

# **PUBLIC ACCOUNTS COMMITTEE**

## **(1967-68)**

### **TENTH REPORT**

(FOURTH LOK SABHA)

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 48th Report (Third Lok Sabha) relating to Appropriation Accounts (Defence Services), 1963-64 and Audit Report (Defence Services), 1965]



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

December 1967  
Agrahayan 1889 (Saka)

*Price: Inland Rs. 1.75 paise.—Foreign 4sh. 2d. or 64 cents.*

336-3951R

67

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CORRIGENDA TO TENTH REPORT OF THE P.A.C.  
(1967-68) (PRESENTED TO LOK SABHA ON 16.11.67).

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
v-vi	4	4	III	VI
5	2.11	9	that the	that "the
17		2		
18		2	(from bottom) supplied delay	supplies delayed
53	Recommen- dation 44	3	lay	law
53		4	opinion	opinions
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72	Recommen- dation 4	9	offices	officers
7	1	6	GE(Brig)	CE(Brig)
8	Recommen- dation 21	2	Government	Government

GENERAL

The following paragraphs are the recommendations of the Committee. They may be treated to have been printed in thick type. Please also refer to Appendix VI of this Report containing the summary of main conclusions/recommendations.

<u>Page</u>	<u>Para No.</u>
2	2.2
3	2.5
3	2.6 (last sentence)
3	2.8 (second sentence)
5	2.11
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3	2.16
9	2.17
10	2.20

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**PUBLIC ACCOUNTS COMMITTEE**  
(1967-68)

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Shri M. R. Masani

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3. Sardar Buta Singh
4. Shri Shivajirao S. Deshmukh
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21. Dr. M. M. S. Siddhu
22. Shri B. K. P. Sinha

**SECRETARIAT**

Shri Avtar Singh Rikhy—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 10th Report on the action taken by Government on the recommendations of the Committee contained in their 48th Report (Third Lok Sabha) relating to Defence Services.

2. On 27th June, 1967, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports.

The composition of the Sub-Committee is as follows:—

- |                                       |   |                |
|---------------------------------------|---|----------------|
| 1. Shri D. K. Kunte— <i>Convener.</i> | } | <i>Members</i> |
| 2. Shri C. K. Bhattacharyya           |   |                |
| 3. Shrimati Tarkeshwari Sinha         |   |                |
| 4. Shri M. C. Shah                    |   |                |
| 5. Shri B. K. P. Sinha                |   |                |

3. The Draft Report was considered and adopted by the Sub-Committee at their sitting held on the 6th October, 1967 and finally adopted by the Public Accounts Committee on the 28th October, 1967.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in *thick* type in the body of the Report. A statement showing the summary of the main recommendations/observations of the Committee is appended to the Report (Appendix III).

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

M. R. MASANI  
*Chairman,*  
*Public Accounts Committee*

28th October, 1967  
6 Kartika, 1889 (S)

## CHAPTER I

### GENERAL

In this Report the Committee have dealt with the action taken by Government on the recommendations contained in their 48th Report on Defence Services (Third Lok Sabha) which was presented to the House on 18th April, 1966.

1.2. The total number of recommendations of the Committee in this Report and the number of recommendations out of them to which no replies or *interim* replies have been received so far are as follows:

Total No. of Recommendations	No. of recommendations to which no reply has been received till 5th October, 1967	No. of recommendations to which <i>interim</i> replies have been received upto 5th October, 1967
68	3	11

1.3. It would thus be seen that replies to 3 recommendations of this Report are outstanding for more than a year. A list of these recommendations is given in Appendix I.

1.4. It would also be seen that *interim* replies have been furnished by Government in respect of 11 recommendations of this Report. A list of these recommendations is given in Appendix V.

1.5. The importance and necessity of expeditious and timely action by Government and submission of notes/statements in pursuance of the recommendations of the Committee have repeatedly been stressed.

1.6. The action taken notes/statements on the recommendations of the Committee contained in this Report have been categorized under the following heads :

- (i) Recommendations/observations that have been accepted by Government ;
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of the replies of Government;
- (iii) Recommendations/observations in respect of which replies of Government have not been accepted by the Committee; and
- (iv) Recommendations/observations to which Government have furnished *interim* replies.

1.7. The recommendations/observations in regard to which Government's replies have not been accepted by the Committee and which require reiteration have been dealt with in Chapter II.

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE OR WHICH HAVE BEEN REITERATED

#### *Overpayment/short recovery and non-recovery of outstanding amounts against contractors—Para 1.32 of 48th Report (Third Lok Sabha)*

2.1. The Committee, in para 1.32 of their 48th Report, noted with regret that overpayment/short recovery and non-recovery of amounts were outstanding against contractors for a very long period and desired that all cases except those pending with the courts or under arbitration should be settled within a year and a report sent to them. The Ministry of Defence had intimated that the position as on 31st December, 1966 was that out of Rs. 12.32 lakhs relating to cases pending in Courts of Law or under arbitration, a sum of Rs. 10.84 lakhs was outstanding. Out of Rs. 5.66 lakhs relating to other cases, an amount of Rs. 4.41 lakhs was outstanding.

2.2. The Committee are unhappy at the slow progress made in regard to these recoveries. The Committee once again emphasise the necessity of early settlement of these cases, particularly those which are not in Courts of Law or under arbitration.

#### *Lack of proper planning resulting in infructuous expenditure—Para 5.27 of 48th Report (Third Lok Sabha).*

2.3. In para 5.27 of their 48th Report, the Committee were unhappy to note that due to lack of proper planning, the expenditure on certain ancillary buildings of the value of Rs. 6.86 lakhs proved infructuous. The Committee were informed that the case was being looked into with a view to fix responsibility. The Committee desired to know the action taken against the Officer responsible for bad planning and also about the utilization of the buildings.

2.4. The Ministry of Defence had intimated that it was considered by Government that it would be sufficient if the error committed by the officer was brought to his notice, in view of the conditions prevalent in 1962 and 1963. The decision was communicated to the Chief of the Army Staff on 24th September, 1966 for being conveyed to the officer concerned. Before, however, the decision was conveyed to the Headquarters Mysore Sub Area on 25th October, 1966 by the Headquarters Southern Command, the officer concerned had actually retired from service on 7th October, 1966 and consequently the decision could not be conveyed to him.



2.5. The Committee are constrained to note that decisions taken by Government in some cases could not be conveyed to officers suspected of default because they had already retired from service.

2.6. As regards the utilization of ancillary buildings the Ministry of Defence had intimated that all the assets were handed over to the State Government on 23rd January, 1967 and the terms and conditions of transfer of these assets were being finalised in consultation with the Ministry of Finance. The Committee would like to be informed of terms and conditions under which this property has been passed on to the State Government.

*Non-recovery of rent from a Cinema Contractor—Paras 5.60 and 5.61 of 48th Report (Third Lok Sabha)*

2.7. In paras 5.60 and 5.61 of their 48th Report, the Committee, while noting that the Solicitor General of India had suggested that there would be no objection to rent or compensation being accepted without prejudice to the contention of the Government desired to know about the action taken by the Ministry of Defence to recover the rent from the Contractor.

2.8. The Ministry of Defence had stated that cheques of the value of Rs. 4,555 received from the Contractor had been encashed and a sum of Rs. 6,35,096 was outstanding against him.

The Committee would emphasise the necessity of early realisation of this huge amount of Rs. 6.35 lakhs from a private individual and hope that the Ministry of Defence would take appropriate steps for the same.

