certain changes in the organisational set-up of the Military Farms and also recommended that another expert committee should be appointed to review the accounting system and price structure of dairy produce. While the suggestions of the Committee regarding reorganisation were under consideration by Government no action had been taken on the recommendations for appointing a committee to consider the accounting system, as it was considered to be a "subsidiary point".

The Committee were surprised to learn this. In their opinion, review of the accounting system is of as great importance as the reorganisation of administration in commercial undertakings like the Military Farm and should not have been treated as of "subsidiary" importance. They desire that Government should take immediate action in the matter with a view to removing the defects in the present system of accounts as pointed out by the Comptroller and Auditor General.

Arrears in rent recoveries—para 28—Audit Report 1958—

107. In para 56 of their 6th Report (Second Lok Sabha) the Public Accounts Committee 1957-58 had commented on arrears of rent recoveries in respect of Defence Services buildings. The para in the Audit Report disclosed that the position had further deteriorated. In respect of rent bills issued upto 31st March, 1957 an amount of Rs. 2,79,39,895 was outstanding on 30th September, 1957.

This included outstandings pertaining to the period as far back as 1945-46.

108. In evidence, the representative of the Ministry informed the Committee that as a result of subsequent reviews and readjustments carried out in consultation with the Ministries|Departments concerned the outstandings had been reduced to Rs. 1.38 crores. It was, however, pointed out that the actual recoveries had been insignificant. On the contrary, the outstanding amounts recoverable from private parties, contractors, etc., had increased from Rs. 19.99 lakhs to about 32 lakhs due to revision of rents in respect of certain buildings for the period 1952 to 1957.

109. *The Committee desired to be furnished with a note stating the latest position of outstanding dues from the Government Departments, private parties, contractors, etc., and reasons for delay in effecting recoveries and making adjustments. The information is still awaited.*

110. *The Committee are concerned at the increasing trend in the arrears. This clearly shows that the measures taken by Government to recover the dues have been ineffective. The Committee desire that the matter should be looked into more carefully and effective steps taken to recover the dues which in many cases are more than 10 years old.*

Non-realisation or delay in the realisation of dues from a private club—page 70—para 29, Audit Report 1958—

111. In May, 1947 a private club applied for the lease of 15.4 acres of Military land together with an offer to purchase the buildings on the site. Certain buildings were handed over to the club the same month under orders of the then sub-area Commander (who was also the honorary President of the Club). Although the proposal to lease the land was turned down by Government in April, 1948, the club continued in occupation of the buildings under orders of the sub-area Commander issued in September, 1948 on the condition that a new agreement would be executed. No agreement was, however, executed with the club but more buildings were handed over to it bringing the total number of buildings to 41 by January, 1949. In July, 1954, Government issued orders fixing the sale value of the buildings and terms for the lease of the land. But the proposed lease of the land and the sale of the buildings, did not materialise. The club vacated 26 out of 41 buildings on the 26th of July, 1954 and the rest on the 1st September, 1956 when it also vacated the land. Meanwhile, the dues recoverable from the club amounted to Rs. 62,147 out of which it paid Rs. 8,589 only.

112. In evidence, the representative of the Ministry informed the Committee that no action could be taken against the sub-area Commander as the officer had migrated to another country. As regards recovery of dues from the club it was stated that the club had contested Government's right to collect the rent for the land and the matter was pending in a law court. Settlement had also not been reached with regard to rent for the buildings.

113. *In the opinion of the Committee not only the Officer who initially handed over the buildings to the club in 1947 but also the officers who succeeded him should share responsibility in this case. For, in the face of Government's rejection of the Club's request for release of lands in April, 1948, it is surprising how the club was allowed to continue to retain possession of the premises, and that too without execution of proper lease agreements. The handing over of more buildings was all the more inexcusable. The Committee desire that Government should investigate into this case and take suitable action against the officers found guilty of disregarding Government's orders and exceeding their powers in this case. The Committee would also like to be informed of the settlement reached with the private club in this case.*

Delay in disposal of Government buildings Page 30—para 43—Audit Report, 1959—

114. In two stations certain Government buildings remained vacant for periods varying from 5 to 9 years. During this period an expenditure of Rs. 23,271 was incurred on watch and ward. The vacant buildings were finally disposed of by auction in December, 1954, April and July, 1956, for Rs. 13,600 only against their book value, of Rs. 1,97,225.

115. In extenuation of the reasons for the delay in disposal of the buildings it was urged before the Committee that one of the buildings was in the possession of a State Government and was released in August, 1951 only. A Board of officers appointed to assess the utility of the buildings recommended their retention but considering the extent of repairs, etc., required thereon it was finally decided to dispose them of. On being pointed out by Audit that one of the buildings had been declared surplus as early as 13th November, 1947, the witness stated that the building was offered to the State Government and local bodies and the matter remained under consideration till May, 1955.

116. *The Committee are more than surprised that it has taken Government 8 years to arrive at a decision for the disposal of the building.*

NEW DELHI;
The 4th July, 1960.

Asadha 13, 1882 (Saka).

UPENDRA NATH BARMAN,
Chairman,
Public Accounts Committee.

P A R T I I
Summary of the Proceedings of the Sittings of the
Public Accounts Committee

**PROCEEDINGS OF THE FORTY-THIRD* SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY,
THE 2ND FEBRUARY, 1960.**

117. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Shri Upendranath Barman—Chairman

MEMBERS

2. Shri T. Manaen
3. Pandit Jwala Prasad Jyotishi
4. Shri Radha Raman
5. Shri Rameshwar Sahu
6. Shri T. R. Neswi
7. Shri Yadav Narayan Jadhav
8. Shri Shraddhakar Supakar
9. Shri Amolakh Chand
10. Rajkumari Amrit Kaur .
11. Shri T. R. Deogirikar
12. Shri Surendra Mohan Ghose
13. Shri Jaswant Singh
14. Shri S. Venkataraman.

**Shri A. K. Chanda—Comptroller and Auditor General of
India.**

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

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

SECRETARIAT

Shri V. Subramanian—Deputy Secretary.

Shri Y. P. Passi—Under Secretary.

*Forty-second sitting related to informal discussion of the points arising from the Audit Reports, Defence Services, 1958 and 1959.

WITNESSES

Ministry of Defence

Shri O. Pulla Reddi—*Secretary.*

Shri H. C. Sarin—*Joint Secretary.*

Shri B. N. Verma—*Joint Secretary.*

Lt. General B. M. Kaul—*Quarter Master-General, Army Headquarters.*

Major General R. E. Aserappa—*Engineer-in-Chief, Army Headquarters.*

Major General K. N. Dube—*Director-General of Works, Army Headquarters.*

Captain S. K. Chatterjee—*Director, Civil Engineering, Naval Headquarters.*

Ministry of Finance (Defence)

Shri S. Jayasankar—*Financial Adviser.*

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

118. The Committee took up consideration of the Audit Report (Defence Services), 1959 relating to the Engineer-in-Chief's Branch.

Engineer-in-Chief's Branch

Infructuous expenditure incurred on a work—para 8—page 6—Audit Report (Defence Services), 1959—

119. In May, 1952, Government accorded administrative approval to the construction of a parade ground for the cadets of an Academy. The Construction Committee of the Academy recommended in their meeting held in April, 1953 that only an area of 1,58,000 sq. ft. out of the total area of 5,50,000 sq. ft. should be black-topped. Subsequently in their meeting held in April, 1955, the Construction Committee accepted the earlier recommendation of the Academy authorities to black-top the entire area of the parade ground. This involved an unnecessary expenditure of Rs. 64,450 on:

- (i) excavating a portion of the already existing surface, filling it and then laying premix carpet over this area, and
- (ii) superimposing black-topping on the remaining portion of the existing black-topped surface.

120. In evidence, the representative of the Ministry of Defence stated that in the sanctioned estimate of Rs. 6.23 crores for the construction of the entire Academy, a provision of Rs. 3 lakhs had been included for the parade ground. There was no mention of black-topping of the parade ground in the original estimate. Although, under the existing orders, black-topping of parade ground was not authorised, in the present case it was decided to do so considering the importance of the Academy. In order to keep the expenditure on the parade ground to the minimum, the Construction Committee recommended in April, 1953 that only a limited area of the parade ground should be black-topped. Even by doing the limited black-topping the expenditure on the parade ground was estimated at Rs. 3.8 lakhs. But in 1955, after the Academy moved into the buildings, it was found by actual experience that the limited black-topped area was inadequate for the purpose. The Construction Committee, therefore, decided in April, 1955 to have the entire area of the parade ground black-topped. In reply to a question he stated that the cost of the entire parade ground came to Rs. 6 lakhs, the additional cost having been met from the savings under the other heads.

121. The witness added that when black-topping of the remaining area of the parade ground was taken up, it was considered necessary to excavate certain portions of the already existing black-topped surface in order to conform to the proper gradients for the whole parade ground. He also disclosed that the report of the Chief Technical Examiner who examined the work after its completion, showed certain defects in the original black-topping. The Engineer concerned who had retired from service and was engaged on some other work, had been asked to give explanation for the lapses.

*Avoidable expenditure incurred on a work—para 9(a)—pages 6-7
Audit Report, 1959—*

122. The first phase of a project was administratively approved by Government on the 2nd August, 1955 at an estimated cost of over Rs. 1.07 crores. A separate Works Division was formed for the execution and supervision of this project in the same month. The land required for the project was estimated at 360 acres of which 280 acres were to be acquired from the Port Trust Authorities at the station and the remaining from private owners. The Port Trust Authorities declined to release the land and instead suggested in August, 1955 an alternative site.

Subsequent negotiations for the acquisition of a convenient site proved fruitless and as suitable land was not obtained even by

December, 1957, the Works Division was closed down with effect from December 1, 1957.

Against a total expenditure of Rs. 5,75,081 on the project, an expenditure of Rs. 3,19,560 was incurred on the pay and allowances etc., of the establishment of the Division. Besides, an amount of Rs. 50,872 was spent on the custody, handling and preservation of the stores collected for the project and another sum of Rs. 9,523 on survey and demarcation of the originally intended site.

123. The Committee enquired why the Works Division was formed before the land was acquired and even the administrative approval to the project was accorded. The representative of the Ministry of Defence stated that although the Division was sanctioned before the administrative approval had been accorded, no appointment was made until the project was administratively approved. As regards the justification for the raising of the Works Division before acquisition of the land required for the project, the witness stated that the Ministry of Railways under whose administrative control this land existed, had confirmed on the 6th January, 1955 that they had no objection to its transfer to the Navy, while the Works Division was formed in August, 1955. Subsequently the matter remained under the correspondence with the Ministry of Railways and the Port Trust Authorities for the formal transfer of the land to the Navy. It was in February, 1957 that the Ministry of Railways declined to transfer the land as they had then decided to build a marshalling yard on this land. In the meanwhile the staff of the Works Division had been engaged on planning, co-ordination with the Ministry of Railways and Port Trust, collection of stores etc. In reply to a question the representative of the Naval Headquarters stated that the alternative site suggested by Port Trust Authorities in August, 1955 was substantially the same area which was originally agreed to for transfer by the Ministry of Railways except about 15 acres which the Port Trust Authorities wanted to keep for building their staff quarters. The Naval authorities had no objection to the transfer of this area of 15 acres being decided later, if the remaining area of 265 acres was handed over to them immediately. When asked to state the justification of continuing the Works Division until the 1st December, 1957 after the land had been refused in February, 1957, the witness stated that they were optimistic that the Transport Ministry might still secure the transfer of a major portion of the land to the Navy from the Port Trust Authorities. It was also desired that the work might be progressed making use of the planning work etc. already done by the staff. Intervening representative of the Ministry of Defence stated that the Ministry of

Transport had communicated on the 1st February, 1960 their decision to transfer substantially the same land to the Navy.

124. The Committee were informed by the C. & A. G. that the bulk of expenditure on the project was incurred on collection of stores and a little amount on planning. The representative of the Ministry of Defence admitted that the staff of the Works Division including a Command Works Engineer, an Assistant Surveyor of Works, a Garrison Engineer and an Assistant Executive Engineer and 70 non-gazetted staff were not fully engaged during the period of more than 2 years and were kept on the expectation that the project would materialise. The Committee felt that granting that it was reasonable to post nucleus staff for planning purposes, in anticipation of the acquisition of land, there was no justification for acquisition of stores and for creating a Works Division including senior engineers and large ministerial staff. The representative of the Ministry of Defence assured the Committee that such a situation would not recur.

Para 9(b)—page 7—Audit Report, 1959—

125. In January, 1951, a contract was concluded for the provision of external water supply to certain buildings in a station for a sum of Rs. 85,286 at 185 per cent. over the schedule of prices, 1947. The work was to commence on February 7, 1951 and was to be completed on October 6, 1951. The work was not, however, completed by the contractor and on July 31, 1952, he stopped further work. The contract was terminated on August 1, 1952 and the remaining work was done departmentally. The unfinished work estimated to cost Rs. 32,060 at the contract rates was completed at a cost of Rs. 1,25,673 (excluding Departmental charges).

As the contractor did not reimburse to Government the extra expenditure, the case was referred to arbitration by the Department in April, 1956. The contractor neither accepted the arbitrator nor attended the arbitration proceedings. Against the Government's claim for Rs. 1,20,041, the arbitrator made an *ex-parte* award of Rs. 19,557 on January 5, 1957 in Government's favour of which Rs. 14,902 (after withholding Rs. 3,498 in another contract and Rs. 1,157 from the security deposit) remain unrealised.

126. The Committee wanted to know the periodicity for revision of schedule of prices and the procedure followed for preparation of estimates for the various works during the intervening period.

Engineer-in-Chief stated that the schedule of prices was revised by the M.E.S. after about five years and estimates were prepared by adding a certain percentage to the schedule of prices in particular stations at a particular time after comparing the costs of similar works at those places. To a question, how the tender in the present case at 185% over the schedule of prices, 1947, was considered workable in the light of considerable extra expenditure incurred by the Department for the unfinished work, the witness replied that from the study of the work at that time they thought the tender was workable. The only other tender being 343% over the scheduled rates was unacceptable. Subsequently during the execution of the work, a rock formation was struck under the ground which was not expected at the time of entering into the contract. The contractor might have been able to do the work within the contracted amount, had the unexpected rock strata not been found. Intervening, the Comptroller and Auditor General pointed out that according to the information available with him the ruling percentage for similar works in the locality was 331% above the schedule of prices, 1947 and the tender at 185% over the schedule of prices was therefore *prima facie* unworkable. The representative of the Ministry of Defence neither contradicted this nor stated how the comparison with the ruling market rates was effected in this particular case.

127. Referring to the extra expenditure incurred on the unfinished work done departmentally, the Engineer-in-Chief stated that the work was done by a military engineer unit and the higher cost was partly attributable to the costing of certain items like troop labour, transport, hire charges of equipment, etc. according to the formula obtaining in the Army. The contractor might have done the work at lower cost, he added. In reply to a question regarding delay in referring the matter to arbitration, the witness stated that after the work was completed, the contractor was served with notices to refund the amount due to Government. Only when he could not be traced, the question arose of referring the matter to arbitration.

Para 9(c)—page 8—Audit Report, 1959—

128. At a certain Naval Station, the Military Engineer Services constructed six single-type units for keeping naval stores, in February 1951, two double-type ones in November, 1954, and one more double-type unit in April, 1955. During the rains in May, 1955, all the nine units were found to have developed leaks in spite of the water-proofing provided. An expenditure of Rs. 70,959 was incurred during 1956-57 in rectification of the defects. The Military Engineer

Services while maintaining that the design adopted was structurally sound, the specification provided was adequate and workmanship and supervision were also satisfactory, could not explain how the leaks had developed. The Chief Technical Examiner, to whom the case was referred, expressed the opinion on December 9, 1958 that the work was defective, specifications faulty and site conditions unsuitable.

129. The Committee wanted to know the action taken on the report of the Chief Technical Examiner. The representative of the Ministry of Defence stated that the final decision had not been taken on the C.T.E.'s Report. The comments of the Chief Engineer on the C.T.E.'s report had been referred to the C.T.E. for further comments. The witness added that the type of construction which was based on the German design had been undertaken by the M.E.S. for the first time and certain unforeseeable defects in water-proofing were discovered. The defects had been removed by modification in the specifications according to the climatic conditions at the station. The cost of rectification of the defects which became infructuous was stated by the witness as Rs. 14,816 as against the total expenditure of Rs. 14.43 lakhs on the whole work. In reply to a question, he stated that expenditure of Rs. 70,959 referred to in the Audit para as incurred on rectification work, included besides the cost of rectification of defects, the cost of new works which were necessary to enrich the specifications.

130. In reply to further question it was stated that the C.T.E. functioned under the Q.M.G. As regards the procedure followed for disposal of the reports of the C.T.E., the Committee were informed that the Q.M.G. obtains the comments of the engineers concerned before coming to any conclusions. The Q.M.G. thereafter makes his report to the Ministry who take the final decision. As to the application of this process on the case commented on by audit, it was stated that the comment of the C.T.E. was dated 9th December, 1958. It was received by the Army Headquarters and the Ministry itself in the same month. It was held up in the Ministry for a number of months before it was passed on again to the A.H.Q. and thence down to the engineers concerned. The explanation of the latter was expected in the next two weeks or so.