*Extra expenditure in stitching garments—Paras 5.81, 5.82, 5.83 and 5.84 of 48th Report (Third Lok Sabha)*

2.9. In paras 5.81 and 5.82 of their 48th Report, the Committee had adversely commented upon the case where the Army authorities had incurred an extra expenditure of Rs. 4 lakhs in getting the garments stitched from a firm in Delhi. The Committee had observed *inter-alia* as under:—

“The Committee are not satisfied with the action of the Army authorities in placing a bulk order on a single firm for stitching of 9,13,200 garments to be supplied in 3 months’ period on the basis of quotations obtained from 3 firms after verbal or telephonic inquiries. The firm was able to supply only 19 per cent of the quantity ordered by the due date and the balance by December, 1963, i.e. in about a year from the date of placing the order. In the meantime, the recruits who had to be clothed, had to undergo training without uniforms. Thus, even though an extra expenditure of Rs. 4 lakhs was incurred (as compared with the highest rate in the second order), the purpose in view was not served. Further, due to delayed supplies only 53 per

cent of the quantity ordered in Delhi could be issued by March, 1964 and the remaining quantity had not been utilised by then".

"The Committee are surprised how the Director of Ordnance Services who visited the factory before placing the order was satisfied about the capacity of the firm to execute this bulk order by the due date. They are inclined to take the view that the assessment of the capacity of the firm made by the officer was faulty".

2.10. In their action taken note on paras 5.81 and 5.82 the Ministry of Defence, have *inter-alia* stated :—

"It was for the first time in the history of Ordnance that they were called upon by Government to arrange stitching of such a large quantity of Mazri Garments by entering into stitching contracts directly with the firms, specially when time was essence to the problem and they were confronted with the tremendous task of which they had no previous experience. In the context of the situation, therefore, the procedure had to be streamlined to save time and the contract had to be concluded in such a manner that the receipt accounting and the issue of the garments could be channelised within the existing organisation of Ordnance. The supplies had to be arranged at reasonable rates as compared to the expenditure normally incurred by Government for such items. The contract for stitching of 9,13,200 garments was placed, after obtaining three quotations from firms in Allahabad through an advertisement and an equal number from firms in Delhi. The contract was concluded at the lowest tendered rates which compared favourably with the DGOF's production rates.

From December, 1962 to January, 1963 most of the recruits could not be issued with Mazri garments due to their non-availability. But the actual intake of the recruits upto June, 1963 was only 2.58 lakhs as against 3.5 lakhs originally anticipated. This resulted in lesser issues than what was originally anticipated, although supplies were received from other sources as well.

The estimated saving of Rs. 4 lakhs is largely a matter of conjecture. If immediate action had not been taken to finalise the contract, the delay in equipping and training of recruits would have been indefinite..... The firm had power cutting machines for cutting cloth and power machines for making button holes and for stitching Cuffs and Garments. The entire factory was well equipped with power driven machines and it could greatly increase its capacity by working three shifts and

by employing more man-power. It is submitted that there is no adequate material for holding that the assessment made by the Director of Ordnance Services was faulty".

2.11. If the pre-requisites (viz., power driven machines etc.) mentioned in the Ministry's note were available with the firm, the Committee are unable to understand why the supply of the Mazri Garments could not be completed by the stipulated date. There appears to have been a failure in taking follow up action as it has not been made clear whether the firm in question actually employed more man-power or worked on three shift basis to complete the order for Mazri Garments in the specifically stipulated time. The Committee also do not agree with the views of the Ministry of Defence that the estimated savings of Rs. 4 lakhs is a matter of conjecture". Time being of the essence of the contract in this case Government have been deprived of the benefit of competitive rates, to the extent the limited period given in the contract deprived the other suppliers of an opportunity to compete in this case. This is also borne out by the fact that when orders for stitching of the garments were placed during February, 1963 after limited tender enquiries at different stations, the rates for stitching these were lower than those entered into with this firm in December, 1962.

2.12. In paras 5.83 and 5.84 of their 48th Report, the Committee had adversely commented on the levy of penalty of only Rs. 8,971 on the firm for delaying the supplies. The Committee had *inter-alia* stated :

"The Committee find from the Ministry's note that an amount of Rs. 8,971 had been recovered from the firm as a penalty for delaying the supplies. The penalty was levied after consulting the Ministry of Law and stated to have been calculated @ 10 per cent of 2 per cent according to the procedure followed by the DGS&D. Taking into consideration that the Government had to incur an extra expenditure of Rs. 4 lakhs approximately (as compared to the highest rates in the second order placed in February, 1963), the Committee feel that levying of a penalty of Rs. 8,971 was too meagre. It is understood from Audit that the token damages @ 10 per cent of 2 per cent are levied by the Director General, Supplies and Disposals in cases where:—

- (a) higher prices have not been paid for earlier deliveries, or
- (b) Government have not been put to any loss for belated supplies.

Even this was not applicable in the present case.

Time was the essence of this contract and it was on that account that Government paid higher rates involving quite a lot of extra expenditure. The Committee feel that the major portion of the

- extra expenditure of Rs. 4 lakhs which the Ministry incurred on the plea of prompt supplies and which did not materialise in time should have been recovered from the contractor".

"According to the agreement the quantum of penalty at the lowest rates (2%) was Rs. 16.03 lakhs approximately and the highest rates (5%) was Rs. 40.08 lakhs as against the amount of Rs. 13.72 lakhs payable to the contractor for the entire work. The Ministry of Law had advised that the amount of the damages calculated according to the agreement would be considered by the Court of Law as "excessive and unconscionable", and that it would be advisable to assess compensation for delayed performance on the basis of DGS&D practice. The Committee are surprised to learn how the Ministry of Law gave this opinion about levying of penalty according to the procedure followed by the DGS&D, when there was a clear stipulation in the agreement about the recovery of liquidated damages and when time was the essence of this contract".

2.13. In their action taken note, the Ministry of Defence have stated as under :—

"According to DGS&D's practice, the extra amount paid to a firm for earlier delivery is recoverable by way of damages for delay in supply only when specific mention of such recovery is stipulated in the terms of the contract. In this case the contract had been concluded on the basis of lowest quotations received from among the firms at Delhi and Allahabad and no extra price was agreed to be paid to the firm for earlier deliveries.

It is felt that no loss was involved in the stitching contract concluded with the Delhi firm as the other firms with whom contracts had been concluded according to their capacity, which was much lower than that of the former, also did not adhere to the delivery schedule in respect of their own contracts. All these firms were given extension of the delivery dates and penalties deemed equitable by the Ministry of Law were recovered from the five firms who could not complete the orders even within the free extension period".

2.14. The Ministry of Law have also stated in their action taken note on para 5.84 *inter-alia* as under :—

"..... By its note dated December 3, 1963, the Ministry of Defence consulted this Ministry regarding the liquidated damages to be levied against the firm for delay in the supply of stitched garments by the dates specified in the contract. It is true that it was specifically stated in the said note that the non-delivery of garments within the time limit prescribed in the

contract has definitely caused damage, but that damage cannot be measured by ordinary standards. The note does not state whether any loss, actual or potential, was in fact sustained by the Government by reason of extension of the delivery date and the consequent belated supplies of stitched garments. Further it is noticed that the letters granting extension of time do not specifically reserve the right of the Government to recover liquidated damages for breach of the contract, though the same vaguely refer to the penalty clause being invoked in the matter. On the facts stated in the referring note dated December 3, 1963, this Ministry advised by its note dated December 13, 1963, that if the Government has not suffered any actual or potential loss, it would be difficult for the Government to recover liquidated damages at the rate mentioned in the contract. Ministry of Defence was further advised that the damage for the delayed performance of the contract may therefore, be assessed at 10% of the amount calculated at 2% for every month of delay, which is the basis for the levy of damages followed in similar circumstances in respect of DGS&D contracts".

"It is noticed from the Report of the P.A.C. (Paras 5.74 and 5.77) that the order placed on the firm involved an extra expenditure of Rs. 4 lakhs as compared to the highest rates at which the orders were later placed in February, 1963 in the second case referred to in para 5.73. While referring to the other batch of contracts entered into in February, 1963 at lower rates, P.A.C. observes that when the delivery date in respect of the contract under consideration was extended by the Government, it was required to pay the firm at higher rates as compared with the rates at which payments were made for the other batch of contracts and that this resulted in a loss of Rs. 4 lakhs to the Government. It is noticed that the firms dealing with the other batch of contracts entered into in February, 1963 also made default in supplying the stitched garments within the stipulated period and this is one of the grounds for extending the period of delivery of the present contract.

In the present case we are only concerned with the correctness or otherwise of the advice given by this Ministry regarding the levy of liquidated damages at 10% of the amount calculated at 2% for every month of delay. In this connection, it is pertinent to note that there was no indication in the referring note of the Ministry of Defence dated December, 3, 1963 on the basis of which our advice dated December 13, 1963 has been given or even on the file then sent to us to show that Government had suffered a potential loss as a result of the market rates of

stitching going down during the period from 1st April, 1963 to 28th December, 1963 when the actual deliveries of the belated supplies were made. Further, as pointed out above, our advice regarding the levy of liquidated damages at the rate aforesaid is based on the condition that the Government did not suffer any actual or potential loss in the transaction".

"The advice given by this Ministry that the liquidated damages should in the absence of proof of loss to Government be restricted to 10% of the amount calculated at 2% as referred to above is based on the opinions of Solicitor General dated July 11, 1953 and July 8, 1957".

"In the end he adds that the practice of charging 10 per cent. of 2 per cent. as token damages was not an unreasonable one. This practice is no doubt followed in cases where it is not possible to prove damages in the ordinary manner. Where there is actual damage which can be proved, the liquidated damages are not restricted to 10 per cent. of the amount calculated at 2 per cent. as referred to above."

"When the time is of the essence of the contract, the contract becomes voidable at the option of the promisee in the event of his failure to perform his part of the contract at or before the specified time. (This option was not exercised by the Government in the present case). However, the fact that the time is of the essence of the contract cannot *ipso facto* affect the question of compensation for loss or damage caused by the breach of contract, governed by the general principles of Law referred to above."

"In view of the above, it is considered that the opinion given by this Ministry in its note, dated December, 13, 1963 regarding the levy of penalty according to the procedure followed in similar circumstances in respect of DGS&D contracts, cannot be said to be incorrect. On reconsideration, I agree with the conclusion drawn in that opinion.

The above note recorded by the Secretary has been seen by the Law Minister.

This note has been seen by the Ministry of Defence."

2.15. The Committee regret to note that the Ministry of Defence in their reference to the Ministry of Law did not state whether any loss, actual or potential was in fact sustained by Government by the extension of the delivery date and the consequent belated supplies of stitched garments. It is all the more regrettable that the letters granting extension of time did not specifically reserve the right of the Government to recover liquidated

damages for breach of the contract, though they vaguely referred to the penalty clause being invoked in the matter. The Committee feel that the Ministry of Defence should have clearly brought out in their note the loss suffered by them as a result of the delay in supply of these garments. This delay on the part of the contracting firm resulted in the consequent delay in supply of the garments to the recruits. The fact that the intake of the recruits was less than that originally anticipated was only fortuitous and does not in any way mitigate the delay in supply of the garments by the contracting firm.

2.16. The Committee are also unable to understand why Government did not exercise their option in this case to make the contract void when the time was of the essence of the contract. The Committee feel that in the case of a contract, where the time is of the essence of contract, the Government should take appropriate action well in time so that their interests do not suffer. The Committee hope that the Ministry of Defence will be more careful while entering into such contracts in future.

2.17. The Committee feel that the Ministry of Law should also have called for the information regarding actual or potential loss suffered by the Ministry of Defence by belated supplies before giving their opinion in this case. The Committee hope that the Ministry of Law will take suitable measures to ensure that legal advice is given by taking into consideration all aspects of the case in question.

*Revision of rates for a work before the conclusion of the contract—paras 5.115, 5.116 and 5.118 of 48th Report (Third Lok Sabha)*

2.18. In para 5.115 of the Report, the Committee indicated the need for the M.E.S. Schedule of rates being kept reasonably upto date with a view to ensuring that the rates while according administrative approval and technical sanction conform reasonably to the prevalent rates.

2.19. The Ministry of Defence in their action taken note had intimated that the MES schedule of rates is periodically revised, generally every five years, to cover the changes in the market rates of material and labour. Any subsequent change affecting the rates in MES schedule is stated to be reflected by the percentage (plus or minus) quoted by the tenderers while submitting their tenders. It has been further stated that as at the time of administrative approval and drafting technical sanction, the addition of appropriate percentage to make the final figure realistic is the normal procedure adopted, the present system is considered satisfactory. Further, instructions have also been issued by the Ministry of Defence for the preparation of Approximate Estimates and Costed Schedule of Works (Technical Sanctions) on a realistic basis taking into account market trend.

2.20. The Committee hope that the instructions now issued will be strictly adhered to and that the MES schedule of rates will be kept reasonably current and will be revised at intervals of not more than five years.

NEW DELHI;  
28th October, 1967.  
6 Kartika, 1889 (Saka).

M. R. MASANI,  
*Chairman,*  
*Public Accounts Committee.*



## APPENDIX I

(Vide para 1.3 of Report)

*List of Recommendations of the Committee in respect of which no replies have been received so far.*

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Para Number of P.A.C. Report	Serial No. of Recommendation
48TH REPORT—APPENDIX IX	
2·21	12
3·15	18
4·8	25

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## APPENDIX II

*Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee*

### Recommendation

*The Committee regret to note that overpayment/short recovery and non-recovery should be outstanding for such a long period. They desire that all cases excepting those pending with the courts or under arbitration should be settled within a year and a report sent to them.*

[Sl. No. 7 of Appendix IX to Forty-eighth Report (1965-66)—(Third Lok Sabha).]

### ACTION TAKEN

Yearwise breakdown of the outstanding amount on account of overpayment/short or non-recovery from contractors was required to be furnished with reference to the year of arising of the claims. These have since been obtained from the Chief Engineers by Engineer-in-Chief. The Chief Engineers' reports indicate that the amount outstanding on 30th June, 1966, is Rs. 17.98 lakhs only.

2. Out of the sum of Rs. 17.98 lakhs, Rs. 12.32 lakhs relates to cases pending in law courts or under arbitration. The balance of Rs. 5.66 lakhs relates to amounts which are under various stages of correspondence or under regularisation action. This amount of Rs. 5.66 lakhs relating to the period 1947 to 1964 includes some cases which were previously court/arbitration cases but have since come under this category.