Injudicious phasing of a project—para 10—page 8—Audit Report, 1959—

131. The provision of permanent residential and office accommodation at an Air Force Station was sanctioned by Government in Sep-

tember, 1953 at a cost of Rs. 63.02 lakhs. The construction of the residential quarters started in December, 1953, was completed in November, 1954. Internal electrification of these buildings and external services for water, sewage etc. taken up in November, 1954 and December, 1955 were completed in March, 1955 and October, 1956 respectively. Consequent on this unco-ordinated phasing of the work, the residential quarters were not usable before October, 1956. Owing to non-completion of the Administrative and technical buildings, the sanctioned administrative and technical staff could not be posted to the station even after October, 1956. The residential buildings meant for them, therefore, remained partially vacant till December 1958 and watch and ward staff costing about Rs. 27,000 had also to be entertained.

132. The Committee enquired the reasons for unco-ordinated planning of the project. The representative of the Ministry of Defence stated that in this case the occupation of the residential accommodation was linked up with completion of the runway with taxi tracks and aprons. But the completion of the runway was delayed due to discovery of rocky soil which necessitated revised planning and administrative approval. The latter took some time. As the residential quarters could not have been occupied before the completion of the runway, the work regarding installation of the internal electrification and external services therefor was allowed to proceed at an easy pace.

133. The Comptroller and Auditor General pointed out in the course of evidence that, according to the phased programme, the buildings were to be taken up in December, 1953 and the runway only in February, 1955. He added that this indicated that the original intention of the planners was to complete the buildings much ahead of the runway, notwithstanding rocks etc., encountered subsequently. The representatives of the Ministry explained that the buildings had to be taken up earlier, because they would have taken, including ancillary services, much longer time than was required for the preparation of the runway. At a later stage in the discussion, however, the Secretary of the Ministry stated that the main runway and the taxi track and apron were actually taken up for execution earlier and married accommodation was taken up later in January, 1954 and that "if the runway and taxi track were completed as planned earlier in 11 months, actually the married accommodation with services would even have legged behind" Because of the unanticipated discovery of rock strata, completion of the runway etc. took about three years and thus the married accommodation got ready earlier instead of later, as usual.

Control over works expenditure—para 11—pages 8-9—Audit Report, 1959—

134. The following statement gives the break-up of expenditure on works held under objection during the years 1955-56, 1956-57 and 1957-58:

S. No.	Nature of objection	Amount objected to during		
		1955-56	1956-57	1957-58
		Rs.	Rs.	Rs.
1.	Want of administrative approval . . .	8,64,519	6,76,108	15,56,763
2.	Want of technical sanction . . .	8,60,253	3,67,024	7,31,041
3.	Want of allotment of funds . . .	25,45,595	15,10,691	30,59,713

135. The Committee wanted to know the reasons for undertaking works without fulfilling codal formalities. The representative of the Ministry of Defence stated that most of the items held under objection related to works of military operational or medical necessity and emergent works for meeting imminent danger to buildings etc. which could be undertaken under the rules in advance of the administrative approval. In some cases the excesses over the sanctioned estimates which came to light during the actual execution of the work necessitated revision of the administrative approval.

136. The Comptroller and Auditor General pointed out that the Audit para had been based on the figures given in the M.E.S. Review contained in the Appropriation Accounts (Defence Services) prepared by the Financial Adviser. The Committee enquired, if the cases under reference were covered by the exceptions provided in the rules, why the explanations were not furnished to the internal Audit, so that these could have been excluded from the Appropriation Accounts. The representative of the Ministry of Finance (Defence) stated that the expenditure had been held under objection pending regularisation by covering sanctions. He, however, did not maintain that all the items under objection were covered by the exceptions provided in the rules.

137. The Committee drew attention to the increase in the expenditure held under objection from year to year and wanted to know the reasons for delay in the regularisation thereof. The representative of the Ministry of Defence stated that some of the cases were really unsatisfactory. He assured the Committee that they would make special efforts to finalise the outstanding cases in about six months' time.

Fictitious financial adjustments in works accounts—para 12—pages 9-10—Audit Report, 1959—

138. The Audit para disclosed some instances of fictitious adjustments made in works accounts in order to avoid lapse of funds or avoid excess over allotments. The P.A.C., 1953-54 were assured that such adjustments would not be repeated.

The representative of the Ministry of Defence characterised these irregularities as only of a procedural nature. Referring to the case cited in sub-para (b) he stated that 40 tons of the material valued at Rs. 22,500 were drawn for the work in October, 1956. Subsequently as a result of change in the specifications, the material was rendered surplus and had to be transferred back to stock. The Comptroller and Auditor General stated that this explanation had not been furnished to Audit earlier and would, therefore, have to be verified.

Sub-para (a) (i)—

139. The representative of the Engineer-in-Chief's Branch stated that stores allotted to the project were not moved to the project site due to lack of storage accommodation at the site. The stores were kept aside in the Engineer Park and issued to the contractor direct from there. The C. & A. G. pointed out that such an action would cut across the rules and lead to losses of stores. The representative of the Ministry of Defence stated that the action taken in this case was under exceptional circumstances. Instructions had been issued to ensure that all adjustments in works accounts were made in accordance with the rules.

Sub-para (a) (ii)—

140. The representative of the E.in-C's Branch stated that cement in this case was required for construction of certain tanks. But due to delay in deciding the location of the tanks, the cement was transferred to another work to avoid its deterioration. No explanation was forthcoming about the necessity of the book adjustments when the physical transfer from or to stock never took place.

Sub-para (d)—

141. The representative of the E.in-C's Branch explained that in this case when the stores were actually despatched from the base depot to the project, the Garrison Engineer took over the stores mentioned in the voucher without their physical verification. On physical verification, deficiencies were disclosed, which were adjusted by the Garrison Engineer. Subsequently the consignor amended the issue voucher to conform to the quantities actually received by the project.

142. The representative of the Ministry of Defence assured the Committee that the cases referred to in the Audit para were only exceptional and instructions had been issued to avoid fictitious adjustments in store accounts.

*Over-provisioning of earth-moving machinery—para 18—pages 16-17
—Audit Report, 1959—*

143. The audit para disclosed that 16 Angledozer-Hydraulic were indented on February 8, 1957 on the basis of a wastage rate of 36% per annum and without taking into consideration the anticipated release of certain Angledozer on completion of projects/works. The provision review as on August 31, 1957 on the basis of a reduced wastage rate of 10% per annum and after taking into consideration 25 Angledozer received from projects/works disclosed a surplus of 66 Angledozer.

On the same basis 4 Scrapers-self-propelled were indented but the subsequent provision review carried out on the basis of the reduced percentage of wastage disclosed a surplus of 2 Scrapers.

144. In evidence, the representative of the Ministry of Defence stated that wastage rate of the machinery was reduced to 10% on the basis of actual experience. The review carried out in October, 1956 had disclosed a deficiency of 34 Angledozer but it was decided to indent 16 only. The surplus of 66 Angledozer disclosed in the provision review as on August 31, 1957 at the reduced rate of wastage of 10% per annum, included pre-1948 Angledozer also which should not have been treated as assets. It was actually discovered that there was a deficiency of 74 Angledozer which were subsequently indented for. In reply to a question, he stated that although pre-1948 Angledozer were not treated as assets for the purpose of the provision reviews, these were actually disposed of after they were found unfit for operational purposes.

As regards the Scrapers, he stated that these were surplus and would be utilised against future requirements.

145. The Comptroller and Auditor General pointed out that the information furnished to the Committee by the witness was not made available to Audit, otherwise this matter might not have come up before the Committee. The representative of the Ministry of Defence agreed that it should have been furnished to Audit earlier.

146. The Committee then adjourned till 10-00 hours on the 3rd February, 1960.

PROCEEDINGS OF THE FORTY-FOURTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY,
THE 3RD FEBRUARY, 1960

147. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri T. Manaen
3. Pandit Jwala Prasad Jyotishi
4. Shri Shamrao Vishnu Parulekar
5. Shri Radha Raman
6. Shri Rameshwar Sahu
7. Shri Aurobindo Ghosal
8. Shri Yadav Narayan Jadhav
9. Shri Shraddhakar Supakar
10. Shri Amolakh Chand
11. Rajkumari Amrit Kaur
12. Shri Rohit Manushankar Dave
13. Shri Surendra Mohan Ghose
14. Shri Jaswant Singh.

Shri A. K. Chanda—*Comptroller & Auditor General of India.*

Shri G. S. Rau—*Addl. Dy. Comptroller and Auditor General.*

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Defence

Shri O. Pulla Reddi—*Secretary.*

Shri R. P. Sarathy—*Addl. Secretary.*

Shri B. N. Verma—*Joint Secretary.*

- Lt. General B. M. Kaul—*Quarter Master General.*
 Maj. General R. E. Aserappa—*Engineer-in-Chief.*
 Maj. General K. N. Dube—*Director General, Works.*
 Lt. General K. P. Dhargalkar—*Master General of Ordnance.*
 Maj. General Harkirat Singh—*Director of Mechanical Engineering.*
 Maj. General W. T. Wilson—*Director of Ordnance Services.*
Ministry of Works, Housing & Supply
 Shri M. R. Sachdev—*Secretary.*
 Shri V. N. Rajan—*D.G.S. & D.*
Ministry of Finance (Defence)
 Shri S. Jayasankar—*Financial Adviser.*
 Shri Phul Chand—*Controller General of Defence Accounts.*

148. The Committee took up further consideration of the Audit Report (Defence Services), 1959 relating to the Engineer-in-Chief's Branch.

ENGINEER-IN-CHIEF'S BRANCH

Purchase of electricity by the Military Engineer Services at a Station
 —para 42—pages 29-30—*Audit Report, 1959—*

149. The Audit paragraph disclosed that there was avoidable delay on the part of Military Engineer Services at a station in agreeing to a suggestion of a State Government to review the agreement entered into by the former for supply of electricity with a defunct Electric Supply Company which had been taken over by the State Government. The M.E.S. could not therefore avail themselves of the benefit of lower standard tariffs introduced by the State Government, resulting in an extra expenditure of Rs. 3,12,000 during the period March 1, 1952 to October 31, 1955.

150. In evidence, the representative of the Ministry of Defence stated that the Audit paragraph did not contain all the facts for a correct appreciation of the position. The Comptroller and Auditor General pointed out that in certain cases all the records were not made available by the Ministry of Defence to the Director of Audit, Defence Services who had to prepare the audit paragraphs on the basis of the material made available to him. He added that as a result of discussion with the Defence Secretary, the latter had agreed to furnish in future all records to Audit. The Ministry's comments on the paragraph under consideration, the Comptroller and Auditor

General stated, were not made available to him within the prescribed time-limit of six weeks of its receipt by them. Even after the presentation of the Audit Report, the Ministry could have brought to his notice any information with regard to the facts incorporated in the Audit para, to enable him to explain the position to the Committee. The representative of the Ministry of Defence stated that there was not sufficient time to collect the relevant facts and figures from the lower authorities. They requested for the extension of the time-limit. After the presentation of the Audit Report, they considered that the proper procedure was to explain the position during consideration of the case by the Committee. The Defence Secretary assured that in future any information which might come to light after the expiry of the time-limit prescribed for verification of Audit paragraphs, would be made available to the Comptroller and Auditor General.

151. Explaining the position of the case, the representative of the Ministry of Defence stated that after receipt of reference from the State Government in February, 1952, the M.E.S. requested the State Government in March, 1952 to charge from them new rates for supply of the electricity at the station but they were informed that these rates could not be extended to bulk contracts. After further discussions and correspondence, the State Government made the new rates applicable from November 1, 1955. The question of refund of the extra payment made to the State Government had been taken up with them.

152. During the course of discussion, the representative of the Ministry of Defence could not furnish to the Committee information on certain points. The Chairman observed that the witnesses should come properly briefed when they appeared before the Committee. The Committee then deferred further consideration of this case till all the relevant facts and figures which had not been earlier made available to Audit, were verified by them.

Loss of timber in a Military Engineer Services Division—para 44—pages 30-31—Audit Report, 1959—

153. In this case out of about 2,500 cft. of timber sold to a contractor in an auction on October 10, 1952, only 1,200 cft. was found available at the site when the contractor went to take delivery of the store, which he refused to accept. He got a court decree in May, 1957, against the Government for Rs. 6,617 being the amount deposited by him plus interest and also proportionate cost of the suit. According to Audit the entire quantity of 2,500 cft. of timber was subsequently sold in auction in January, 1959.

In evidence, the representative of the Ministry of Defence stated that the irregularity came to their notice on receipt of the Audit

paragraph. After they asked the Army Headquarters to furnish them with facts of the case the latter ordered a court of enquiry to investigate into the matter. In reply to a question, the witness stated that the lower authorities had been delegated certain powers to deal with disputes and they did not usually inform the Ministry when suits were filed against the Government or decrees were awarded by courts. The representative of the Ministry of Finance (Defence) stated that in important cases, even if the decreed amount was within the power delegated to a local authority, the matters were brought to notice of Finance by the local accounts authorities. Further as a result of the recent instructions issued to classify all payments in fulfilment of court decrees under charged heads of expenditure, the local accounts authorities submitted reports in regard to such payments. He was not sure whether this procedure existed at the time of the award of the court decree in the present case but promised to furnish the information to the Committee later.

Engagement of Departmental Labour—para 45, page 31—Audit Report, 1959—

154. In a certain Division, although permanent Gangs were sanctioned and Term contracts were concluded for every station under its jurisdiction, an expenditure of nearly Rs. 1·7 lakhs was incurred during 1953-54 alone on additional directly employed labour (other than muster roll labour). Records of works such as requisitions for work, progress reports, statement of stores issued etc. were not available and therefore it was not possible for Audit to find out whether there was any justification for the employment of additional labour.

155. The Committee wanted to know the reason for non-maintenance of any records in connection with employment of departmental labour in this case. The representative of the Engineer-in-Chief's Branch stated that according to the procedure, before payments are made to labour, the bills along with supporting documents regarding their proper employment were examined by two different authorities, viz., Survey of Works Branch and Accounts Branch. He, therefore, contended that in the present case the supporting documents might have been scrutinized by these authorities at that time. The records might have been destroyed subsequently. In reply to a question he stated that the documents were kept for periods varying from 5 to 10 years. He could not state when the records in the present case were actually destroyed.

156. The Comptroller and Auditor General pointed out that although in the present case test audit was conducted in October,

1954—within six months of the close of the Financial Year during which the expenditure was incurred no records were produced by the M.E.S. at that time. The representative of the Ministry of Defence wanted to check up the position and promised to furnish a note to the Committee.

157. The Committee then took up consideration of the Audit paragraphs relating to the Master General of Ordnance.

Master General of Ordnance Branch

Purchase of spare parts—para 18, page 10—Audit Report, 1958—

158. A contract was concluded with a foreign Government on September 29, 1953 for the supply of equipment together with connected spares. According to the offer made by the foreign Government earlier on December 3, 1952, the cost of spares was £5,162 only but no detailed list of the spares, with item-wise cost, was obtained. The final agreement provided for spares valued at £13,194, after it was confirmed that the increase in the cost of spares was due to increase in the overall quantity of spare parts asked for by the Government of India.

159. The Committee wanted to know as to how in the absence of a list of spares originally offered by the foreign Government, it was confirmed that the Government of India asked for more spares. The representative of the Ministry of Defence stated that this equipment, about which they had no experience, had been purchased from the foreign Government for trial. Government wanted to acquire spares for the equipment to meet one year's maintenance requirements. To an enquiry made regarding increase in the value of spares, the foreign Government had stated that their original estimate of £5,162 was based on the quantities required for trial purposes. Subsequently, on estimates of quantities required for a year's maintenance, these had been increased. The foreign Government also undertook to take back any unused spares. The witness added that on actual experience the spares valuing Rs. 1.28 lakhs were not utilised but these were not returned to the foreign Government as subsequently it was decided to purchase an additional quantity of the equipment.

160. The Comptroller and Auditor General pointed out that if the facts stated before the Committee had been brought to his notice earlier, the case might not have been brought before the Committee by him.

Contract for supply of Mechanical Transport spares—para 13, pages 11—13—Audit Report, 1959—

161. In this case Government entered into a negotiated contract for \$12,63,324 with a foreign firm on December 18, 1957 for purchase of full range of spare parts required for wartime Army vehicles of North American origin. A "letter of intent" issued to the firm earlier on May 4, 1957 contained the following heads of agreement:

- (a) The list of spares and dollar prices at which they would be supplied by the firm to be drawn up.
- (b) The right to vest in Government to delete, reduce or increase the quantities demanded against any item, within three months from the date of placing of the formal contract, provided that the Government furnished along with the contract a list of items that might be thus deleted, reduced or increased in quantity.
- (c) The firm to purchase Government's surplus vehicle spares upto a quantity not exceeding 4250 tons at a flat rate of \$110 per ton.