3. The recommendation of the PAC has been brought to the notice of the Chief Engineers by Engineer-in-Chief stressing the necessity for settlement of all cases, other than court and arbitration cases by 31st December, 1966, vide letter No. 45135/C-II/63-64/E2A, dated 13th May, 1966. With a view to avoid inordinate delays in the clearance of outstanding against contractors in future, instructions were also issued by Engineer-in-Chief detailing various steps to be taken by Chief Engineers and lower authorities to ensure effective action, vide Engineer-in-Chief's letter No. 02971/Gen/F8(PC), dated 8th December, 1966.

4. A report on the progress of the clearance made will be submitted on receipt of Chief Engineers' reports after 31st December, 1966.

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

[Min. of Def. u.o. No. 15(5)/66/9005/D(Works-II), dated 12th December, 1966.]

### FURTHER INFORMATION

In continuation of this Ministry's U.O. No. 15(5)/66/9005/D(Works-II), dated 12th December, 1966.

2. Out of Rs. 12.32 lakhs relating to cases pending in law courts or under arbitration reported as outstanding previously, Rs. 1.48 lakhs has been cleared and Rs. 10.84 lakhs is outstanding at present. Out of Rs. 5.66 lakhs which was previously reported as outstanding in respect of amounts which were under various stages of correspondence or under regularisation action, Rs. 1.25 lakhs has been cleared and Rs. 4.41 lakhs is at present outstanding. This represents the position as on 31st December, 1966.

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

[M. of D., U.O. No. 15(5)/66/2627/D(Works-II), dated 7th April, 1967.]

#### Recommendation

*"The Committee regret to note that due to lack of proper planning in this case the expenditure on the ancillary buildings (Rs. 6.86 lakhs) became partly infructuous. The buildings could not be utilised fully for the intended purpose and the troops had to be billeted elsewhere at the station. The Committee were told in evidence that the case was being looked into with a view to fix responsibility. They would like to know about the action taken against the officer responsible for bad planning and also about the utilisation of the buildings."*

[Sl. No. 39 of Appendix IX to PAC's 48th Report (Third Lok Sabha).]

#### ACTION TAKEN

In the recommendation, Public Accounts Committee has desired to know the action taken against the officer responsible for bad planning and about the utilisation of the buildings.

2. In so far as the first point is concerned, it was considered by the Government that the Officiating Sub-Area Commander who sanctioned the project without satisfying himself that the work would be completed in good time to be useful for the ASC raisings committed an error. Taking, however, into account the conditions which existed in 1962 and 1963 it was decided that it would be sufficient if the error committed by the Offg. Sub-Area Commander was brought to his notice so that the same could be avoided in future in similar circumstances. This decision was communicated to the Chief of the Army Staff on the 24th September 1966 for being conveyed to the officer concerned. Before, however, the decision was conveyed to the Headquarters Mysore Sub-Area on the 25th October 1966 by the Headquarters, Southern Command, the officer concerned had actually retired from the service on the 7th October 1966 and consequently the decision could not be conveyed to him.

3. In so far as the utilisation of ancillary buildings is concerned, it was intimated by Asstt. Military Estate Officer, Bangalore in February, 66 that

Government of Mysore were willing to take over all the assets of the Defence Ministry at Whitefield and requested that the said assets be handed over to the Government of Mysore pending finalisation of the terms and conditions of transfer of the assets. Director, Military Lands & Cantonments was accordingly asked to initiate action for handing over these premises to the Government of Mysore. Local authorities were instructed in October 1966 to hand over the premises to the I.G., Police, Mysore State. All the assets were accordingly handed over to the Mysore Government on 23rd January, 1967, pending finalisation of the terms of transfer. The terms and conditions for transfer of these assets are being finalised in consultation with the Ministry of Finance. A further report in this regard will be submitted to the Committee in due course.

D.A.D.S. has seen.

#### Recommendation

*The Committee find from the note furnished by the Ministry of Law that the Solicitor General had suggested that there would be no objection on rent or compensation being accepted without prejudice to the contention of the Government.*

*The Committee would like to know about the action taken by the Ministry of Defence to recover the rent from the contractor.*

[Sl. No. 45, Appendix IX to Forty-eighth Report (Third Lok Sabha) 1965-66.]

#### ACTION TAKEN

Instructions were issued by the QMG's Branch to the local military authorities in July, 1965 on the basis of the advice of the Solicitor General to the effect that money as and when tendered by the contractor for use of the premises will be accepted without prejudice to the contentions of the Government.

According to the latest position intimated by the local military authorities cheques of the value of Rs. 4,555 received from the contractor have been encashed, and a sum of Rs. 6,35,096.28 is outstanding against him.

D.A.D.S. has seen.

[M. of D., u.o. No. F. 10(4)/66/I/D(Q&C), dated 31st October, 1966.]

#### Recommendation

*The Committee are not satisfied with the action of the Army authorities in placing a bulk order on a single firm for stitching of 9,13,200 garments to be supplied in 3 months' period on the basis of quotations obtained from 3 firms after verbal or telephonic inquiries. The firm was able to supply only 19 per cent. of the quantity ordered by the due date and the balance by December, 1963, i.e., in about a year from the date of placing the order.*

*In the meantime, the recruits who had to be clothed, had to undergo training without uniforms. Thus, even though an extra expenditure of Rs. 4 lakhs was incurred (as compared with the highest rate in the second order), the purpose in view was not served. Further, due to delayed supplies only 53 per cent. of the quantity ordered in Delhi could be issued by March, 1964 and the remaining quantity had not been utilised by then.*

*The Committee are surprised how the Director of Ordnance Services who visited the factory before placing the order was satisfied about the capacity of the firm to execute this bulk order by the due date. They are inclined to take the view that the assessment of the capacity of the firm made by the officer was faulty.*

[Recommendation No. 49 of Appendix IX of Forty-eighth Report  
(Third Lok Sabha).]

#### ACTION TAKEN

It was for the first time in the history of Ordnance that they were called upon by Government to arrange stitching of such a large quantity of Mazri Garments by entering into stitching contracts directly with the firms, specially when time was essence to the problem and they were confronted with the tremendous task of which they had no previous experience. In the context of the situation, therefore, the procedure had to be streamlined to save time and the contract had to be concluded in such a manner that the receipt, accounting and the issue of the garments could be channelised within the existing organisation of Ordnance.

2. The supplies had to be arranged at reasonable rates as compared to the expenditure normally incurred by Government for such items. The contract for stitching of 9,13,200 garments was placed, after obtaining three quotations from firms in Allahabad through an advertisement and an equal number from firms in Delhi. The contract was concluded at the lowest tendered rates which compared favourably with the DGOF's production rates.

3. From December 1962 to January 1963, most of the recruits could not be issued with Mazri garments due to their non-availability. But the actual intake of the recruits upto June 1963 was 2.58 lakhs as against 3.5 lakhs originally anticipated. This resulted in lesser issues than what was originally anticipated, although supplies were received from other sources as well.

4. The estimated saving of Rs. 4 lakhs is largely a matter of conjecture. If immediate action had not been taken to finalise the contract, the delay in equipping and training of recruits would have been indefinite.

5. DOS had visited the firm's premises with a view to finding out whether the firm had modern facilities for stitching Mazri Garments. The firm had power cutting machines for cutting cloth and power machines for

making button holes and for stitching Cuffs and Garments. The entire factory was well-equipped with power driven machines and it could greatly increase its capacity by working three shifts and by employing more manpower. It is submitted that there is no adequate material for holding that the assessment made by the Director of Ordnance Services was faulty.