An offer made by another firm on October 18, 1957, to supply the entire range of spares at rates which were 10% lower than those offered by the first firm with further offer of 50% of price to be paid in rupees, was not accepted as Government was bound by the 'letter of intent' issued to the first firm.

Subsequently, it was found that the quantities stipulated in the contract were over-estimated and four amendments were proposed by Government to the firm between December 18, 1957 and March 17, 1958 for cancellation of quantities valued at \$5,73,952. The firm, however, agreed to the cancellation of items costing \$86,744 only, as a list of items on which Government reserved the right of subsequent deletion or reduction was not appended to the formal contract in terms of the 'letter of intent'.

Although the 'letter of intent' definitely contemplated the execution of a concurrent contract by the firm for purchase of army surplus spares no such contract was eventually concluded.

162. The Committee enquired about the circumstances leading to negotiations with a particular firm without obtaining competitive prices from other sources. The representative of the Ministry of Defence stated that in the previous years there had been considerable difficulty in procurement of all the spares required for repair of the war-time vehicles of North American origin, through the I.S.M., Washington and other purchase organisations. Early in 1956, this firm, who had been one of the main suppliers of auto-spares to Government through I.S.M. and was reported by the I.S.M. to be the

most well organised suppliers of war-time stores of North American origin offered to supply the entire range of autospare parts required by the Army for repair of war-time vehicles within the shortest possible time. The firm had also added manufacturing facilities for obsolete spare parts. Tentative lists of the spares required by the Army were forwarded to the firm in September and November, 1956 before its representatives came to India for negotiations. A Negotiating Committee comprising senior officials of the Ministries of Finance, Works, Housing and Supply and Defence was appointed by Government for conducting negotiations with the firm. After detailed negotiations with the representatives of the firm from the 6th February to 22nd March, 1957, a 'letter of intent' was issued to the firm on the 4th May, 1957. The Negotiating Committee checked in detail the prices quoted by the firm with reference to the following:

- (a) price vocabulary rates applicable during the last war;
- (b) last known purchase prices wherever possible;
- (c) general increase in prices since then;
- (d) the prices quoted by this firm and others in the recent tenders issued by the I.S.M. Washington; and
- (e) estimated prices based on prices of nearly similar articles where prices of (a), (b) and (d) were not known.

The witness added that as a result of the detailed scrutiny of prices, the Negotiating Committee were able to get substantial reductions in the prices quoted by the firm in a large number of items. In the case of spares for A and B vehicles, the reduction secured in the prices were of the order of 38 and 32 percent., respectively. In reply to a question he stated that before negotiating with this firm no enquiry was made from any other firm for supply of full range of spares. He also admitted that in the past when they issued tenders through the I.S.M. for limited quantities of certain items of spares, this firm had tendered but could not meet this demand. Even so, when later this firm came up with an omnibus offer, no attempt was made to obtain such offers from other sources.

163. The Committee then wanted to know the reasons for non-execution of a contract with the firm for sale of Government's surplus vehicle spares, although the letter of intent provided for such a transaction. The representative of the Ministry of Defence stated that Government later received better offers for purchase of the spares from other firms. In fact the representatives of this firm had approached Government for acquisition of the spares but Government persuaded the firm not to insist on execution of this contract. Government then felt that these spares would be needed by them. The Comptroller and Auditor General pointed out that according to

the information available with him, one of the two important considerations for entering into this deal was to get rid of the surplus spares which did not normally fetch good price in the Indian Markets, the other consideration being acquisition of full range of spares for maintenance purpose. The transaction was conceived at that time as a barter deal, he added. The representative of the Ministry of Defence stated that although originally the intention was to get rid of surplus stores also but it was subsequently considered to be more profitable to keep them for future use.

164. Explaining the circumstances leading to the omission of the list of items which could be reduced or increased within three months of placing the contract, the representative of the Ministry of Defence stated that at the time of negotiations with the firm, procurement of certain items indigenously was under consideration and a clause regarding the right of the Ministry to modify quantities of such items was included in the 'letter of intent'. But before the final contract was placed by the I.S.M, Washington the list of such items as were to be procured indigenously had been finalised by the Army Headquarters and was forwarded to the I.S.M. These items were accordingly deleted from the contract and there was no need to attach a provisional list of items to the contract.

165. As regards the reasons for over-estimating the quantities of spares, the Director of Mechanical Engineering stated that the initial demands were based on the scales worked out by stripping and re-building a few old vehicles in workshops. But subsequently as a result of stripping and re-building of a large number of vehicles, it was discovered that the requirements could be reduced and the scales were accordingly revised. As a result of revision of scales, the demands for spares were reduced by the depots. The Comptroller and Auditor General pointed out that according to the information available with him, a few months preceding the finalisation of the contract, the Army authorities had come to the conclusion that the scales of spares required for overhauling the vehicles would be lower than originally anticipated. The representative of the Ministry of Defence promised to check up the position.

166. At this stage, the Committee considered the desirability of appointing a sub-Committee to elicit all the facts of the case.

Over-provisioning of stores—Sub-Para 17(a), page 9—Audit Report, 1958—

167. The Audit paragraph disclosed that on the basis of an approved scale, a Central Ordnance Depot computed its requirements of an item of store for overhauling of an equipment as 1270 numbers on 1-4-1953. The total deficiency of the items was calculated as 1,350 numbers. On January 8, 1954, the Army Headquarters

intimated a revised and reduced scale according to which the requirement for overhaul came to 64 numbers only. Despite this reduction in scale, a demand was placed by the depot on January 29, 1954 for the deficiency of 1,350 numbers as originally calculated.

In March, 1954 the Army Headquarters intimated also a reduction in the numbers of the equipment requiring overhaul. No action was taken by the depot even then to revise the demands. As a result unnecessary store of the value of Rs. 28,000 was acquired. The contract for the supply of these stores had been concluded only in July, 1955 and the stores received in January, 1956.

168. In extenuation, the representative of the Ministry of Defence stated that the original demand for 1,350 numbers was placed on the basis of the scale of 200 numbers per 100 engines. On 8th January, 1954, the Army Headquarters notified a reduction of scale of 20 numbers per 200 engines but the depot authorities referred the matter back to the Army Headquarters for re-consideration, as the actual consumption was 150 numbers for 127 engines. On re-consideration, the Army Headquarters advised the depot to adopt the original scale of 200 numbers per 100 engines. But the scale was not noted on the provision card which resulted in the Audit objection in this case.

The witness added that subsequently although the number of engines to be over-hauled was reduced from 635 to 444 due to withdrawal of the equipment from units, corresponding reduction in the demand was not made by the depot. The surplus stores would be utilised in the overhaul of the other types of equipments.

169. The Committee then adjourned till 10.00 hours on the 4th February, 1960.

**PROCEEDINGS OF THE FORTY-SIXTH* SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY,
THE 4TH FEBRUARY, 1960**

170. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Shri Upendranath Barman—Chairman.

MEMBERS

2. Shri T. Manaen
3. Pandit Jwala Prasad Jyotishi
4. Shri Shamrao Vishnu Parulekar
5. Shri Radha Raman
6. Shri Rameshwar Sahu
7. Shri Aurobindo Ghosal
8. Shri Yadav Narayan Jadhav
9. Shri Shraddhakar Supakar
10. Shri Amolakh Chand
11. Rajkumari Amrit Kaur
12. Shri Rohit Manushankar Dave
13. Shri Surendra Mohan Ghose
14. Shri Jaswant Singh.

Shri A. K. Chanda—Comptroller & Auditor General of India.

Shri G. S. Rau—Addl. Dy. Comptroller and Auditor General.

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

SECRETARIAT

Shri V. Subramanian—Deputy Secretary.

Shri Y. P. Passi—Under Secretary.

WITNESSES

Ministry of Defence

Shri O. Pulla Reddi—Secretary.

Shri R. P. Sarathy—Addl. Secretary.

*Forty-fifth sitting related to informal discussion of the points arising from the Audit Reports, Defence Services, 1958 and 1959.

Lt. General K. P. Dhargalkar—*Master General of Ordnance.*
 Maj. General W. T. Wilson—*Director of Ordnance Services.*
 Maj. General Harkirat Singh—*Director of Mechanical Engineering.*

Ministry of Finance (Defence)

Shri S. Jayasankar—*Financial Adviser.*

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

Ministry of Works, Housing & Supply

Shri V. N. Rajan—*Director General, Supplies and Disposals.*

171. The Committee took up further consideration of the Audit Reports (Defence Services), 1958 and 1959 relating to the Master General of Ordnance Branch.

Master General of Ordnance Branch

Over-provisioning of stores—para 17(b). pages 9-10—Audit Report, 1958—

172. No action was taken by a Central Ordnance Depot to reduce the two demands of 1,10,635 lbs. and 1,10,100 lbs. of an item of engineer stores, placed on the Director General of Ordnance Factories in September, 1951, although another depot reported a surplus stock of 1,50,000 lbs. of the same item in December, 1951. Based mainly on estimates made by the Engineer-in-Chief these demands were to be complied with in 1952-53 and 1953-54. Against the Engineer-in-Chief's estimated requirement of 1,09,648 lbs. for each of the years 1952-53 and 1953-54, his consumption during those years was 7,504 lbs. and 1,932 lbs. only.

173. The Committee enquired the reasons for overestimating the requirements of the item by the Engineer-in-Chief for the years 1952-53 and 1953-54. The representative of the Ministry of Defence stated the estimates of the Engineer-in-Chief were based on anticipated requirements for works, which appeared to have been calculated incorrectly. No records were available regarding the consumption of the stores in the previous years and the basis for calculation of the requirements for 1952-53 and 1953-54. Intervening, the Comptroller and Auditor General stated that the E-in-C's demands were based on requisitions from three Commands of the order of 1000 cwt., 40 cwt. and 12 cwt. Obviously when two Commands together had asked for 52 cwt. between them, the demand of 1000 cwt. by the third was mistaken and needed close examination. To a question why the indents placed on the D.G.O.F. were not reduced after the

second depot reported a surplus stock of 1,50,000 lbs, the representative of the Defence Ministry replied that the stock held in the second depot being in an entangled condition was not taken into account by the first depot in the provision review earlier. But subsequently it was considered that a portion of this stock could be rendered serviceable and the entire stock was treated as serviceable for further provisioning.

174. The Comptroller and Auditor General pointed out that in December, 1951 when the second depot informed the first depot about the surplus stocks held by the former, no mention had been made regarding the store being in unfit condition, and that even after the former had been informed to hold the stock on its behalf, the indenting Depot failed to reduce its demand on the D.G.O.F. suitably. The Director of Ordnance Services stated that according to the records of dispersed stocks maintained in the first depot, the stock held in the second depot was in an entangled condition. The Committee desired to be informed of the date when it was notified to the first depot that the stock was in entangled condition.

As regards the utilisation of the surplus stock, the witness stated that about 89,000 lbs. had been issued to units and the total stock as on the 1st September, 1959, was 1,85,844 lbs. A further quantity of about 60,000 was expected to be utilised in the next few years in certain projects.

Capital locked up in chassis without bodies—para 30, page 21—Audit Report. 1958—

175. On April 1, 1958, as many as 740 chassis (valued at Rs. 2 crores) delivered between January, 1953 and September, 1955 were waiting at various stations for body building. These had since been covered by contracts for body building. Another batch of about 650 chassis (valued at Rs. 98 lakhs approximately) acquired before 1948 had yet to be covered by any body building contracts.

176. The Committee wanted to know the reasons for delay in body building for the batch of 740 chassis. The representative of the Ministry of Defence stated that while in the case of a few specialist vehicles there was delay in finalisation of specifications of bodies, in the bulk of general purpose vehicles there was delay in getting the bodies built through the contractors due to various reasons, viz., delay in finalisation of contracts, extensions in periods of delivery, difficulty in procurement of raw materials etc. In order to avoid delay in the construction of bodies by contractors, Government had asked the manufacturers of chassis to supply these complete with bodies. One of the firms agreed to do so, but it had also to be given extensions for supply of vehicles. The Defence Ministry had

undertaken a project for construction of their trucks and bodies thereof, in order to get over the difficulties.

177. The Committee asked the Director General Supplies and Disposals to explain the reasons for delay in placing and execution of the contracts for body building. He stated that during the period from January, 1953 to September, 1955 they delivered 3,681 chassis with 2,941 bodies thereon, leaving the balance of 740 chassis during that period. Out of the four contracts placed for body building, there was delay in finalisation of one contract only for which his organisation was partly responsible. The delay in the deliveries occurred usually due to the rigid and detailed process of inspection of the bodies by the Inspectors of the Defence Ministry.

178. Explaining the reasons for delay in body building for 650 pre-1948 chassis, the Additional Secretary, Ministry of Defence, stated that these chassis had been received during the war under the Lend-lease Agreement and were, because of surplus stock, recommended by the General Staff in 1951 for disposal except 132 chassis earmarked for special roles. But, subsequently the matter remained under consideration in Army Headquarters and Ministries of Defence and Finance (Defence). Meanwhile the chassis deteriorated in storage and had since been classified as 228 in Class I, 260 in Class IV, 157 in Class V and 4 in Class VI. It had been decided to build bodies on class I chassis and repair those in Class IV and V. In reply to a question, the witness admitted that had a firm decision been taken in 1951 regarding the disposal or otherwise of the vehicles, a lot of money could have been saved. In reply to a further question, the Director of Mechanical Engineering gave the cost of repairing Class IV chassis as approximately Rs. 2,000 to Rs. 3,000 while that of overhauling of Class V as Rs. 5,000.

Disposal of vehicles—para 31, pages 21-22—Audit Report, 1958—.

179. 1,284 transport vehicles graded by the Army Engineers as Class III and IV (as requiring only minor repairs and replacements) were declared for disposal during 1955 and 1956. During the same years orders for 2,300 new vehicles of the same type (i.e. 3 tonners, 15 cwt. and 5 cwt. 4 x 4) were placed on the Director General, Supplies and Disposals. While Class III and IV vehicles were declared for disposal, about 2,000 vehicles of the same types, makes and models, but graded as Class V (as requiring thorough overhaul), were retained and included in the repair programme of the year 1956-57.

180. The Committee asked for the justification for disposal of Class III and IV vehicles while even Class V vehicles were subsequently decided to be repaired. The representative of the Ministry of Defence stated that it was originally decided to dispose of 10,000 vehicles from the lowest category, making up the balance by including in the lot the vehicles in the higher categories. Certain number of Class III and IV vehicles were, therefore, included in disposal programme. There was some time-lag between declaration of vehicles for disposal and their actual disposal, during which these were retrieved of their essential parts. Before the vehicles had been actually disposed of the present case, some Class V vehicles were received in the depots. As subsequently certain demands were received, it was decided to overhaul Class V vehicles.

181. The Comptroller and Auditor General pointed out that although there was a deficiency of 4 x 4 vehicles in the Army at that time, 1284 vehicles of this type were disposed of and subsequently 2,000 new 4 x 4 vehicles were purchased by them. The representative of the Ministry of Defence stated in extenuation that Government's policy was to purchase new vehicles costing about Rs. 7 crores every year, irrespective of their holdings in order to inject the Army with new vehicles. To a further question by the Comptroller and Auditor General whether the decision to dispose of Class III and IV vehicles and recondition Class V vehicles was taken in order to utilise the idle capacity of workshops or the spare parts purchased by Government, the representative of the Ministry of Defence replied in the negative. He added the spares were indented because the vehicles had been included in the repair programme.

The Committee desired to be furnished with a note stating the latest policy for disposal and replacement of the various types of vehicles.

Loss due to delay in the disposal of a store —para 32, page 22—Audit Report, 1958—

182. A quantity of cloth Drill "unbleached" with a book value of about Rs. 3.5 lakhs was held by an Ordnance Depot since 1944-45. This was not a prescribed item of service store. The total issues (including 629 yards for test purposes), were only 905 yards upto June 1, 1957, leaving a balance of 7,83,211 yards.

183. In evidence, the representative of the Ministry of Defence stated that it had been decided to utilise the cloth in the manufacture of certain items of clothing and as a result entire stock was expected to be utilised by 1962. To a question why it took so long to decide the utilisation of the cloth, the witness replied that the matter remained under examination, as the technical authorities

had declared its strength to be 40 per cent. less than that of the similar material. When asked whether after its storage for 16 years the cloth was considered fit for use, he stated that the technical authorities had recommended its use for subsidiary purposes.

Procurement of unwanted stores—para 14, Page 13—Audit Report, 1959—

184. Based on an incorrect assessment of stock on hand as Nil when 50 units of an equipment were actually available, an indent was placed on the High Commissioner in a foreign country in December, 1949, for the purchase of 11 units at an estimated cost of £ 100 per unit. The subsequent reviews carried out in 1951 and 1952 revealed surpluses of 66 and 57 units respectively. In spite of the existing surplus, the offer of the foreign Government for supply of 11 units of equipment at a total cost price of £ 28,941 was accepted in June, 1953. As a result there is still a surplus of 31 units which are unlikely to be utilised in the near future.