D.A.D.S. has seen.

[F. No. 14(4)/66/D(O.I.)]

#### Recommendation

*"The Committee find from the Ministry's note that an amount of Rs. 8,971 had been recovered from the firm as a penalty for delaying the supplies. The penalty was levied after consulting the Ministry of Law and stated to have been calculated @ 10 per cent of 2 per cent according to the procedure followed by the D.G.S.&D. Taking into consideration that the Government had to incur an extra expenditure of Rs. 4 lakhs approximately (as compared to the highest rates in the second order placed in February, 1963), the Committee feel that levying of a penalty of Rs. 8,971 was too meagre. It is understood from Audit that the token damages @ 10 per cent of 2 per cent are levied by the Director General, Supplies & Disposals in cases where—*

*(a) higher prices have not been paid for earlier deliveries, or*

*(b) Government have not been put to any loss for belated supplies. Even this was not applicable in the present case.*

*Time was the essence of this contract and it was on that account that Government paid higher rates involving quite a lot of extra expenditure. The Committee feel that the major portion of the extra expenditure of Rs. 4 lakhs which the Ministry incurred on the plea of prompt supplies and which did not materialise in time should have been recovered from the contractor."*

[Sl. No. 50 of Appendix IX to the Forty-eighth Report of the Public Accounts Committee (3rd Lok Sabha)—1965-66.]

#### ACTION TAKEN

According to DGS&D's practice, the extra amount paid to a firm for earlier delivery is recoverable by way of damages for delay in supply only when specific mention of such recovery is stipulated in the terms of the contract. In this case the contract had been concluded on the basis of lowest quotations received from among the firms at Delhi and Allahabad and no extra price was agreed to be paid to the firm for earlier deliveries.

2. It is felt that no loss was involved in the stitching contract concluded with the Delhi firm as the other firms with whom contracts had been concluded according to their capacity, which was much lower than that of the former, also did not adhere to the delivery schedule in respect

of their own contracts. All these firms were given extension of the delivery dates and penalties deemed equitable by the Ministry of Law were recovered from the five firms who could not complete the orders even within the free extension period.

DADS has seen.

[F. No. 14(5)/66/D(O.I).]

#### Recommendation

*According to the agreement, the quantum of penalty at the lowest rates (2 per cent) was Rs. 16.03 lakhs approximately and the highest rates (5 per cent) was Rs. 40.08 lakhs as against the amount of Rs. 13.72 lakhs payable to the contractor for the entire work. The Ministry of Law had advised that the amount of the damages calculated according to the agreement would be considered by the Court of Law as "excessive and unconscionable," and that it would be advisable to assess compensation for delayed performance on the basis of D.G.S.&D.'s practice. The Committee are surprised to learn how the Ministry of Law gave this opinion about levying of penalty according to the procedure followed by the D.G.S.&D., when there was a clear stipulation in the agreement about the recovery of liquidated damages and when time was the essence of this contract.*

[S. No. 51 of Appendix IX to the Forty-eighth Report (Third Lok Sabha, 1965-66).]

#### ACTION TAKEN

The remarks of the P.A.C. relate to the contract for the bulk supply of mazri garments, stitched for the army, placed in December 1962 with a firm which gave the lowest quotations, without calling for tenders for the purpose. The delivery date was originally fixed at March 1963. As the firm could not supply all the garments within the specified period, delivery date was extended and delivery of garments was completed in December 1963. The contract provided for the levy of liquidated damages at 2 to 5 per cent of the price of the stores which the firm failed to deliver for each day of delay. By its note dated December 3, 1963, the Ministry of Defence consulted this Ministry regarding the liquidated damages to be levied against the firm for delay in the supply of stitched garments by the dates specified in the contract. It is true that it was specifically stated in the said note that the non-delivery of garments within the time limit prescribed in the contract has definitely caused damage, but that damage cannot be measured by ordinary standards. The note does not state whether any loss, actual or potential, was in fact sustained by the Government by reason of extension of the delivery date and the consequent belated supply of stitched garments. Further it is noticed that the letters granting extension of time do not specifically reserve the right of

the Government to recover liquidated damages for breach of the contract, though the same vaguely refer to the penalty clause being invoked in the matter. On the facts stated in the referring note dated December 3, 1963, this Ministry advised by its note dated December 13, 1963, that if the Government has not suffered any actual or potential loss, it would be difficult for the Government to recover liquidated damages at the rate mentioned in the contract. Ministry of Defence was further advised that the damage for the delay performance of the contract may therefore be assessed at 10 per cent of the amount calculated at 2 per cent for every month of delay, which is the basis for the levy of damages followed in similar circumstances in respect of D.G.S.&D. contracts.

It is noticed from the Report of the P.A.C. (paras 5.74 and 5.77) that the order placed on the firm involved an extra expenditure of Rs. 4 lakhs as compared to the highest rates at which the orders were later placed in February, 1963 in the second case referred to in para 5.73. While referring to the other batch of contracts entered into in February, 1963 at lower rates, P.A.C. observes that when the delivery date in respect of the contract under consideration was extended by the Government, it was required to pay to the firm at higher rates as compared with the rates at which payments were made for the other batch of contracts and that this resulted in a loss of Rs. 4 lakhs to the Government. It is noticed that the firms dealing with the other batch of contracts entered into in February, 1963 also made default in supplying the stitched garments within the stipulated period and this is one of the grounds for extending the period of delivery of the present contract.

In the present case we are only concerned with the correctness or otherwise of the advice given by this Ministry regarding the levy of liquidated damages at 10 per cent of the amount calculated at 2 per cent for every month of delay. In this connection, it is pertinent to note that there was no indication in the referring note of the Ministry of Defence dated December 3, 1963 on the basis of which our advice dated December 13, 1963 has been given or even on the file then sent to us to show that Government had suffered a potential loss as a result of the market rates of stitching going down during the period from 1st April, 1963 to 28th December, 1963 when the actual deliveries of the belated supplies were made. Further, as pointed out above, our advice regarding the levy of liquidated damages at the rate aforesaid is based on the condition that the Government did not suffer any actual or potential loss in the transaction.

The advice given by this Ministry that the liquidated damages should in the absence of proof of loss to Government be restricted to 10 per cent of the amount calculated at 2 per cent as referred to above is based on the opinions of Solicitor-General dated July 11, 1953 and July 8, 1957.



It is clear from the first opinion that the right to damages can be only to such reasonable damages as are proved, not exceeding the amount mentioned in the contract and that the levy of liquidated damages at a flat rate of 2 per cent as provided in the contract cannot be a genuine pre-estimate of what the parties conceived to be reasonable compensation for the breach and would not thus be sustained by the Court.

Clause 11(iii)(a) of the General Conditions of contract applicable to the Department of Supply (Form No. SWB 133) provides for the levy of liquidated damages for the late supply of the stores at 2 per cent of the price of the stores for each month of delay. In this connection, Solicitor-General observes in his second opinion as under :—

“It is obvious that the 2 per cent of the price or the 10 per cent of 2 per cent as token damages could not be accepted in the case of every contract as allowable compensation. It is only in those cases where it is not possible to prove damages in the ordinary manner, or there is no standard for ascertaining damages, that subject to some general evidence being given a court would be called upon to consider whether the named sum should be awarded or not. Though the court cannot award more, it can award less as what it considers to be reasonable.”