185. In evidence, the representative of the Ministry of Defence stated that the equipment had been offered by the foreign Government from new production with certain modifications. In spite of surpluses, the indent was not cancelled as the General Staff considered that the store was non-perishable, difficult to procure and required for the contemplated Territorial Army raisings. In reply to a question he stated that at the time of placing the indent, they had no idea of the price of the equipment and they put it as £ 100 per unit as the likely price. They had to accept the price quoted by the foreign Government. As regards the surplus stock, the witness gave the latest figure as 61 units which included 49 repairable units.

Local purchase of mosquito nets—para 15, pages 13-14—Audit Report, 1959—

186. Since 1955, the Director General, Ordnance Factories had been experiencing difficulty in manufacturing mosquito nets—olive green round mesh—as the required quality of netting was becoming increasingly difficult to obtain. His suggestion in 1955 to use other types of netting—square mesh or other shades like white/khaki—was not accepted by the Army authorities, with the result that in November, 1956, a quantity of 1,63,500 mosquito nets demanded for 1956-57 was outstanding. In view of urgency, orders were placed in June, 1957 on four firms for 60,000 nets mosquito universal at rates varying between Rs. 18.50 and Rs. 19.08, to be supplied by July, 1957. Out of 54,000 mosquito nets purchased as many as 47,000 were white. The nets were accepted after visual and without the usual technical inspection and several material deviations were also permitted. No price reduction for the permitted deviations was insisted on as, it was stated, negotiations

therefor would entail delay and hold up of supply of nets which were required for issue and supply to operational areas, etc.

Out of 54,000 units, only 5,824 were issued to units in operational areas by the end of September, 1957, and the balance of 48,176 were sent to depots in non-operational areas of which 5,304 nets were subsequently issued to formations in peace area. 932 of these latter issues were prematurely condemned within a period of six to seven months. The technical authorities had estimated the life of these nets as less than 2 months against the prescribed life of 18 months.

187. Admitting in evidence that the paragraph was factually correct, the Director of Ordnance Services made the following observations:

The suggestion made by the Director General, Ordnance Factories in 1955 to use different type of material was not accepted at that time mainly due to non-existence of any urgent demand and disapproval by the medical authorities of square mesh netting. Another reason was that change in colour necessitated fresh provisioning and this would cause delay. Subsequently, local procurement became necessary as the Malaria Season was beginning. They found that the supplies received, though below specifications, were acceptable.

188. The Additional Secretary of the Ministry of Defence later informed the Committee that the Army Headquarters came up to the Ministry in May, 1957, when the total deficiency was of 1,30,000 nets, of which 60,000 were allowed to be purchased locally. The D.G.O.F. was to step up his manufacture programme to meet the rest of the demand. In the past the reason for delay in receiving supplies of netting was that the D.G.O.F. could not, according to standing orders, place his demand with the D.G.S. & D. more than a year in advance of his requirements whereas the D.G.S. & D. required more time for procurement. The D.G.O.F. had since been given full powers to indent for raw materials in advance to the extent necessary to meet his production programme. Further, in order to effect economy in the procurement of raw material, changes in specifications of mosquito nets in regard to netting for the roof and colour (khaki and white) were being made. A decision to this effect was taken in July, 1958.

Asked whether there was an operational emergency necessitating early issue of the nets, the Additional Secretary replied in the negative but added that as troops have to be provided with nets wherever they are 60,000 nets were to be issued urgently.

In reply to a question, the D.O.S. stated that no reduction in prices on account of deficiency in dimensions of the nets was considered by the technical authorities. Regarding the life of the nets, the Secretary, Ministry of Defence, stated that the statement that the estimated life of the nets was two months had been made by a unit and not by technical authorities. The Chief Inspector, Textile and Clothing to whom the matter was referred had stated that the statement of the unit was not correct. What the estimated life of the purchased nets was, the Secretary could not tell.

*Avoidable expenditure in local purchase of winter clothing—
para 16, pages 14-15—Audit Report, 1959—*

189. Two items of winter clothing for troops, shirts—Angola Drab and Trousers—Battle Dress were continuously in short supply since 1954-55, as the supply of flannel and serge of the requisite colour and quality could not be arranged by the Director General, Supplies and Disposals. The supply position deteriorated in 1957-58 and in order to overcome the acute shortage and meet the immediate winter requirements of the troops in certain areas, a contract for the purchase of 1,500 units each of the two items was entered into with a firm from Delhi at Rs. 22 and Rs. 32 per unit respectively, as against the Ordnance factory's cost of production of Rs. 17.46 and Rs. 30.91. In the actual contract deviations were allowed in respect of shares without effecting any price reduction and date of delivery was extended from December 24, 1957 to February 20, 1958. According to Audit, had colour deviations, ab initio been allowed to the Government Clothing Factories, extra expenditure of Rs. 84,450 on local purchase could have been saved.

190. Explaining the reasons for local purchase of the stores, the representative of the Ministry of Defence stated that the manufacturers could not supply the cloth in time because of unavoidable delay in placing of the orders by the D.G.O.F. on the D.G.S.&D. under the then existing procedure and non-availability of a particular dye. The Committee wanted to know why deviations in specifications were allowed in the case of local purchase while no such relaxation was made in the case of supplies from the D.G.O.F. The witness stated that in the case of emergent purchases, they had to accept the available stuff. He added that it had been decided to accept the cloth produced by the manufacturers even with deviations in specifications by reduction in prices.

191. The D.G.S.&D. was asked why he was not able to make the cloth available to Ordnance Factories when it was available in the market to private manufacturers. Taking the case of Angola Drab, he pointed out that according to the inspection branch of the Ministry

of Defence, who finally approve the material procured by D.G.S.&D., there was only one manufacturer in India who was capable of giving Angola Drab of the required specifications. The stuff provided on orders placed with him also did not pass specifications. Dealing with a monopoly, the Directorate naturally took some time in inducing it to reduce the price. Quite possibly, in the meantime, the production went elsewhere. For serge also there were only two suppliers both controlled by one Corporation.

192. Referring to the extension in the delivery period granted to the firm, the representative of the Ministry of Defence stated that the supplies of shirts were completed by the firm by the 30th December, 1957 but only 7,500 trousers had been supplied by that date. The firm completed all the supplies by the 20th February, 1958, after grant of extension. In reply to a question, the witness stated that although by February, 1958, the rigours of winter were over in plains, the clothing was required for issue to the troops in cold regions.

193. In reply to a question the Director General of Supplies and Disposals stated that in case of emergent purchases, his organisation did not usually interfere. He added that his organisation was trying to develop two other sources for supply of Angola Drab and serge required by the Army in order to avoid dependence on only one or two firms for supplies. To a question the representative of the Ministry of Defence replied that although the prices paid to the firm in this case which included sales tax of Re. 1 per yard compared quite favourably with the D.G.O.F.'s cost of production of similar stuff, the quality of the stuff produced in the Ordnance Factories was better.

Loss due to lack of co-ordination between the indenter and the manufacturing organisation—para 17, pages 15-16—Audit Report, 1959—

194. A demand for 1,06,240 feet of copper tubing was placed by the Ordnance Branch in June, 1950, on a Purchase Organisation abroad. By March, 1951, 31,000 feet of the tubing was received and the balance was expected by the end of that year. In view of the anticipated delay in supply of the remainder, the Director of Ordnance Services asked the Director General, Ordnance Factories on September 3, 1951 to investigate the possibility of indigenous manufacture through Ordnance Factories or through private firms and to intimate the quantity which could be delivered by the end of October, 1951. The D.G.O.F. intimated on September 22, 1951 that facility for manufacture of tubing was available at one Ordnance Factory but in view of other urgent work only 3 to 4 thousand feet could be supplied by October 31, 1951. At the same time, the D.G.O.F. instructed the

factory to undertake manufacture of 77,000 feet of tubing without waiting for a demand from the Director of Ordnance Services. As the balance quantity ordered from abroad materialised, a surplus quantity of 21,684 feet of tubing manufactured by the Ordnance Factory had to be disposed of in September, 1957, at a loss of Rs. 43,291.

195. In evidence, the representative of the Ministry of Defence admitted that without consulting the D.G.O.F. beforehand, it was presumed by the Ordnance Branch that he would not be able to manufacture the tubing and that there was lack of co-ordination in this case between the Director of Ordnance Services and the Director General of Ordnance Factories. The D.G.O.F. in his enthusiasm to meet the emergent requirement of the Army started manufacture of this store which was a new item, on the basis of merely an enquiry. The witness assured that instructions had since been issued that the D.G.O.F. should start manufacture only against firm indents placed on him.

Irregularities in the accounts of a Central Ordnance Depot—para 39, pages 28-29—Audit Report, 1959—

196. In July, 1958, it came to the notice of the Commandant of a Central Ordnance Depot that Government stores were being surreptitiously used by a contractor who was carrying out some repair and maintenance work within the depot premises. Investigations subsequently carried out revealed that large quantities of nails, nuts, bolts, screws, metal tubings, small tools, vehicle components, etc. had been kept unaccounted for in the depot being hidden or buried under ground. The value of such unaccounted for stores, unearthed upto end of February, 1959, was estimated at over Rs. 7 lakhs. Stocks of certain items of stores later unearthed had been declared in the past as deficient and written off the depot stocks.

In evidence, the representative of the Ministry of Defence stated that the matter had been subject of a detailed enquiry and the final decision had not been taken. Some aspects of the case had been referred to the Special Police Establishment. The Officer concerned who was given extension of service pending the investigation of the case had been placed under suspension.

Loss due to deterioration of stores—para 40, page 29—Audit Report, 1959—

197. Large stocks of camouflage nets of various sizes were being held since the last war at a Central Ordnance Depot under such defective storage condition that the nets rapidly deteriorated due to

exposure. Inspection of the stocks during December, 1948 to November, 1950 revealed that nets worth about Rs. 73 lakhs had been rendered useless. The loss was written off by Government in October, 1958.

198. In extenuation, the Director of Ordnance Services stated that this depot which held stocks in transit to the various units during the last war, had inadequate covered accommodation. Due to constant change in personnel during and immediately after the war, the stores could not be attended to. As a result, the camouflage nets lying in the open covered only by tarpaulin deteriorated. Only a little stock was salvaged, and disposed of. In reply to a question the witness stated that some of the depots still lacked covered accommodation.

Loss due to delay in the disposal of stores—para 41, page 29—Audit Report, 1959—

199. The review of the requirements of hospital sheets for the period ending 1948-49 made by a stock holding Depot in December, 1947 revealed a surplus of 2,03,208 sheets. The suggestion made by the Depot. in December, 1947, December 1949, March, 1950 and December, 1951 to the Army Headquarters that this wartime stock might be disposed of through officers' shops on an unrestricted scale was not accepted. In November, 1955, the Army Headquarters finally agreed to dispose of the sheets through the Officers' shops at reduced rates of Rs. 3 each for part-worn sheets with stains against the issue rate of Rs. 4/11/-

200. In evidence, the Director of Ordnance Services stated that in 1947, the conditions in store depots had not stabilised. Army Headquarters did not then accept the suggestion of the depot to dispose of these sheets as they were not aware of the actual stocks and requirements. The final decision in the matter was deferred till the position stabilised.

Ministry of Works, Housing and Supply

Purchase of plywood at excessive rates—para 20, pages 11—13—Audit Report, 1958—

201. In September, 1951, three indents were placed by a Central Ordnance Depot on the Central Purchase Organisation for 54 items of plywood measuring in all 6,22,420 sq. ft. for delivery between April and December, 1952 in equal monthly instalments. Two firms quoted, the first one for 36 items, with a delivery period of 9 months from January, 1952 to September, 1952 and the second one for all the 54 items with a delivery period of 6 months from April, 1952 to

September, 1952. Though the rates offered by the first firm were higher by about Rs. 91,920, orders for part quantity of 36 items measuring 3,28,480 sq. ft. were placed with it in February 1952 with stipulation that delivery be completed by July, 1952. Orders for the balance of 18 items were placed on the second firm.

The first firm supplied 54,768 sq. ft. only by the stipulated date of 31st July, 1952, which was extended to August 31, 1952. The firm supplied a total of 86,080 sq. ft. only by the extended date. In view of the delay in supply and downward trend in the market it was proposed on October 22, 1952 by the Central Purchase Organisation to cancel the contract and to invite fresh tenders for the outstanding quantities. But as a result of the representation made by the first firm on October 27, 1952 for further extension, it was finally decided on November 5, 1952 to permit the firm to complete the orders for a further quantity of 1,42,378 sq. ft. by the end of February, 1953 at reduced rates and to invite fresh tenders for the balance quantity of 1,00,022 sq. ft. Fresh tenders invited on November 28, 1952 showed that the market rates in respect of certain types of plywood were considerably lower than the revised rates at which the defaulting firm had been allowed to complete the supply.

202. In evidence, the Director General, Supplies and Disposals stated that the contract for all the items was not placed with the second firm as its capacity was not considered sufficient. Explaining the reasons for non-cancellation of the order placed with the first firm after October, 1952, the witness stated that although originally it was considered legally valid to cancel the order, the subsequent legal opinion was that the contract could not be cancelled as the delivery period had been fixed by Government unilaterally. Such an action would have led to arbitration. It was, therefore, decided as a result of negotiations with the firm to cancel the order to the extent of a quantity of 1,00,022 sq. ft. which was purchased at lower rates by inviting fresh tenders. The firm was permitted to supply the balance quantity of 1,42,378 sq. ft. at the lower rates as quoted by the second firm in November, 1951.

To a question, as to why the delivery period was shortened, the witness replied that it was done in order to allow for extension in the date of delivery according to the procedure then prevailing. This practice had been stopped, he added.

203. The Committee then adjourned till 10.00 hours on the 5th February, 1960.

PROCEEDINGS OF THE FORTY-EIGHTH* SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE
5TH FEBRUARY, 1960

204. The Committee sat from 10.00 hours to 13.00 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri T. Manaen
3. Pandit Jwala Prasad Jyotishi
4. Shri Shamrao Vishnu Parulekar
5. Shri Radha Raman
6. Shri Rameshwar Sahu
7. Shri Jaipal Singh
8. Shri Aurobindo Ghosal
9. Shri Yadav Narayan Jadhav
10. Shri Shraddhakar Supakar
11. Shri Amolakh Chand
12. Rajkumari Amrit Kaur
13. Shri Rohit Manushankar Dave
14. Shri T. R. Deogirikar
15. Shri Surendra Mohan Ghose
16. Shri Jaswant Singh.

Shri A. K. Chanda—*Comptroller and Auditor General of India.*

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

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

*Forty-seventh sitting relate to informal discussion of the points from
Audit Reports, Defence Services, 1958 and 1959.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Defence

Shri O. Pulla Reddi—*Secretary.*

Shri R. P. Sarathy—*Additional Secretary.*

Shri B. N. Verma—*Joint Secretary.*

Lt. Gen. B. M. Kaul—*Q.M.G.*

Maj. Gen. R. N. Nehra—*D.Q.M.G.*

Maj. Gen. Pratap Narain—*Controller General, Defence Production.*

Rear-Admiral D. Shanker—*D.G.O.F.*

Maj. Gen. K. N. Dube—*Director of Works.*

Col. R. R. Sethi—*Deputy Director of Remounts, Veterinary & Farms.*

Ministry of Works, Housing & Supply

Shri V. N. Rajan—*D.G.S. & D.*

Ministry of Finance (Defence)

Shri S. Jayashankar—*Financial Adviser.*

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

205. The Committee took up further consideration of the Audit Reports (Defence Services), 1958 and 1959 relating to the Director General, Ordnance Factories.

Director General, Ordnance Factories

Heavy rejections—Para 21—pages 13-14—Audit Report, 1958—

206. Heavy rejections in the manufacture of two items (32% and 71%) continued during the year 1952-53 to 1955-56, in spite of the assurances given to the Committee of 1953-54 that labour had been trained and proper quality of sand had been obtained. In respect of another item, the rejections formed 31% of the completed

items during the years 1951-52 to 1955-56. According to Audit, percentages of rejections in respect of the three items during the years 1956-57 and 1957-58 were as follows:—

	1956-57	1957-58
A (1)	No fresh manufacture.	31.6%
A (2)	42%	49%
3rd item	31%	37%

207. In evidence, the Director General, Ordnance Factories stated that according to the latest figures for the year 1959-60, the rejections of these items had come down to 31%, 32.8% and 21.7% respectively. He attributed the high percentage of rejections to non-availability of proper quality of sand which was required in the existing process of manufacture. In his view, rejections could be substantially reduced by change-over to a different manufacturing process involving the use of an imported material which was likely to be produced in the country after some time. The witness added that in spite of high rate of rejections, the present manufacturing process was economical because of cheaper labour in the country. The rejected stores were re-melted and used. He quoted figures to indicate that the cost of production of these items had progressively decreased. In reply to a question the representative of the Ministry of Finance (Defence) stated that rejections in excess of 20% were not taken into account while calculating the cost of production i.e. the cost of actual rejection was reflected in costs if it was less than 20%.

To a question whether the increase in the percentage of rejections in respect of item A (2) during the year 1957-58 was due to employment of new hands to increase production, the D.G.O.F. replied that the variation in rejections was not so much due to human skill as the quality of sand.

Infructuous expenditure incurred by an Ordnance Factory—para 22, page 14—of Audit Report, 1958 and para 27, page 21—of Audit Report, 1959—

208. In an Ordnance Factory when conversion of an Open-hearth Furnace from 'acid' to 'basic' was nearing completion, further work was suspended in October, 1955 and was finally abandoned in

August, 1957. As the factory had Electric-arc Furnaces, it was considered unnecessary to undertake this work or recommission the furnace, resulting in an infructuous expenditure of Rs. 24,000.

Erection of two generating sets was commenced in the factory in May, 1954 to meet its increased requirement of electricity but before completion of the work the State Government intimated in October, 1954 that they would be in a position to increase their supply to 3,000 K.W. Despite this, the work of installation was proceeded with. The State Government actually stepped up their supply to 2,700 K.W. from April 1, 1955 and 3,000 K.W. in February, 1956, which met the full requirements of the factory. The two generating sets were sold off in March, 1956 at the original price to a third party, but meanwhile an infructuous expenditure of Rs. 2.8 lakhs had been incurred on the installation of the sets.

209. In evidence, the Director General, Ordnance Factories stated that it was decided in May, 1952 to commission an Open-hearth Furnace after conversion from 'acid' to 'basic' because of shortage of electric supply for operating the electric-arc furnaces. Subsequently, the Bhakra-Nangal Board promised to supply adequate electric power. When the State Government, actually stepped up the electric supply to the factory, it was decided to give up the work of conversion of the open-hearth furnace. The Comptroller and Auditor General pointed out that in view of the fact that within three months of the sanction of the conversion work, sanction was also accorded to installation of 2 generating sets of 2000 K.W. each to augment the supply of electricity in the factory, there was no justification for proceeding with the conversion work. The D.G.O.F. admitted that in the circumstances conversion work should not have been taken up.

210. The Committee enquired the reason for proceeding with the installation of generating sets in spite of a communication received from the State Government in October, 1954 to increase their supply to 3000 K.W. The representative of the Ministry of Defence stated that it was finally decided to abandon the erection work after the Bhakra-Nangal Board promised in July, 1955 to supply power up to 4,000 K.W. by 1957.

Over-provisioning of stores—para 20(a), pages 17-18—Audit Report, 1959—

211. As a result of used second hand barrels for packing certain chemical stores indented through the High Commissioner for India in London, a quantity of 32,581 lbs. valued at Rs. 49,797 was lost in

transit (by sea and by land) due to spillage before the stores reached the Ordnance Factory where they were stocked. A further loss of 19,569 lbs valued at Rs. 29,087 also occurred in storage at the factory during 1953-55 mainly due to evaporation as the containers were not air-tight. The stores were packed during March to September 1955 in new containers at a cost of Rs. 78,629. The cost of proper type of packing, if it had been originally used in the U.K., would have been Rs. 21,333 only. Against the quantity of 5,30,388 lbs purchased the actual consumption of the store from August 1952 to March, 1959 was 1,40,795 lbs only.

212. The Committee wanted to know the reasons for agreeing to the packing of stores in second hand barrels. The Comptroller General of Defence Production stated that the packing in second hand barrels, was done in the interest of economy. The D.G.O.F. stated that in the view of the Ministry of Supply (U.K.), it was not necessary to pack the stores in new barrels. As regards the surplus stock of the stores, the witness stated that these stores which had expected life of another 3-5 years period, were likely to be consumed within this period.

Para 20 (b), page 18—Audit Report, 1959—

213. 47,700 yards of silk fabric were procured by the Director General, Ordnance Factories in 1952 for replacement of a particular component of certain aviation stores. While carrying out the actual renewal work it was found that the quantity required for the job was much less than anticipated. Only 6,643 yards of silk were utilised during the period of 3 years upto July, 1955 and 34,630 yards were disposed of as surplus in 1956, at a loss of Rs. 1,39,593 after retaining 6,427 yards to meet future requirements.

214. The Committee wanted to know the reasons for over-estimating the requirements of silk fabric. The D.G.O.F. stated that the original estimate was made on the basis of repairs done to a batch of considerably old stores. He admitted that they should not have placed the demand on the basis of an unusual wastage. In reply to a question, he stated that the silk fabric was disposed of through the D.G.S. & D.

Procurement of unwanted stores—para 21, page 18—Audit Report, 1959—

215. 44,690 lbs. of rivets and 12,06,218 dozens of screws procured by the Director General, Ordnance Factories during the period

1950-51 to 1952-53 at a cost of Rs. 1,88,778 had to be disposed of in January, 1956 and July, 1957 at a loss of Rs. 81,885. The rivets and screws were rendered surplus as the wooden boxes, for use in the manufacture of which they had been procured, were purchased ready-made from trade mainly because of insufficient manufacturing capacity in the factory and a shortage of timber.

216. In evidence, the Director General, Ordnance Factories stated that the manufacture of boxes could not be taken up due to non-availability of timber and not because the manufacturing capacity was insufficient. The rivets and screws were procured on the expectation of producing the boxes, but this did not materialise. The Director General, Supplies and Disposals stated that one of the difficulties in procurement of timber was that the specifications laid down by the Defence authorities particularly with regard to moisture content were of high standard at that time. But, as these had since been relaxed by them, the procurement would not be so difficult in future. In reply to a question whether it was not possible to supply the rivets and screws to the suppliers of boxes and obtain a reduction of price to that extent, the witness stated that from the actual experience in two other cases, it was found that the manufacturers were not interested in such a transaction.

Avoidable expenditure incurred in the manufacture of furniture by an Ordnance Factory—para 28, pages 21-22—Audit Report, 1959—

217. In this case due to lack of coordination between two factories, against a requirement of 742 steel cup-boards, 645 steel cup-boards and 356 wooden ones (i.e. 1,001 in all) were manufactured. Apart from the fact that 259 cupboards had been produced surplus to requirements, the manufacturing cost at the Ordnance Factory was much higher than the price payable to the private suppliers, being Rs. 3,19,808 against Rs. 1,41,708 for 645 units.

218. Explaining the reasons for undertaking the manufacture of steel cupboards, the Director General, Ordnance Factories stated that this was done in order to utilise the idle capacity of the factory. He attributed the higher cost of production to inclusion therein of certain overheads on idle machines and labour, which, if excluded, would make their cost comparable to that of private suppliers. In reply to a question, he stated that surplus cupboards would be utilised.

Manufacture of a store in an Ordnance Factory—para 29, pages 22-23—Audit Report, 1959—

219. In this case, the Air Headquarters placed an indent in August, 1949 on the Director General, Ordnance Factories for 4,750

numbers of an item of aviation store. The Director General, Ordnance Factories acquired components and raw materials costing Rs. 24.35 lakhs (including a large quantity of silk fabric valued at Rs. 17.01 lakhs) to cover the entire quantity on order before successful production had been established and proper tests carried out. Practically the entire quantity of raw materials had been lying unused for 7 years.

220. In evidence, the Director General, Ordnance Factories admitted that it was lack of prudence on their part to proceed with procurement of components and raw materials required for the entire quantity on order without establishing the production successfully. However, he added that it might have improved matters if the indenter had asked them to wait until the tests had been successfully established. As regards utilisation of the raw materials, he stated the material worth Rs. 8 lakhs had been utilised. The balance would be utilised against firm orders for another item and future orders except material worth Rs. 5½ lakhs about which no decision had yet been taken.

In reply to a question, the witness stated that provisioning procedure had since been modified and raw materials which were not difficult to procure were indented from the D.G.S. & D. on the basis of the requirements for a limited period depending on the lead-time required by the D.G.S. & D. for procurement. In the case of new items, bulk orders were received only after the production had been established.

Accumulation of raw materials and components in Ordnance Factories—para. 30 (a), page 23—Audit Report, 1959—

221. The manufacture of certain components of a store was commenced in a factory in September, 1955, although surpluses of the store were already available in another factory. As a result, components valued at Rs. 1,04,664 became surplus.

222. In evidence, the D.G.O.F. stated that as a result of subsequent demand for the components, the entire surplus stock had been utilised. To a question whether the D.G.O.F. had any centralised control system in his organisation over the stock balances of the main common user items in different factories, he replied that a system of material control at his Headquarters was still under consideration.

223. The Committee then took up consideration of the Audit paragraphs relating to the Quarter Master General.

Quarter Master General

Purchase of automatic bottle filling and capping machines—para 19, page 11, Audit Report, 1958—

224. The Audit para disclosed that out of 2 automatic bottle filling and capping machines received in November, 1955 in two Military Farms, one was not being used at all and the other was being used hardly for an hour a day for filling purposes and about another hour for cap making. As a result of the introduction of these automatic machines, two hand operated capping and sealing machines (book value Rs. 3,900 approximately) already with the Military Farms were kept idle and stock of old model bottles, paper hoods, discs and rings etc. (costing Rs. 66,700) had been rendered surplus.

225. Explaining the circumstances leading to the acquisition of the automatic bottle filling and capping machines, the Quarter Master General stated that these were purchased in pursuance of the recommendation of the Dairy Farms Expert Committee to modernise the milk production on hygienic lines. He could not state the reasons why after disapproval of the proposal for purchase of the machines in January, 1953, the Quarter Master General decided to order these machines in December, 1953. He added that while one of the machines was installed in 1955, there was inordinate delay in the installation of the other machine, which was done in 1958. In reply to a question the witness stated that the two hand operated machines were lying idle. As regards the utilisation of the two automatic machines, he informed the Committee that these were being used for about 6 and 3 hours a day, respectively, the total milk production being 9,000 lbs. He admitted that their capacity was not being fully utilised.

Consolidated Trading and Profit and Loss Accounts of Military Farms—para 27, pages 17-18—Audit Report, 1958—

226. The Audit para disclosed that in the Accounts of Military Farms free issues of milk constituting 98 per cent. of the total supply, which consisted primarily of 'reconstituted' or 'standard' and 'blended' milk were priced as pure milk which formed only 2 per cent. of the supply. The system did not reflect correctly the economics of the administration of the Dairy Farms. These accounts, therefore, needed recasting.

227. In evidence, the representative of the Ministry of Defence stated that an Expert Committee which was appointed to go into the questions of reorganisation, financial and economic policy etc. in regard to the Military Farms had recommended in its report submitted in December, 1958, that another Expert Committee be

appointed to review the accounting system and price structure etc. When asked to state the reasons for delay in appointing of the second Expert Committee, the witness replied that this was not done pending the decision on the major recommendation of the first Committee regarding bifurcation of the Organisation into Farms and Veterinary departments. He assured the Committee that the second Expert Committee would be appointed early.

Arrears in Rent Recoveries—para 28—pages 18-20—Audit Report, 1958—

228. The Audit paragraph disclosed arrears in recoveries amounting to Rs. 2,79,39,895 as on September 30, 1957 in respect of the rent bills issued up to March 31, 1957.

229. The Committee wanted to know the progress made in the recovery of outstanding amounts. The representative of the Ministry of Defence stated that the arrears as on 31-3-1959 amounted to Rs. 2,59,00,000. As a result of discussions with the Ministry of Rehabilitation, the rent demand had to be revised and reduced to the extent of Rs. 1.09 crores. Some other cases had also been finalised. After adjustment of Rs. 12 lakhs against the Railways, the arrears will stand reduced to Rs. 1.38 crores. As regards the amounts due from private parties, contractors, etc., the witness stated that the outstandings had since increased to about Rs. 32 lakhs from Rs. 19.99 lakhs, due to revision of certain rent bills for the period 1952 to 1957. The Quarter Master General stated that in certain cases recoveries were resisted by contractors and certain semi-Government bodies as rents had been enhanced with retrospective effect. In another case, certain units alleged non-receipt of a correction slip issued in 1952 laying down enhanced rates of rent. The Committee enquired whether any recovery had been made from private parties. The witness stated that in the army, practically nothing had been recovered. A Review Committee had been appointed to go into the cases. The Committee wanted to be furnished with a note stating the latest position of outstanding dues from the Government Departments, private parties, contractors etc., and reasons for delay in recoveries/adjustments.

Non-realisation or delay in realisation of dues from a private club—para 29—pages 20-21—Audit Report, 1958—

230. In this case, 41 buildings and 15.4 acres of land were handed over to a private club between May, 1947 to January, 1949 without entering into an agreement for lease. The club vacated 26 out of 41 buildings by July, 1954 and vacated the rest and the land on September 1, 1956. The dues to Government by the club had

amounted to Rs. 62,147 by that time out of which the club paid Rs. 8,589. In July, 1954, Government had issued orders fixing the sale value of the buildings and the terms for lease of the land. These were cancelled in October, 1957. They permitted in lieu the recovery of rent for 4·674 acres of land and of the buildings occupied by the club from time to time on that area alone.

231. In evidence, the representative of the Ministry of Defence stated that the buildings and land appurtenant thereto were handed over to the Club in 1947 by the then Sub-Area Commander, who was the honorary president of the club, without entering into any agreement or lease deed. As regards the position of recovery of arrears of rent from the club, the witness stated that the club had contested Government's right to collect the rent for land and they were prepared to pay only a small sum as rent of the buildings. The matter regarding recovery of land rent was pending in the High Court. As regards the dispute about rental of the buildings, advice of the District Government Pleader was taken but not found satisfactory. Advice of the Ministry of Law was being sought. In reply to a question, it was stated that explanation of the Sub-Area Commander could not be obtained as he had migrated to another country.

*Purchase of milk cooling and pasteurising Plants—para 19—page 17
—Audit Report, 1959—*

232. According to the Audit Report, out of ten milk cooling and pasteurising plants costing about Rs. 3·80 lakhs purchased between September, 1954 and March, 1958 for use in the Military Farms, nine plants had not been installed by April, 1959.

233. In evidence, the Quarter Master General stated that by April, 1959, actually 5 out of 10 machines had been installed. The Director of Audit, Defence Services, stated that no reply was received by him on this paragraph and that he assumed that the factual correctness of the paragraph was accepted by the Ministry. As regards expenditure incurred on the purchase of ice, the representative of the Ministry of Defence informed the Committee that the actual figure worked out by the Court of Enquiry was Rs. 1,01,000, not Rs. 73,887, as stated in the Audit Report.

234. The Quarter Master General admitted that there was lack of planning on their part to purchase 10 machines, all of which were not immediately required. There was also delay in their installation due to the various reasons mentioned by him. The present position was that only six machines were being utilised and the remaining four were idle. The Defence Secretary stated that a

Court of Enquiry which was appointed to investigate into the case, had recommended action against certain officers.

*Delay in disposal of Government buildings—para 43—page 30—
Audit Report, 1959—*

235. In two stations certain Government buildings remained vacant for periods varying from 5 to 9 years, during which an expenditure of Rs. 23,271 was incurred on the wages of Chowkidars detailed for watching the buildings. The buildings were finally disposed of by auction in December, 1954, April and July, 1956 for Rs. 13,860 only against their book value of Rs. 1,97,225.

236. The Committee wanted to know the reasons for delay in disposal of these buildings. The representative of the Ministry of Defence stated that the property was in the possession of the State Government till August, 1951. A Board of Officers appointed to assess the requirement of the buildings recommended their retention. As the buildings needed a lot of repairs, they subsequently decided to dispose them of. The Comptroller and Auditor General pointed that in the case of one building, decision had already been taken by the Q.M.G.'s Inter-Service Committee at its meeting held on the 13th November, 1947 that the property was surplus. The representative of the Ministry of Defence stated that subsequent to this decision the property was offered to the State Government and a local body, and the matter remained under consideration till May, 1955. The witness admitted that there was avoidable delay in the disposal of the property.

*Accommodation for officers in hotels—para 46—pages 31-32—Audit
Report, 1959—*

237. In one station, in June, 1949, the rent element included in the hotel charges which was reimbursable to the officers concerned, was fixed at flat rates of Rs. 12 per day for married officers with children and Rs. 9 per day for married officers without children. As these rates were not related to the total hotel charges incurred by the officers at different hotels, they led to anomalous results; for example, in a case when total hotel charge was Rs. 12-8-0 per day for an officer with family, the element of charge for food and services worked out to annas 8 only; in another case it was Rs. 2 per day and in certain cases, nil.

238. In evidence, the representative of the Ministry of Defence admitted that the case was unsatisfactory. Two of the officers responsible had expired and two others retired from service.

*Arrears of rent, etc. due from a private party—para 47, page 32—
Audit Report, 1959—*

239. Under instructions from Army Headquarters an amount of Rs. 10,000 due from a private club for the rent of certain premises of a Military Farm for keeping 50 hunting dogs, etc. and of residential quarters for the attendants of these animals, for the period October 1952 to February 1957 was removed from the books of the Farm and further issue of rent bills was stopped.