In the end he adds that the practice of charging 10 per cent or 2 per cent as token damages was not an unreasonable one. This practice is no doubt followed in cases where it is not possible to prove damages in the ordinary manner. Where there is actual damage which can be proved, the liquidated damages are not restricted to 10 per cent of the amount calculated at 2 per cent as referred to above.

It may be added that in view of the aforesaid opinions of the Solicitor-General this Ministry and the D.G.S.&D. have since then been adopting the practice referred to above in cases where it is not possible to prove the damages in the ordinary manner. It is clear from the referring note of the Ministry of Defence dated December 3, 1963 that the present case is one of such cases, attracting thereby the views expressed by the Solicitor-General in his opinion referred to above.

When the time is of the essence of the contract the contract becomes voidable at the option of the promisee in the event of his failure to perform his part of the contract at or before the specified time. (This option was not exercised by the Government in the present case). However, the fact that time is of the essence of the contract cannot *ipso facto* affect the question of compensation for loss or damage caused by the breach of contract, governed by the general principles of law referred to above.

In view of the above, it is considered that the opinion given by this Ministry in its note dated December 13, 1963 regarding the levy of penalty

according to the procedure followed in similar circumstances in respect of D.G.S.&D. contracts, cannot be said to be incorrect. On reconsideration, I agree with the conclusion drawn in that opinion.

The above note recorded by the Secretary has been seen by the Law Minister.

This note has been seen by the Ministry of Defence.

[U.O. No. 5(2)(7)/66-B&A dated the 24th May, 1967.]

#### Recommendation

*The Committee are surprised that in this case although the rates quoted by the contractor were well above the administrative approval and technical sanction, those were considered freakishly low on the ground that prevalent rates were higher. It was deposed before the Committee that during the last five years both the administrative approval and technical sanction have been unrealistic. If so, the Committee regard it as very unsatisfactory that the administrative approval and the technical sanction which are usually accorded on the basis of the MES Schedule of rates, should bear no relation with the prevalent rates. The Committee feel that the MES Schedule of rates have not been kept reasonably upto date as otherwise administrative approval and technical sanction would not have been unrealistic during the last five years. They therefore stress the need for revising the present system with a view to ensuring that the rates according to administrative approval and technical sanction reasonably conform to prevalent rates.*

*The Committee note the remarks of the Ministry of Finance in this case that the method adopted by the Chief Engineer to get the rates corrected was not within the ambit of the Director General of Works. They desire that this aspect of exercising delegated powers should be carefully examined and procedure streamlined for future. In this connection, the Ministry should also consider the desirability of defining 'freak rates' rather than leaving the criterion to the entire discretion of the local engineers.*

[Sl. No. 58 of Appendix IX to Forty-Eighth Report (1965-66)—  
(Third Lok Sabha).]

#### ACTION TAKEN

It would be appreciated that it is not possible to keep the MES Schedule of Rates upto date or revise it every year. The MES Schedule is also periodically revised to cover the changes in the market rates of materials and labour. This is generally done every five years. The rates adopted in MES Schedule were those prevalent during the year when the said Schedule was prepared. Any subsequent change affecting the rates in MES

Schedule is reflected by the percentage (plus or minus) quoted by the tenderers while submitting their tenders. At the time of preparing Approximate Estimate for Administrative Approval and drafting Technical Sanction, the addition of appropriate percentage to make the final figure realistic is the normal procedure adopted. This is considered satisfactory and can continue.

Instructions stressing the need for preparation of Approximate Estimate and Costed Schedule of Works (Technical Sanctions) on a realistic basis taking into account market trend have been issued vide E-in-C's Branch letter bearing No. 87569/E2Plg dated 1st September, 1967.

## APPENDIX III

*Recommendations/observations that have been accepted by Government.*

## Recommendation

*The Committee desire that the question of streamlining the procedure to have an effective control over expenditure should be pursued vigorously and suitable steps taken in consultation with the Ministry of Finance to remove the defects in the present system.*

*Subject to the above observation the Committee recommend that excess under Grant No. 9—Defence Services—Effective may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.*

[Sl. No. 1 of Appendix IX to the 48th Report (3rd Lok Sabha).]

## ACTION TAKEN

The recommendation made by the Public Accounts Committee was made in the context of an excess expenditure of Rs. 4.45 crores under Grant No. 9—Defence Services—Effective for the year 1963-64. The excesses were attributable largely to heavier payments on Customs Duty than anticipated and partly due to larger materialisation of stores, etc.

2. The expenditure on stores including customs duty during the four years ending 1963-64 fell short of the Budget provision for three years as will be seen from the details given below:—

					(In crores of Rs.)		
					Sanctioned Budget	Actual Expenditure	Excess (+) Saving (—)
1960-61	..	..	..	..	110.14	85.93	(—)24.21
1961-62	..	..	..	..	121.44	108.65	(—)12.79
1962-63	..	..	..	..	216.20	193.62	(—)22.58
1963-64	..	..	..	..	387.47	395.49	(+ )8.02

It may be stated that the estimates prepared by the Branches in the Services Headquarters, DGOF, etc., are scrutinised by the Ministry of Defence and the Ministry of Finance periodically. 'After the proposals have been discussed in detail by these agencies, the estimates are finalised'. For 1963-64 the estimates were finalised after such a scrutiny. With the best of efforts variations between estimates and actuals are bound to occur and the object is to keep the gap as narrow as possible.

Taking into account further experience gained during discussions more detailed instructions have been issued. A copy of the instructions (Office Order No. 36, dated 30th July, 1966) is enclosed.

3. As regards expenditure on Customs Duty, this is brought to account by means of book adjustments on the basis of debits raised by the Accountants General on the Controllers of Defence Accounts concerned. Under the present system, Imported Defence stores are cleared on a 'NOTE PASS' System where invoices do not accompany the stores. It has been noticed that in case of those stores cleared on the 'NOTE PASS' System, there is considerable delay in the adjustment of Customs Duty. While measures to improve the financial accounting by way of speedy adjustments of Customs Duty on Defence stores are under the consideration of the Ministry of Finance (R. & I.) in consultation with the Customs Houses, steps have been taken by this Ministry to ensure that there is no avoidable delay on their part in the adjustment of Customs Duty. Suitable Control Registers in this regard are being prescribed. Liability Registers for keeping a note of invoices received for stores cleared under the 'NOTE PASS' System have been prescribed. This will facilitate preparation of the Budget Estimates on Customs Duty on a more realistic basis.

4. It is expected that with the system of scrutiny prescribed by the Ministries of Finance and Defence and the issue of instructions regarding maintenance of liability registers for Customs Duty adjustments, it will be possible to have a better control over Defence expenditure, in future.