In evidence, the Quarter Master General stated that as the hunting dogs were regimental property, no rent for occupation of the premises of the Military Farm and residential quarters was payable.

*Arrears of rent due from a Service Officers' Club—para 48—page 32—
Audit Report, 1959—*

240. In 1949, a Committee made over a swimming pool with ancillary buildings to Government who entrusted the property to the Military Engineer Services for maintenance. Since then, the assets were being used by a club of Service Officers without payment of rent or maintenance charges. The question of recovery of rent from the club was taken up in audit in 1953 but the final decision of Government was still awaited.

250. In evidence, the representative of the Ministry of Defence stated that the property was acquired by a registered society by public donations and subscriptions. By a resolution passed by the society on February 2, 1949, it was transferred to the military authorities for the use of the Defence Services. The M.E.S. had been billing the service officers' club at Rs. 1,400 per month for the rent of the premises. The matter was considered in consultation with the Ministry of Law who held the view that in the absence of a registered deed the building could not be deemed to have been transferred to Government and suggested the formal acquisition of the building by Government. The Ministry were inclined to charge only a token rent of Re. 1 per month from the service club. In reply to a question, the witness stated that after the formal transfer of the property to Government the service club would be made responsible for its maintenance.

*Avoidable expenditure on posting of an officer abroad—para 49,
page 33—Audit Report, 1959—*

251. In this case, a Commissioned Officer selected for transfer as Military Attache in a foreign country was certified on March 17, 1956, as fit by an Army Medical Board, although on December 5, 1955 he had undergone a major operation for pulmonary tuberculosis.

On April 9, 1956 (the day previous to his embarking) the officer reported sick at the Military Hospital, Bombay, where the local Medical authority advised him not to undertake the voyage. The officer, however, sailed on April 10, 1956 at his own risk for his new post via London. It was decided by Government on July 28, 1956 to recall the officer from London on the advice of the medical experts in the High Commissioner's Office, London and he sailed back for Bombay on August 17, 1956. A sum of £2,152 (Rs. 28,693) was incurred on the cost of passages both ways and charges for accommodation of the officer and his family in London.

251. In evidence, the representative of the Ministry of Defence stated that on the 17th March, 1956 the Medical Board placed the officer in the medical category 'A'—fit for duty anywhere in the world. The officer was, therefore, considered fit at the time of issue of posting orders on the 31st March, 1956. Although, on the 9th April, 1956 a day before sailing for London he was advised by the local Medical Authority at Bombay not to proceed, he felt much better on the next day and decided to sail as the arrangements for the voyage had already been made by him. Further, there were no definite orders preventing him from undertaking the voyage. Subsequently, as a matter of precaution, instructions were issued to the High Commissioner in U.K. not to allow the officer to proceed further until he was found fit by a fresh Medical Board. Although the second Medical Board on 23-7-1956 did not find him unfit, the officer was reluctant to proceed to his new post on account of varying medical reports about his health and offered to be considered for an appointment in the U.K. Government, after consideration of the case, decided to recall him from London and to bear the expenditure on his posting. The witness added that this officer who retired from service on the 21st September, 1957, had not been paid a sum of Rs. 7,326 due to him on account of his pay and allowances. The payment had been withheld pending consideration of the case by the Public Accounts Committee.

In the light of the circumstances explained by him, the Secretary added, that the infructuous expenditure incurred on the posting of the officer, was beyond his control and it would not be fair to penalise him by withholding the sum due to him.

252. The Committee then adjourned till 10.00 hours on the 6th February, 1960.

**PROCEEDINGS OF THE FIFTIETH* SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON SATURDAY, THE 6TH
FEBRUARY, 1960.**

:253. The Committee sat from 10.00 hours to 13.00 hours.

PRESENT

:Shri Upendranath Barman—*Chairman*

MEMBERS

- 2. Shri T. Manaen**
- 3. Shri Maneklal Maganlal Gandhi**
- 4. Pandit Jwala Prasad Jyotishi**
- 5. Shri Shamrao Vishnu Parulekar**
- 6. Shri Radha Raman**
- 7. Shri Rameshwar Sahu**
- 8. Shri Jaipal Singh**
- 9. Shri Aurobindo Ghosal**
- 10. Shri Yadav Narayan Jadhav**
- 11. Shri Amolakh Chand**
- 12. Rajkumari Amrit Kaur**
- 13. Shri Rohit Manushankar Dave**
- 14. Shri T. R. Deogirikar**
- 15. Shri Surendra Mohan Ghose**
- 16. Shri Jaswant Singh.**

**Shri A. K. Chanda—*Comptroller and Auditor General of
India.***

Shri G. S. Rau—*Addl. Dy. Comptroller and Auditor General.*

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

SECRETARIAT

Shri V. Subramanian—*Dy. Secretary.*

Shri Y. P. Passi—*Under Secretary.*

***Forty-ninth sitting related to the informal discussion of the points arising from the
Audit Reports, Defence Services, 1958-59.**

WITNESSES

Ministry of Defence

Shri O. Pulla Reddi—*Secretary.*

Shri R. P. Sarathy—*Addl. Secretary.*

Shri S. P. Nargolwalla—*Joint Secretary.*

Shri M. G. Kaul—*Joint Secretary.*

Shri J. S. Lall—*Joint Secretary.*

Air Vice Marshal D. R. Nanda—*Dy. Chief of Air Staff.*

Air Commodore Chaturvedi—*A.O.M.*

Commodore P. K. Mukherjee—*C.O.M.*

Commodore Kirke—*Chief of Naval Aviation.*

Ministry of External Affairs

Shri B. N. Chakravarty—*Special Secretary.*

Ministry of Works, Housing & Supply

Shri V. N. Rajan—*Director General, Supplies & Disposals.*

Ministry of Finance (Defence)

Shri S. Jayasankar—*Financial Adviser.*

Shri Phul Chand—*C.G.D.A.*

The Committee took up further consideration of the Audit Reports (Defence Services). 1958 and 1959.

Air Force

Over provisioning of stores—para 12, pages 6-7—Audit Report, 1958—

254. In June, 1953, the Government of India entered into a contract with a foreign Government for the purchase of a number of aircraft. The contracts for spare parts, were, however, concluded by the Government of India direct with two foreign firms who manufactured these spare parts and the foreign Government was not specially made a party to these contracts in which no stipulation was included about the buyer's right to alter the contracted quantity of the last order within one year of the date of placing the order, although the original contract with the foreign Government contained a provision to this effect. As a result of this omission, reduction in quantities in the light of actual Indian experience in overhaul and maintenance could not be effected, resulting in unproductive expenditure. A review carried out by a team of experts

early in 1957, disclosed surpluses in maintenance spares to the extent of £150,000 (Rs. 20 lakhs approximately). The experts also found that 23 of the 26 Turbine Wheel Assemblies valued at £ 45,867 (Rs. 6,11,560) were in excess of requirements. In the case of four other items of spares, related to the same aircraft, procurement on the basis of manufacturers' recommendations had also resulted in overstocking to the extent of £ 64,598 (Rs. 8,61,306).

255. Explaining the reasons for placing the contracts for spare parts with manufacturers direct, the representative of the Ministry of Defence stated that it was considered that a contract with the foreign Government would entail delay in procurement of spares which were urgently required at that time. With regard to over-provisioning of spares, he stated that as the Air Force had no experience about this new aircraft, they based their requirements on the recommendations of the manufacturers. When asked to explain the urgency for placing the order in August, 1954 for the third to fifth years' requirements which, in terms of the contract, could be indented by June, 1956, the witness stated that Government wanted to avoid dependence on the manufacturers for these spares, as the aircraft was likely to go out of manufacture.

256. The Committee enquired the reasons for omission from the contract of stipulation about the buyer's right to alter the contracted quantity of the last order within one year of the date of placing the order. The representative of the Ministry of Defence stated that they included an alternative clause under which they could cancel or reduce the order on payment of compensation for the material which was procured upto the date of cancellation. This clause was more favourable to Government inasmuch as it did not restrict their right to cancel the order to any specific period. Under this clause they were able to get reduction in the order to the extent of £ 25,270.

257. As regards the surplus stock of spares, the representative of the Ministry of Defence stated that as the life of the aircraft was 10 years, the spares purchased for 5 years' requirement were expected to be utilised within the life of the aircraft. He did not, therefore, consider that there was over-provisioning of spares in this case. The representative of the Air Headquarters stated that at the time of ordering the spares in 1954, it was assumed that even if the five years' requirements as based on the manufacturers' recommendation proved to be excessive, these would be utilised during the life of the aircraft.

Purchase of Aero-engines—para 13, page 7—Audit Report, 1958—

258. In September, 1955, the Air Headquarters enquired of the Air Adviser to the High Commissioner for India in the United Kingdom, the prices of an aero-engine, pending a final decision in regard to the procurement of three additional aero-engines for reserve. The suppliers quoted £ 12,500 (subject to wage variation) for each aero-engine. This quotation held for 90 days. They made it clear that if orders were placed after the period mentioned, the price would be higher. It was decided in November, 1955 to accept the price quoted. But the indent was delayed till January 27, 1956. Meanwhile, the validity period had expired on January 16, 1956. The revised quotation of £ 13,975 (subject to wage variation) had thus to be accepted.

259. The Comptroller and Auditor General informed the Committee that the case had since been discussed by him with the Chief of the Air Staff who showed him the relevant papers and report of the Court of Enquiry instituted to investigate it. According to the Chief of the Air Staff, although there was delay in placing the order, this did not affect the prices which were increased on account of certain modifications carried out in the equipment.

Procurement of equipment—para 26(a), page 20—Audit Report, 1959—

260. In 1954, 26 twin-engined transport aircraft of a particular make were purchased together with 24 reserve engines. In April, 1954 it was decided that the work of overhauling the engines should be entrusted to an Indian Company which was already handling the same engine. Due to difference between the Company and Defence authorities regarding the provisioning of spares and payment of commissions to the Company, arrangement could not be finalised till December, 1956, by which time a large number of engines were immobilised pending overhaul. The contracts for supply of spares could only be finalised between September, 1957 and February, 1958.

As a result of the delays in the finalisation of the overhauling agreement with the Indian Company and in procurement of spares, a critical situation in transport fleet had developed and 12 reconditioned engines had to be ordered from abroad in August, 1957 at a cost of nearly Rs. 30 lakhs.

In evidence, the representative of the Ministry of Defence stated that although there was delay in finalising the overhauling agreement with the Indian Company, the overhauling work was not held up. The first batch of 7 engines which needed overhaul in March, 1956 was overhauled by the Company even before the agreement

was finalised. He added that, the additional engines were purchased not due to delay in entering into an agreement with the Company. These engines were purchased to increase their reserve of engines consequent upon reduction in 1955 of the maximum operating time from 700 hours to 500 hours per engine by the country of origin. Originally the manufacturers had recommended purchase of 48 reserve engines but it was then decided to acquire only 24 reserve engines on the basis of 700 hours operating time per engine.

261. The Comptroller and Auditor General quoted from a note dated 4th March, 1958 written by the Chief of Air Staff in which the latter had pointed out that more than half of the particular type of aircraft were unserviceable awaiting overhaul, a situation which would cause serious operational repercussions. He had expressed concern at the delays that had occurred in executing the overhauls.

262. Explaining the reasons for delay in finalising the agreement with the Company, the representative of the Ministry stated that it remained under discussion as to whether the spares should be procured by the Air Force or the Company. According to the agreement entered in December, 1956, the Air Force were to procure the spares but subsequently it was changed providing for procurement of spares by the Company for 40 engines, as this was considered more economical and expeditious. To a question whether it was not more economical to purchase the spares direct through the I.S.M., Washington instead of payment of commission to the company, the representative of the Ministry of Finance (Defence) stated that in the case of this batch of 40 engines it was decided to entrust the procurement of spares to the Company in order to avoid delay in supply. For the subsequent purchase of these spares, procurement through the I.S.M. direct would be considered.

Para 26(b), Page 20—Audit Report, 1959—

263. While placing an indent in December, 1950, for 55 sets of a particular store, the fact that 50 sets had already been ordered in December, 1948 was overlooked. This resulted in stores worth Rs. 2,10,400 becoming surplus to requirements.

264. In evidence, the representative of the Ministry of Defence stated the total requirement of this store was 65 which was ordered vide two indents for 10 and 55 numbers. In the first indent, although the quantity ordered was 10, it was shown by the manufacturers as 60 in their lists. The Air Adviser in the High Commission, U.K. and a representative of the Air Headquarters who subsequently discussed the matter with the manufacturers confirmed that there was no difference between the quantity indented and that shown in the manufacturers' records. On this assumption, the subsequent indent

for 55 numbers was placed. But, the quantity actually received against the first indent was found to be 60 and not 10. The witness admitted that the officer of the Air Headquarters had failed to check up with the manufacturers the quantity under supply against the first indent. The officer concerned had since left the Indian Air Force.

The witness added that the stores had become surplus as a result of introduction of a modification in the aero-engine concerned in 1954. As regards the utilisation of the surplus sets, he stated that the normal procedure was to keep them on the inactive list for a certain period to see whether these could be used further or to dispose them of later. In reply to a question, he admitted that the disposal value of the aircraft stores was very small.

Para 26(c), Page 20—Audit Report, 1959—

265. 18 Transmitter/Receiver sets which were incapable of air to ground communication in India came fitted in certain aircraft received during April to December, 1954. In spite of this, an indent for 4 additional units of the same type of set was placed in August, 1954 as maintenance equipment. The aircraft was fitted with another type of inter-communication set in 1955.

266. In evidence, the representative of the Ministry of Defence stated that 4 extra sets were purchased for maintenance reserve for the aircraft until the replacement of the sets fitted therein by another type of set. In reply to a question he stated that all the 22 old sets were being utilised for training purposes.

*Infructuous expenditure incurred on overhaul of aero-engines—
para 51, pages 34-35—Audit Report, 1959—*

267. Out of 226 aero-engines purchased at a cost of about Rs. 138 lakhs during the period of 1949 to 1952, 206 numbers were overhauled by an Indian concern at a cost of Rs. 22,30,578 but due to the unexpected rate of failures, all the Aircraft fitted with these engines were ordered to be grounded in December, 1952. The manufacturers' representative, after inspection of these engines, suggested certain improvements and modifications in overhaul technique, as a result of which it was decided in July, 1953, to get 106 engines re-overhauled by the same Indian concern on 'cost plus' profit basis. The programme of overhaul continued till June, 1955 when it was decided to suspend all work in this connection and in November, 1957 it was decided to withdraw the aircraft from service.

268. In evidence, the representative of the Ministry of Defence stated that the failures in engines were not due to defective overhauling but certain structural defects in the engines, which were modified on the advice of the experts sent by the manufacturers. In reply to a question the witness stated that it was decided to overhaul and re-overhaul the engines in order to keep the old type of aircraft in service until new types of aircraft were available for replacement. The Committee would like to reserve their opinion on this case till further investigation into the matter.

Navy

Procurement of unwanted boats—para 14, page 8—Audit Report, 1958—

269. Indents for four each of two types of boats for training purposes were placed by Naval Headquarters on the Director General, Supplies and Disposals in June, 1955. They were received between June, 1956 and January, 1957. On September 12, 1956, the Naval Headquarters informed the Defence Ministry that as a result of experience gained during the previous years, these boats would not meet the purpose intended. Further demands for three each of the same types of boats had, however, been placed on the Director General, Supplies and Disposals as late as September 1, 1956. The orders for supply of the boats were placed by him on January 23 and January 29, 1957. An attempt was made only on February 28, 1957 to cancel the demands but this could not be done without payment of compensation. The additional boats were received during September and November 1957. The expenditure of Rs. 3,86,963 incurred on these purchases thus became infructuous.

270. According to Audit, at their Conference held on 7th May 1956, the N.C.C. Circle Commanders had expressed the view that the boats would not be suitable for training of the N.C.C. units, while the sanction to the purchase of additional boats was accorded on the 15th June, 1956. The Committee asked the justification for placing an order for additional boats on September 1, 1956, in spite of the view of the N.C.C. Circle Commanders' Conference regarding unsuitability of these boats. The representative of the Ministry of Defence stated that the final decision about the boats was taken by the N. C. C. Circle Commanders at the meeting held in November, 1956 and was conveyed to the Naval Headquarters in the same month. In the meanwhile, on the basis of the experience gained from the use of these boats by the National Defence Academy, the Naval Headquarters had informed the Ministry of Defence on September 12, 1956 that they were not suitable for the purpose intended but their indent was not cancelled at that stage, as the matter was

under consideration by the N.C.C. Circle Commanders. After the decision of the N.C.C. Circle Commanders was taken in November, 1956, an attempt was made in February, 1957 to cancel the order placed in September, 1956. In reply to a question the witness stated that out of 14 boats, 10 had already been issued to units and the remaining 4 earmarked for issue in the next 18 months. The craft was being used for purposes other than they were purchased for.