5. DADS has seen.

## ANNEXURE

No. F. 1(2)/66/D/Budget

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 30th July 1966

OFFICE ORDER NO. 36

**SUBJECT:—***Preparation and scrutiny of the Preliminary Revised Estimates/Budget Forecast and Revised Estimates/Budget Estimates for the Defence Services, except Capital Works under the Defence Capital Outlay.*

It has been decided in consultation with the Ministry of Finance (Defence) that with effect from 1966-67 the following procedure should be adopted in the Services Headquarters, Ministries of Defence and Finance (Defence) in the preparation and scrutiny of the Preliminary Revised Estimates and Budget Forecast for the Defence Services:—

- (1) The present procedure according to which, these estimates are initially prepared by the Branch or Service concerned, and forwarded to the respective D.F.A. and D.F.A. (Budget) will continue. A copy of the estimates will simultaneously be endorsed to the Joint Secretary/Deputy Secretary concerned in the Ministry of Defence and to D (Budget).
- (2) The initial scrutiny of the estimates should be conducted by the DFAs concerned and the administrative Sections of the Ministry of Defence taking into account the trend of actuals and other relevant factors. The DFAs concerned should forward their comments, if any, to the Joint Secretaries concerned, DFA(B) and JS(P&C), immediately after receipt of the estimates from Branches of Services Headquarters etc.
- (3) The estimates would then be discussed in meetings to be taken by the concerned Joint Secretaries to which accredited DFAs, DFA (Budget) and Deputy Secretary (B&P) as a representative of JS(P&C)'s should be invited. If in the meetings it is not possible to reach an agreed decision on certain aspects, such matters should be submitted to higher authorities for a decision.
- (4) On receipt of the estimates, as scrutinized by the Joint Secretaries concerned in the meetings referred to above, DFA(Budget) and DS(B&P)/JS(P&C) will examine them further with reference to the major policy decisions of Government. They will also see that there is no overlapping or omissions in the estimates furnished by the various Branches.

- (5) The estimates will further be reviewed in meetings to be taken by JS(P&C) to which the concerned DFA or Addl. FA as also the concerned JS should be invited. DFA(B) and DS(B&P) would thereafter consolidate the figures and put them up to FA and Defence Secretary respectively.
- (6) The procedure set out above would apply to Forecast Estimates/Preliminary Revised Estimates/Budget Estimates and Revised Estimates except for Capital Works under Defence Capital Outlay for which a separate procedure already exists.

2. The dates by which the various estimates should be sent to DFAs/Ministry of Defence are indicated below so that the Branches/Services may take timely action for their submission by the due dates. It has been noticed in the past that the rendition of the estimates by Branches of Services HQrs. etc. has not conformed to the prescribed dates. Branches of Services HQrs. are, therefore, requested to ensure that the dates prescribed for submission of the various estimates should strictly be adhered to in future.

1. Preliminary Report for the current Financial year—20th August.
2. Preliminary Revised Estimates for the current financial year and Forecast Estimates for the ensuing financial year:—
 

<ol style="list-style-type: none"> <li>(a) (i) Pre-partition Estimates;</li> <li style="padding-left: 20px;">(ii) Loans and Advances by Central Government;</li> <li style="padding-left: 20px;">(iii) Public Debt Head Estimates;</li> <li style="padding-left: 20px;">(iv) Interest charges debitabale to civil Head of account.</li> </ol>	}	20th October
(b) Post-partition Estimates		10 Novr.
3. Revised Estimates for the current financial year and Budget Estimates for the ensuing financial year:—
 

<ol style="list-style-type: none"> <li>(a) (i) Pre-partition Estimates;</li> <li style="padding-left: 20px;">(ii) Loans and Advances by Central Government;</li> <li style="padding-left: 20px;">(iii) Public Debt Head Estimates;</li> <li style="padding-left: 20px;">(iv) Interest charges debitabale to civil Head of account.</li> </ol>	}	20th December
(b) Post-partition Estimates		
4. Modified Appropriation—
 

<ol style="list-style-type: none"> <li>(a) (i) Pre-partition Estimates</li> <li style="padding-left: 20px;">(ii) Loans and Advances by Central Government;</li> <li style="padding-left: 20px;">(iii) Public Debt Head Estimates;</li> <li style="padding-left: 20px;">(iv) Interest charges debitabale to civil Head of account;</li> </ol>	}	1st March
(b) Post-partition Estimates		10th March

3. This supersedes the instructions contained in this Ministry's Office Order No. 23 of 1951, and corrigendum No 1(13)/56/D(Budget), dated 6th September, 1956.

H. T. SADHWANI

*Joint Secretary to the Government of India*

Army HQrs.—All Branches.  
 Naval HQrs. (NS Coord).  
 Air HQrs. (B&C).  
 All Inter-Services Organisations.

Copy to: —

All Officers and Sections of the Ministry of Defence (including the Department of Defence Production and Defence Supplies).

D.F.A. (Budget)—25 copies.

#### Recommendation

*The Committee are surprised how in the absence of detailed estimates such large amounts were provided in the budget estimates, which remained largely unutilised. Further, in the opinion of the Committee, when the trend of the foreign exchange and assistance was known, there was no justification for retaining the funds upto the close of financial year. The Committee regret to observe that the instructions issued by the Ministry of Finance in October 1962 [c.f. para 5 of 17th Report of the PAC (Third Lok Sabha)] for surrendering of savings immediately they were foreseen were not complied with in this case.*

[Sl. No. 2 of Appendix IX to 48th Report of the PAC (Third Lok Sabha).]

#### ACTION TAKEN

The above recommendation relates specifically to para 2(x) and (xi) of the Audit Report (Defence Services), 1965 regarding unutilised provision of Rs. 17.58 and 18.83 crores representing 85 per cent and 68 per cent of the original budget provision in 1963-64 for "Expenditure on works relating to New Ordnance Factories" and "Plant and Machinery for Ordnance Factories", respectively. The circumstances under which the saving occurred have already been explained before the PAC by the Secretary, Defence Production on the 28th October, 1966. As a remedial measure, certain steps have been taken as in the Annexure, which *inter alia* apply to Estimates (Capital) relating to Works and Plant and Machinery in Ordnance Factories.



These steps have shown improvement in the years 1964-65, 1965-66 and 1966-67 as below:

(In Crores of Rupees)

Year	Budget Provision	Modified Appropriation	Actual expenditure	Proportion of savings/excess to the original Budget provision	Proportion of saving/excess to the Modified Appropriation
1	2	3	4	5	6
<b>WORKS</b>					
<i>(Existing &amp; New Factories)</i>					
1963-64	27.05	10.87	10.53	(-)61.1%	(-)3.1%
1964-65	17.00	12.98	13.06	(-)23.2%	(+)0.6%
1965-66	15.00	15.49	16.37	(+)9.1%	(+)5.7%
1966-67	14.50	15.33	16.01	(+)10.4%	(+)4.4%
<b>(NEW FACTORIES ONLY)</b>					
1963-64	20.65	3.00	3.07	(-)85.1%	(+)2.3%
1964-65	8.00	7.00	7.01	(-)12.4%	(+)0.1%
1965-66	9.60	10.87	11.26	(+)17.3%	(+)3.6%
<i>(From 1966-67, the distinction between new factories and existing factories has been abolished for purpose of budgeting).</i>					
<b>PLANT &amp; MACHINERY</b>					
1963-64	27.71	9.39	8.88	(-)68.0%	(-)5.4%
1964-65	18.00	17.70	18.04	(+)0.2%	(+)1.9%
1965-66	16.00	17.30	22.45	(+)40.3%†	(+)29.7%
1966-67	12.90	21.07*	22.12*	(+)71.5%*	(+)5.0%

\*The main factor contributing to the excess is increase in prices consequent on devaluation in June, 1966.

†Increased expenditure due to some additional requirements as a result of Pak aggression and uncertainty of supplies.

3. It will be seen from the foregoing that there has been a distinct improvement in the budgeting of Ordnance Factories relating to the Heads mentioned above.

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

[File No. 26(5)/66D(Prod-Admin.)]