Acquisition of aircrafts for the Navy—para 23, pages 18-19—Audit Report, 1959—

271. In July, 1958, Government sanctioned the purchase of 9 reconditioned naval aircraft of a certain type at a cost of £ 55,000 each. The decision to purchase reconditioned aircraft was taken as the aircrafts were required in front-line service only for 3 years, whereafter they would have to be replaced by more modern units. Market for old aircraft was also favourable at that time (about £ 12,000 cheaper per unit than new aircraft). In November, 1958, however, Government sanctioned the purchase of 14 new aircraft of the same type at a cost of £ 67,998 each which resulted in an extra expenditure of £ 1,82,000 approximately.

272. The Committee asked the justification for the purchase of 14 new aircraft in November, 1958 while the reconditioned ones were considered suitable earlier. The representative of the Ministry of Defence stated that the earlier decision to purchase 9 reconditioned aircrafts was taken, as these were required for initial training when the wastage was expected to be high. The second batch of aircrafts was required for operational purpose by a regular squadron and on the recommendation of a departmental committee it was decided to purchase new aircrafts. It was considered, that while the life of a reconditioned aircraft might not be extendable beyond 3 years, a new unit could be used for a period longer than 3 years. In reply to a question, the witness stated that the total life of a new aircraft was 6 to 9 years but its operational life was certified for a period of 3 years after which it needed reconditioning. A reconditioned aircraft was certified for a further operational period of 3 years. When asked whether in view of longer life of a new aircraft it was not considered economical to purchase new units for training which was a continuing necessity, the witness replied that rate of wastage during training being higher, it was decided to acquire reconditioned aircrafts at a lesser cost. He added that as the new aircraft would get older they would be utilised for training purposes. He could not give the actual wastage figure, as the training had been started recently.

Procurement of unwanted stores—para 24, page 19—Audit Report, 1959—

273. A Naval Store Officer indented for 20 units of a particular store on three successive indents placed in December, 1954, April, 1955 and November, 1955. But when he was asked in May, 1956 by another Naval Store Officer to review his requirements, he intimated in June, 1956 that he did not require the store at all. In spite of this, the order already placed on D. G. S. & D. in February, 1956 for 12 units was allowed to stand. The D. G. S. & D. entered into contract for this number in October, 1956. An attempt was made to cancel the contract only in February, 1957 but it proved abortive.

274. The Comptroller and Auditor General informed the Committee that the stores were now being utilised by the Navy. The representative of the Ministry of Defence stated that the original estimate was rather conservative.

Overtime Payments to workers in the Naval Dockyard—para 50, pages 33-34—Audit Report, 1959—

275. In a Section of the Naval Dockyard overtime was claimed by workers on practically every working day during the month of December, 1955 and in some cases the actual hours of work done including overtime totalled 12 to 20 hours a day for five or six days in a week. A Board of Enquiry, constituted for the purpose reported in November, 1956, after reviewing the records for 4 months ending February, 1956 (during which a sum of Rs. 4,96,955 had been disbursed as overtime) that in the Dockyard the proper procedure for preparation of overtime documents had been persistently disregarded, that these documents contained unattested and/or unauthorised overwritings, erasures, insertions and substitutions and that in some cases the overtime data appeared suspicious. The Board also found that the system prevailing in the Dockyard provided opportunity for malpractices, as supervision on overtime was inadequate. They suggested that as a more detailed examination might reveal serious irregularities, careful Departmental enquiries should be instituted into the cases of over-payments suspected by the Board.

276. In evidence, the representative of the Ministry of Defence stated that as a result of the recommendations of the Board of Enquiry, disciplinary action was initiated against seven persons. In four cases charges were dropped and in the other 3 cases, 2 electrical fitters and a time-keeper were dismissed. Steps were also being taken to recover the overpayments to the extent possible. In reply to a question the representative of the Naval Headquarters stated

that no action was taken against any officer for overlooking unauthorised insertions, erasures etc. in this case as it was not possible for them to check the overtime documents while signing them because apart from their day-to-day technical work they were required to sign several thousands of such documents and authorisations every day. As regards the action taken to remedy the defects pointed out by the Board in the system, the witness stated that strict administrative instructions on the subject had been issued to prevent fraudulent entries being made in the overtime record. He added that extra staff had also been sanctioned to bring down the incidence of overtime.

Ministry of Defence

Avoidable expenditure on rent—para 36, page 27—Audit Report, 1959—

277. A first floor flat was rented by a Mission abroad for an Army Officer at a rent of Rs. 738 p.m. from October, 1, 1956. The Officer moved into a ground floor flat on August 1, 1957 with rent of Rs. 851 p.m. and the first floor flat remained vacant until August, 17 1958 except for the period from August 24, 1957 to February 6, 1958 resulting in an avoidable expenditure on rent of about Rs. 5,200 and an expenditure of Rs. 805·93 on the ground floor flat for the removal and refitting of gas, electrical etc. fixtures.

278. In evidence, the representative of the Ministry of External Affairs stated that the officer concerned was allowed to move to the ground floor flat as he was entitled to that accommodation. As regards keeping the first floor flat vacant, the witness stated this actually resulted in a saving. The flat was occupied for about 6 months by the Minister posted there who would otherwise have to stay in a hotel. Subsequently the flat served as a transit camp for a number of officers posted at the station, who would otherwise have to be accommodated in hotels at a higher cost. The total estimated saving was stated by the witness as Rs. 3000. In reply to a question, he stated that saving was not fortuitous as they were expecting some postings at the station.

Ministry of Finance (Defence)

Internal check of pension payment—para 37, pages 27-28—Audit Report, 1959—

279. Since 1951-52, a qualified certificate of internal audit of pension disbursement accounts has been furnished by the Controller General of Defence Accounts partly on ground of non-receipt in time of pension payment documents from certain Disbursing Officers

and partly delays in the completion of the check in the Accounts office itself. The Audit paragraph disclosed the position of arrears roughly as below:—

- (i) One hundred payment accounts pertaining to 1957-58 were awaiting check at the end of October, 1958.
- (ii) 2,382 'change statements' were awaited at the end of December, 1958, from various Pension Disbursing Officers.
- (iii) A large number of Pension Cards had either been missing or mislaid in the office of the Controller of Defence Accounts over a period of years.

280. Explaining the present position, the representative of the Ministry of Finance (Defence) stated that the arrears had since been cleared. Out of 11,846 cards reported untraceable in May, 1957, only 2 were missing in October, 1959 which were reconstructed. In reply to a question he stated that in the absence of a card, pension payment which was made by the various Disbursing Officers was not held up but audit thereof was postponed. Even if a card was missing, the payments could still be checked with the original authority available. It was also stated that the losses of cards were largely misplacements resulting from the manual system

Ministry of Defence

Disposal of land—para 34—page 26—Audit Report, 1959—

281. On September 5, 1956, the 'bhoomidari rights' over certain camping grounds measuring 26.66 acres were put to auction. The highest bid of Rs. 12,500 was accepted and 10 per cent of the bid was deposited on the same date by the successful bidder as earnest money. On October 12, 1956, the former lessee of the land who had bid Rs. 12,000 only at the auction represented that 'bhoomidari rights' should be transferred to him for Rs. 12,000 as he had spent considerable sums on the development of the plot during the period of his lease. The representation was initially turned down by Government, but later on February 4, 1957, it was decided to allow him to have this plot for Rs. 12,501 and the transfer was effected on April 5, 1957.

282. The Committee wanted to know why a deviation was made in this case from the accepted principle by not transferring the land to the highest bidder. The representative of the Ministry of Defence stated that as the former lessee had been cultivating the land for four years, which was previously barren it was decided to allow

him to have the plot for Rs. 12,501 i.e. one rupee more than the highest bid. As regards the legal position, the witness stated that Government had the right to accept or decline the highest bid, even after receiving the earnest money.

*Stock verification—paras 23-26—pages 14-17—Audit Report, 1958
and paras 31-33—pages 24-25—Audit Report, 1959—*

283. The representative of the Ministry of Defence stated that there had been considerable improvement in store accounting and stock verification in the recent years and all efforts were being made to tighten up the procedure in this behalf.

284. The Committee then adjourned *sine die*.

**PROCEEDINGS OF THE SIXTY-SECOND* SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE
29TH APRIL, 1960.**

285. The Committee sat from 10.00 hours to 11.15 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

- 2. Shri T. Manaen**
- 3. Shri Maneklal Maganlal Gandhi**
- 4. Pandit Jwala Prasad Jyotishi**
- 5. Shri Radha Raman**
- 6. Shri Rameshwar Sahu**
- 7. Shri T. Sanganna**
- 8. Shri Jaipal Singh**
- 9. Shri Yadav Narayan Jadhav**
- 10. Rajkumari Amrit Kaur**
- 11. Shri Rohit Manushankar Dave**
- 12. Shri Surendra Mohan Ghose**
- 13. Shri Jaswant Singh.**

Shri G. S. Rau—*Addl. Dy. Comptroller and Auditor-General.*

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

286. The Committee considered and approved their draft Twenty-ninth Report on the Appropriation Accounts (Defence Services), 1956-57 and 1957-58 and Audit Reports, 1958 and 1959 subject to certain additions and alterations here and there.

287. The Committee then adjourned *sine die.*

*Fifty-first to Sixty-first sittings related to the consideration of the draft 22nd, 23rd, 24th, 25th, 26th, 27th, 28th and 30th Reports of the Committee.

APPENDIX

APPENDIX

Summary of main Recommendations/Conclusions

Sl. No.	Para No.	Ministry or Department concerned	Conclusions/Recommendations
1	2	3	4
1	4 (Intro.)	Defence	The Committee received evidence on a number of Audit paragraphs on which they thought it unnecessary to report further than by noting them in this general para. They trust that the remarks of the Comptroller and Auditor General in his Reports on these cases will receive attention. If necessary, he will doubtless report upon them again in future years.
2	6 (Intro.)	Do.	The Chairman observed that even after presentation of the Audit Reports, the Ministry could have brought to the notice of Audit any information with regard to the facts incorporated therein to enable it to explain the position to the Committee. It would avoid any difference of opinion before the Committee over facts and facilitate their examination. The Committee would like to draw attention in this connection to para 6 of their 25th Report (Second Lok Sabha) wherein they have reiterated their earlier recommendations contained in para 37 of their First Report (First Lok Sabha) that the Ministries should always make it a point to furnish the requisite

(ii) Although the Chief Technical Examiner had reported on the 9th December, 1958 that the execution of the work was defective and the site conditions unsuitable, no final decision has yet been taken thereon. The Committee are of opinion that if the purpose of the C.T.E.'s inspection is to be fulfilled, speedy action on his reports is necessary. They, therefore, desire that action on this and such other reports should be expedited.

7 Do. In the Committee's opinion, the case referred to in para 10 of the Audit Report, 1959 reveals lack of co-ordination in the execution of this project.

8 Do. The Committee were concerned over the increase in the expenditure held under objection from year to year. They were assured by the representative of the Ministry of Defence that special efforts would be made to finalise the outstanding cases in about 6 months' time. The Committee hope that the objections will be regularised within this period after complete scrutiny thereof. They would like to watch progress made in this behalf through future Appropriation Accounts. They also desire to be informed of the quantum of expenditure incurred on non-emergent works included in the statement which were started without complying with the rules and the action taken against the officers concerned for disregarding the rules.

9 Do. (i) The Committee regret to find that financial adjustments which do not accord with actualities continue to occur in Works Accounts in spite of the assurance given to the Committee of 1953-54 (c.f. para 45 of 9th Report, First Lok Sabha) that these would not be repeated in future. Financial adjustments in respect of stores held in the Stores Deposits without their physical movement to the sites of projects are irregular. They may also lead to frauds and losses of stores. It was urged before the Committee that the cases under reference were

exceptional and that necessary instructions had been issued to avoid such adjustments in future. The Committee find it difficult to accept that the cases were exceptional. They trust that the Ministry of Defence will take a serious view of such cases in future.

(ii) The Committee wonder how stores worth Rs. 1,12,442 could be short delivered and accepted by the project authorities without physical verification. The procedure for issues and receipts of stores should be reviewed by the Engineer-in-Chief in order to ensure that stores issued actually tally with the vouchers and are promptly verified at the receiving end and discrepancies, if any, brought to the notice of the issuing depot. Unless there is prompt verification, it will be difficult to fix the responsibility for shortage, if any.

(i) The Committee find it difficult to accept the arguments advanced in the case referred to in para 12 of the Audit Report, 1958. From the facts placed before them, they could see no justification for placing order for spares direct on the manufacturers. The placing of the order for the third to fifth year in August 1954 shortly after the order for the first two years, on the recommendations of the manufacturers, when Government could have waited with advantage till June, 1956 to assess their requirements precisely also lacked justification. The substitute clause in the contract was obviously necessitated by the fact that the order for spares was placed in August, 1954 much ahead of the last date permissible. The plea that this clause would enable Govt. to modify the order (but on payment of compensation) beyond the period of one year envisaged by the old clause indicates, in the Committee's opinion, that at that time there was a doubt in the mind of Government

that the quantity estimated would be unrealistic. A more prudent course would have been to await the result of actual utilisation for sometime, if not till June, 1956.

(ii) It was urged before the Committee that although the spares purchased represented only five year's requirements, the life of the aircraft being ten years, all the spares were being used up and now there would be no wastage and no surplus. This development (though a fortuitous one would indeed save Government from being saddled with unwanted stores. But it will not, in the Committee's opinion, mitigate the gross over provisioning which is demonstrably clear from the fact that the spares estimated for a period of five years will, according to Government's own admission, be used up now in ten years.

Judging from the facts placed before them, the Committee feel that there was delay in overhaul which was occasioned by the defective provisioning in regard to procurement of spares in the contract.

The Committee feel that in the case referred to in para 14 of the Audit-Report, 1959, there had been lack of co-ordination on the part of the various authorities. Had prompt action been taken even after November, 1956 (when the final decision was taken) for cancellation of the demands, the unnecessary expenditure could have been avoided.

(i) The Committee do not understand why the Depot did not take any action to reduce the demand till the conclusion of the contract in July, 1955 even though the reduction in the number of engines to be overhauled by about one-third had been intimated to it in March, 1954. In their opinion, it was a clear case of unnecessary provisioning which needs looking into.

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Defence

(ii) The Committee also regret to observe that the drastic reduction of scales (from 200 to 10 numbers per 100 engines) communicated on 8th January, 1954 bore no relation to actual consumption and even when the latter was found to be 118 per 100 engines, it was decided to switch over to the original scale of 200 per 100 engines rather than determining a fresh scale. This indicates how defective was the procedure followed for determining scales in this case. The Committee consider that the provisioning procedure in the M.G.O's Organisation should be looked into in the interest of realistic provisioning.

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During their on-the-spot study-visit to the first Depot in March 1959, the Committee were given to understand that the defective condition of the store referred to in para 17(b) of the Audit Report, 1958 was detected in that Depot only in 1953. In the face of this, the Committee cannot but reject the Ministry's explanation which is *prima facie* conjectural and unconvincing. In their opinion, it was a clear case of negligence on the part of the first Depot. They feel reassured in this opinion because of the fact that the stock alleged to be unusable in January, 1953 was subsequently declared as usable.

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(ii) Obviously when two Commands together had asked for only 52 cwt. between them, the unusually high demand of 1,000 cwt. by the third was not scrutinised carefully. The Committee are surprised how the scrutiny by a technical organisation like that of the Engineer-in-Chief's could be so perfunctory.

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Do.

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(i) The Committee are not convinced by the explanation given in the case referred to in para 15 of the Audit Report, 1959. In their opinion, fuller consideration of the suggestion of the D.G.O.F. in

1955 would have avoided the local purchase of mosquito nets of inferior quality at a higher cost. The plea that there was no urgent demand pending then is not acceptable as indecision on the D.G.O.F.'s proposal had prevented him to equip himself properly to fulfil urgent demands that came up subsequently. Thus the situation necessitating local purchase in 1957 was largely their own creation. The fact that while the Ministry was earlier averse to relaxing the specifications in the case of supplies by the D.G.O.F., 88% of the nets purchased locally in 1957 were accepted although they were below the prescribed standards, indicated the risks in resorting to local purchase.

(ii) The Committee consider that the plea of urgency for the local purchase was not valid. They fail to see why no attempts were made to impose price reductions on the contractor when the supplies were decidedly inferior in quality and not according to specifications. They desire that this aspect should be investigated further.

(iii) Another unsatisfactory feature in this transaction was that even the usual technical inspection was dispensed with and the goods accepted on mere visual inspection. The Committee are constrained to observe that the persons responsible for this deal had not acted in the best interest of Government.

(i) The Committee are unable to accept the plea of emergent purchase in the case referred to in para 16 of Audit Report, 1959 inasmuch as requirement of winter uniform for troops was not an unexpected item which could not be foreseen. Further, the extensions granted to the firm till winter was over practically defeated to a large extent the object of local purchase. The Committee further understand from Audit that on 5-2-1958 when the extension was granted to the firm there were "dues-out" to the extent of 15,100 trousers to

53 Defence

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57 Do

the troops in a particular cold region. Out of 7,497 trousers delivered by the firm during the extended period of delivery only 150 numbers were issued to a field depot in the particular cold region on 28-4-1958, *i.e.* after the winter months. It is, therefore, demonstrably clear that plea of urgency was untenable in this case.

58 Defence (ii) The Committee are firmly of the opinion that this transaction also was not conducted in a business-like manner. When it was evident from the very beginning that even the only firm of manufacturers of cloth was unable to produce cloth of the correct shade due to difficulty in obtaining one of the four dyes required for manufacture, it is inexplicable why a slight colour deviation could not have been allowed in the case of supplies by the D.G.O.F. Had this been done, resort to local purchase of ready-made articles of inferior quality at prices higher than the Ordnance Factory's rates would not have been necessary. The manufacturing capacity of the Government Clothing Factories would also have been more fully utilised.

17 61 Do. The case referred to in para 17 of the Audit Report, 1959, is yet another case of lack of co-ordination between the organisations under the D.O.S. and the D.G.O.F.

18 63 Do. The Committee were informed that the surplus material in the case referred to in para 20(a) of the Audit Report, 1959 could safely be preserved for another 3-5 years and it was expected that it would be consumed within that period. Thus the quantity of stores indentured represented the requirements for about 13 years. This is a typical case of over-indenting.

19 Do. The Director General, Ordnance Factories stated before the Committee that the original estimate in the case referred to in para 20(b) of the Audit Report, 1959 was made on the basis of repairs done to a batch of considerably old stores. The Committee are surprised how estimation could be so unrealistic.

20 Do. It was admitted in evidence that there was no urgent necessity for the purchase of milk cooling and pasteurising plants. A court of enquiry which was held to investigate into this deal had fixed responsibility on certain officers. The Committee would like to be apprised of the action taken in this case.

21 Do. (i) The Committee are concerned at the persistence of a high rate of rejection of products and consequent wastage of material and labour even after an experience of over 15 years in respect of items A(1) and A(2) (and of 9 years in respect of the third item) in their manufacture. The latest figure of 31% for 1959-60 given by the D.G.O.F. for item A(1) is the same as that in 1952-53—1955-56. In their opinion, non-availability of better quality of sand cannot always be put forth as a valid plea inasmuch as it is a handicap of which the D.G.O.F. was not unaware. The matter, therefore, should be looked into. If increase in the percentage of rejections in the manufacture of these items between 1955-56 and 1957-58 is due to outmoded processes of manufacture, sustained efforts to modernise them are called for. The Committee feel that by repeated experiments and research with indigenously available raw materials, it should not be difficult to find out a process of manufacture which will not only reduce dependence on manual skills and avoid wastage but will also prove economical in the long run.

71 Do. (ii) It was urged before the Committee by the D.G.O.F. that foundries engaged in high precision castings in the private sector also were handicapped because of the lack of an organisation to supply sand of the

requisite grades. If so, the Committee feel that Government should examine how far the difficulties alleged are hampering efficient production and take necessary steps to remove them early.

22 74 Defence In the opinion of the Committee, the cases referred to in para 22 of Audit Report, 1958 and 27 of Audit Report, 1959 indicate *prima facie* faulty planning and lack of fore-thought on the part of officers concerned. It reveals also lack of proper co-ordination in the Office of the D.G.O.F. The Committee trust that Government will devise remedial measures to avoid such lapses in future.

23 77 Do. The Committee consider that both the D.G.O.F. and the Air Headquarters were to blame in the case referred to in para 29 of the Audit Report, 1959. It was not prudent on the part of the D.G.O.F. to have made bulk provisioning of raw materials before successful production was established. Also the Air Headquarters should have restricted their demands initially and placed a "trial order". Had this been done the heavy accumulation of raw materials could have been avoided in this case.

In this connection the Committee would like to draw attention to para 33 of their sixth Report (Second Lok Sabha) criticising such instances of indenting and bulk provisioning. Government have issued exhaustive instructions to be followed in the matter of both indenting and provisioning. (Appendix X to 6th Report—Vol. II). The Committee trust that these instructions are being followed strictly now. The Committee would like to know the progress made in the utilisation of the surplus stock.

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(i) The Committee were informed that a proposal for establishment of Central control over production and stock of important raw materials in different factories was under examination of Government. This system when introduced will ensure better co-ordination among the factories and eliminate the recurrence of cases such as cited in para 30 of Audit Report, 1958.

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(ii) The Committee would like to point out in this connection that the same explanation was given in October, 1958 when they examined the Audit Report, 1957 [Vide paras 41 and 166 of their 17th Report (Second Lok Sabha)]. They deplore that so much time was taken by Government to arrive at a decision on this very important matter. It is needless to point out the need for an early decision in the matter.

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The Committee deplore that the persons responsible for the preparation of the overtime documents resorted to malpractices taking advantage of inadequate supervision. They cannot, however, accept the plea that the supervising staff could not be blamed. In their opinion, the un-attested/unauthorised overwritings, erasures, insertions and substitutions in the document should have been sufficient to arouse doubts in the minds of the supervising staff about the state of affairs. If the supervisory staff had been inadequate, it was their duty to point this out to the appropriate authorities for remedial measures. There was also unconscionable delay in taking action on the recommendation of the Board of Enquiry.

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In view of the disagreement over the facts in the case referred to in para 42 of Audit Report, 1959, the Committee desired to have a note giving completely all the relevant facts and figures which were not earlier made available duly verified by Audit. They regret that the note is still awaited.

Defence

Finance (Defence)

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| 26 | 88 | | (i) The Financial Adviser, Defence Services, promised to check up whether the procedure requiring the local Accounts Authorities to intimate to the Ministry about the decrees awarded by courts against Government, existed at the time the court gave its decree in the case referred to in para 44 of Audit Report, 1959. The Committee regret that the requisite information has not been furnished so far to them either by the Ministry of Defence or Finance (Defence). |
| 27 | 89 | Defence | (ii) The Committee deprecate the delay in this case in instituting a court of enquiry which should have been set up soon after the shortage was detected in November, 1952. The Committee have in the past urged the need for expeditious investigation into cases of losses, defalcations, etc. so that the officers responsible might not escape punishment because of lapse of time. The Committee desire that the present procedure of setting up courts of enquiry to investigate into losses should be reviewed with a view to ensuring that all cases requiring such investigation are taken up without delay. |
| 28 | 90 | Do. | (iii) The Committee wonder how the full quantity of 2,500 cft. of timber which was not available in 1952, was produced at the time of auction held in 1959. They would like to know the result of investigations made into the case and the action taken against the officials concerned. |
| 29 | 91 | Do. | In the case referred to in para 45 of the Audit Report 1959, the Committee reserve their comments till the note submitted to them is vetted by Audit. |
| 30 | 92 | Do. | (i) The Committee feel that before placing orders for such a large number of chassis, the Ministry of Defence should have ensured that ade- |

quate arrangements for building of bodies thereof had been made. Purchasing chassis much in excess of that for which timely body-building arrangements could be made, had not only not provided mobility for the Army to the extent planned but also had resulted in the locking of funds (mostly foreign exchange) to the tune of Rs. 2 crores, not to speak of the expenditure on the storage and safe custody of the chassis.

(ii) The Committee understand that to get over the difficulties in body-building and as part of a programme of self-sufficiency in the production of defence equipment the Ministry have undertaken a project for the construction of trucks (including bodies). The Committee trust that the different stages under this programme will be properly synchronised with a view to ensuring that as chassis roll out of the production line, bodies therefor will be ready to be fitted on to them.

(iii) The Committee are distressed at such delays as have occurred in taking decision regarding 650 pre-1948 chassis as in their opinion, only expeditious action in such matters will be in the best interests of Government.

The Committee are not satisfied with the explanation given for disposal of class III and class IV vehicles and retention of class V vehicles for repair. Apart from the larger outlay that will be necessary to re-pair Grade V vehicles it is a matter for consideration how far reconditioning of vehicles in the lowest category will serve the Army's needs. The Committee would in this connection like to draw attention to para 108 of their 17th Report (Second Lok Sabha) wherein they had recommended that in view of the magnitude of the capital outlay the existing procedure of classification, condemnation and disposal of vehicles should be examined by the Ministry of Defence in consultation with the Financial Adviser with a view to removing any defects and chances of malpractices and achieving economy and preventing avoidable waste. The Committee feel that this matter requires detailed study and trust that Government will look into this matter early.

- 30 102 Defence
 In the case referred to in para 32 of the Audit Report 1958, apparently no serious attention had been paid for about 15 years to the utilisation or disposal of the cloth till the matter was raised by Audit. The Committee would urge that greater care and prudence are called for in looking after Government assets, especially materials like clothings, which are liable to deterioration due to long storage.
- 31 104 Do.
 The Committee would like to be apprised in due course of the findings of the Court of Enquiry and of the Special Police Establishment in the case referred to in para 39 of the Audit Report, 1959, and the action taken thereon by Government.
- 32 106 Do.
 The Committee were surprised to learn that while the suggestions of the expert Committee regarding reorganisation of the Military Farms were under consideration by Government, no action had been taken on the recommendations for appointing a Committee to consider the accounting system, as it was considered to be a "subsidiary point". In their opinion, review of the accounting system is of as great importance as the reorganisation of administration in commercial undertakings like the Military Farms and should not have been treated a of "subsidiary" importance. They desire that Government should take immediate action in the matter with a view to removing the defects in the present system of accounts as pointed out by the Comptroller and Auditor General.
- 33 109 Do.
 (i) The Committee desired to be furnished with a note stating the latest position of outstanding dues of rent from the Government Departments, private parties, contractors, etc. and reasons for delay in collecting revenues and making adjustments. The information is still awaited.

(ii) The Committee are concerned at the increasing trend in the arrears. This clearly shows that the measures taken by Government to recover the dues have been ineffective. The Committee desire that the matter should be looked into more carefully and effective steps taken to recover the dues which in many cases are more than 10 years old.

In the opinion of the Committee not only the Officer who initially handed over the buildings to the club in 1947 but also the officers who succeeded him should share responsibility in this case. For in the face of Government's rejection of the Club's request for release of lands in April, 1948, it is surprising how the club was allowed to continue to retain possession of the premises, and that too without execution of proper lease agreements. The handing over of more buildings was all the more inexcusable. The Committee desire that Government should investigate into this case and take suitable action against the officers found guilty of disregarding Government's orders and exceeding their powers in this case. The Committee would also like to be informed of the settlement reached with the private club in this case.

The Committee are more than surprised that it has taken Government 8 years to arrive at a decision for the disposal of the building, in the case referred to in para 43 of Audit Report, 1959.

LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1

Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent
1.	Jain Book Agency, Connaught Place, New Delhi.	20.	The English Book Store, 7-L, Connaught Circus, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.
2.	Kitabistan, 17-A, Kamla Nehru Road, Allahabad.	21.	Rama Krishna & Sons, 16 B, Connaught Place, New Delhi.	39.	E.M. Gopalrishna Kone (Shri Gopal Mahal), North Chitrai Street, Madura.
3.	British Book Depot, 84, Hazratganj, Lucknow.	22.	International Book House Private Ltd., 9, Ash Lane, Bombay.	40.	Friends Book House, M. U. Aligarh.
4.	Imperial Book Depot, 268, Main Street, Poona Camp.	23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	41.	Modren Book House, 286, Jawahar Ganj, Jabalpur.
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	24.	The Kalpa Publishers, Trichinopoly-3.	42.	M. C. Sarkar & Sons (P) Ltd., 14 Bankim Chatterji Street, Calcutta-12.
6.	H. Venkataramaiah & Sons, Vidyavidhi Book Depot, New Statue Circle, Mysore.	25.	S. K. Brothers, 15A/65 W. E. A., Karol Bagh, New Delhi 5.	43.	People's Book House, B-2-829/11, Nizam Shahi Road, Hyderabad Dn.
7.	International Book House, Main Road, Trivandrum.	26.	The International Book Service, Deccan Gymkhana, Poona 4.	44.	W. Newman & Co. Ltd., 3, Old Court House Street, Calcutta.
8.	The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras 5.	27.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta 1.
9.	Atma Ram & Sons, Kashmir Gate, Delhi-6.	28.	City Booksellers, Sohan-ganj Street, Delhi.	46.	Hindustan Diary Publishers, Market Street, Secunderabad.
10.	Book Centre, Opp. Patna College, Patna.	29.	The National Law House, Near Indore General Library, Indore.	47.	Laxmi Narain Aggarwal, Hospital Road, Agra.
11.	J. M. Jains & Brothers, Mori Gate, Delhi-6.	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	48.	Law Book Co., Sardar Patel Marg, Allahabad.
12.	The Cuttack Law Times Office, Cuttack-2.	31.	A. H. Wheeler & Co. (P) Ltd., 15, Elgin Road, Allahabad.	49.	D. B. Taraporevala & Sons Co. Private Ltd., 210, Dr. Naroji Road, Bombay-1.
13.	The New Book Depot, Connaught Place, New Delhi.	32.	M.S.R. Murthy & Co., Visakhapatnam.	50.	Chanderkant Chiman Lal Vora, Gandhi Road, Ahmedabad.
14.	The New Book Depot, 79, The Mall, Simla.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	51.	S. Krishnaswamy & Co. P.O. Teppakulam, Trichinapalli-1.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	34.	The Good Companion, Baroda.	52.	Hyderabad Book Depot, Abid Road, (Gun Foundry), Hyderabad.
16.	Lok Milap, District Court Road, Bhavnagar.	35.	University Publishers, Railway Road, Jalandhar City.	53.	M. Gulab Singh & Sons (P) Ltd., Press Area, Mathura Road, New Delhi.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	36.	Students Stores, Raghunath Bazar, Jammu-Tawi.		
18.	The New Depot, Book Modi No. 3, Nagpur.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.		
19.	The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.				

Agency Name and Address No.	Agency Name and Address of the Agent.	Agency Name and address No. of the Agent.
54. C. V. Venkatachala Iyer, Near Railway Station, Chalakudi. (S. I.)	68. Oxford Book & Stationery Co., S. India House, Connaught Place, New Delhi.	81. Mittal & Co, 85-C New Mandi Muzaffar Nagar (U.P.)
55. The Chinjambaram Provision Stores, Chindambaram.	69. Makkala Pustaka Press, Belamandira, Gandhinagar, Bangalore-9.	82. Firma K. L. Mukhopadhyay, 6/1 A Banaharam Akkur Lane, Calcutta-12.
56. K. M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).	70. Gandhi Samriti Trust, Bhavnagar.	83. Freeland Publications (P) Ltd., 11A/16, Lajpat Nagar, New Delhi.
57. The Swadesamitran Ltd., Mount Road, Madras-2.	71. People's Book House, Opposite Jaganmohan Palace, Mysore-1.	84. Goel Traders, 100-C, New Mandi, Muzaffar Nagar (U.P.)
58. The Imperial Publishing Co. 3, Faiz Bazar, Daryaganj, Delhi-6.	72. 'JAGRITI' Bhagalpur-2, (BIHAR)	85. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.
59. The High Commission of India Establishment Department Aldwych, London, W. C.-2.	73. The New Book Company (P) Ltd., Kitab Mahal, 189-90, Dr. Dadabhai Naoroji Road, Bombay.	86. The Krishna Book Depot Publishers, Booksellers, Stationers & News Agents, Main Bazar, Pathankot, (E.P.)
60. Current Book Stores, Maruti Lane, Raghunath Dada Street, Bombay-1.	74. The English Book Depot, 78, Jhoke Road, Ferozapore Cantt.	87. Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi 6.
61. International Consultants Corporation, 48C, Marredpally (East), Secunderabad (A.P.)	75. Minerva Book Shop, 9, Jor Bagh Market, New Delhi-3.	88. The United Book Agency 48, Amritkaur Market, Paharganj, New Delhi.
62. K. G. Ascervandam & Sons, Cloughpet, P. O. Ongoli, Guntur Distt. (Andhra).	76. People's Publishing House, Rani Jhansi Road, New Delhi-1.	89. Pervaie's Book House, Book Sellers & News Agents Koppikar Road, Hubli.
63. The New Order Book Co. Ellis Bridge, Ahmedabad.	77. Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School Annex, Imphal, Manipur.	90. B. S. Jain & Co., 71, Abupura, Muzaffarnagar (M.P.).
64. The Triveni Publishers, Masulipatnam.	78. Minerva Book Shop, The Mall, Simla-1.	91. Swadeshi Vasta Bhandar, Booksellers, Jammagar.
65. Deccan Book Stall, Ferguson College Road, Poona-4.	79. Universal Book Company 20, Mahatma Gandhi Marg, Allahabad.	92. Bhogilal L. Fanna, Book-stall Contractor, Railway Junction, Raikot.
66. Jayana Book Depot, Chapperwala Kuan, Karol Bagh, New Delhi 5.	80. Madhya Pradesh Book Centre, 41 Ahiliya Pura, Indore City (M.P.)	93. Sikh Publishing House (P) Ltd., 7-C, Connaught Place, New Delhi.
67. Bookland, 663, Madar Gate, Ajmer (Rajasthan).		