## ANNEXURE

### *Steps taken for Improvement in Budgeting in Ordnance Factories.*

The steps necessary for reliable assessment of requirements and surrender in time, of savings anticipated were discussed in a meeting held in November 1965 in the Ministry of Defence, at which representatives of the Ministry of Finance (Defence) and the Director General of Ordnance Factories were also present. Arising out of the meeting, the following measures are taken by the DGOF:—

- (i) The DGOF should make use of the most up to date compilations of expenditure figures instead of the figures compiled two months prior to the date of estimates as was being done till then.
- (ii) Budgeting should be based, as far as possible on materialisation of supplies and trend budgeting should be done taking into account the above factor.
- (iii) An attempt should be made to analyse indents of over Rs. 1 lakh each and for this purpose the individual Factories should pay adequate attention to the preparation of budget estimates furnished by them.
- (iv) The DGOF and Factories should in respect of the indents placed by them, keep in touch with the DGS&D's Organisation in the case of orders placed through DGS&D and with the suppliers in the case of other indents with a view to keeping a close watch on prospects of materialisation for budget purposes and arrive at a fair estimate of the demand for funds.

2. Further, in consultation with the Ministry of Finance (Defence) revised instructions have been issued on 30th July, 1966 for the review of estimates given by the Attached Offices for Preliminary Revised Estimates/ Revised Estimates and Budget Forecast/Budget Estimates at the level of Joint Secretaries and discussions in meeting associating the Ministry of Finance (Defence). As regards capital works, a system of review by Inter-Services Works Priority Committee, first by separate Study Groups and later by the Committee itself under the Chairmanship of the Secretary, Ministry of Defence, is being followed. In addition, the instructions issued by the Ministry of Finance in O.M. No. F.8(9)-B/61, dated 22nd October, 1962, regarding surrendering of anticipated savings are being reiterated to the Attached and Subordinate Offices with a view to ensuring close liaison between the indenting and supplying Departments and the Accounts Offices.

[File No. 26(5)/66/D/Prod-Admin.]

### Recommendation

*The Committee observe that there was a substantial saving of Rs. 7.73 crores under the item 'purchase of Dodge, one ton chassis and ambulances' Since adequate capacity within the country to supply this item was not available, the Ministry could not expect supply in time and as such they should not have made a provision of such a substantial amount. Further the difficulties of availability of foreign exchange etc. were also known to the authorities from the very beginning and they should have estimated their requirements more precisely. The Ministry of Defence also could have imposed a lump sum cut to reduce the gap between the budget estimates and actual expenditure in these cases.*

[Serial No. 3 of Appendix IX to 48th Report of Public Accounts Committee (Third Lok Sabha).]

### ACTION TAKEN

The observations made by the Public Accounts Committee have been noted. These have been circulated to all Branches responsible for preparing Budget Estimates to ensure that such instances do not occur in future. (Copy enclosed).

Suitable instructions regarding detailed scrutiny of the periodical estimates have also been issued to all concerned.

D.A.D.S. has seen.

## ANNEXURE

## MINISTRY OF DEFENCE

## D (BUDGET)

SUBJECT:—Control over expenditure.

In their 48th Report (Third Lok Sabha), the PUBLIC ACCOUNTS COMMITTEE have made the following recommendation at Serial No. 3 of Appendix IX to the Report:—

“The Committee observe that there was a substantial saving of Rs. 7.73 crores under the item ‘purchase of Dodge, one ton chassis and ambulances’. Since adequate capacity within the country to supply this item was not available, the Ministry could not expect supply in time and as such they should not have made a provision of such a substantial amount. Further the difficulties of availability of foreign exchange etc. were also known to the authorities from the very beginning and they should have estimated their requirements more precisely. The Ministry of Defence also could have imposed a lump sum cut to reduce the gap between the budget estimates and actual expenditure in these cases”.

The importance of accurate budgeting and the necessity for proper control over the progress of expenditure against sanctioned allotments, need no special emphasis. The Services HQrs. etc. are requested that the observations of the Public Accounts Committee may be borne in mind with a view to ensuring realistic allotment of funds for expenditure and its full utilisation during the year. Attention, in this connection, is also invited to this Ministry's u.o. No. 11(9)/60/D(Budget), dated the 23rd September, 1961 (Copy enclosed).

Sd/- T. JACOB  
Under Secretary

Army Headquarters—

QMG's Br. (Q1E).

MGO Br. (MG/C).

E-in-C's Br. (E3AI).

Naval Hqrs. (Budget)

Air Hqrs. (B&C).

R & D Orgn. (RD26).

DGOF.

DMR&F.

DGAFMS (DG2E)

Inspection Orgn.

(TD-30/B).

[M. of D. u.o. No. 11(7)/66/D(Budget), dated 11th July, 1966.]

COPY

## MINISTRY OF DEFENCE

## D (BUDGET)

**SUBJECT:—***Preparation and scrutiny of periodical budget estimates.*

Large savings in the provision for procurement of Defence Stores has become a regular feature. The Public Accounts Committee in their 35th Report (2nd Lok Sabha) Serial No. 1(ii) of Appendix II—have stressed the necessity for closer liaison between the indenting and the supplying Departments to avoid such large savings in future. To what extent the existing procedure for preparation of the budget estimates requires modification in order to avoid large savings in the provision for procurement of Defence Stores has been under examination in consultation with the Ministry of Finance (Defence).

It is observed that if not entirely, a substantial portion of the savings occur in respect of provision for procurement of stores for which the indents are yet to be placed. The main reason for savings in this case, appears to be the delay in placing the indents which results in late conclusion of contracts, thus falsifying the original anticipation of materialisation of supplies.

In order to facilitate careful preparation and scrutiny of the estimates, it is considered essential to adopt the following procedure in respect of estimates pertaining to store purchases:—

1. The estimates for the current and next financial year should indicate provision for contracted and uncontracted items, separately in the attached *pro forma*.
2. The estimates should be supported by details of individual items costing Rs. 1 lakh and above. (The MGO Branch will continue to furnish details of items costing over Rs. 20,000 as at present).

It is requested that Services Headquarters/Branches etc. may kindly issue necessary instructions accordingly, to all concerned.

S. G. STEPHEN  
*Under Secretary*

Army HQrs.:  
QMG Branch, etc., etc.

[M. of D. u.o. No. 11(9)/60/D(Budget), dated 23rd September, 1961.]

**PRO FORMA**

(In lakhs of Rs.)

Contracted    Uncontracted    Total

1. Estimated value of demands carried-in from the previous financial year.
2. Value of demands placed for supply during the year upto.....
3. Value of demands likely to be placed for supply during the year.....
4. Total (1 + 2 + 3).
5. Value of demands materialised upto.....
6. Value of demands anticipated to materialise during the remaining period of the year.
7. Total (5 + 6).
8. Carry-over to next year (4—7).

NOTE:—Due note may be taken of the advance payments made/to be made.

**Recommendation**

*The Committee regret to note that such a large number of audit objections should have been pending with the administration. They trust that the Ministry of Defence would take further steps to clear the older cases and ensure that the authorities give prompt attention to objections raised by audit in future.*

[Serial No. 6 of Appendix IX—Forty-eighth Report of P.A.C. (Third Lok Sabha).]

**ACTION TAKEN**

The observations made by the Committee have been noted.  
D.A.D.S. has seen.

**Recommendation**

(i) *The Committee feel that the construction of quarters was sanctioned in this case without proper assessment of requirements. Had the prevalent conditions and the availability of residential accommodation at*

*the station been taken into account, the loss due to quarters remaining vacant could have been reduced if not altogether eliminated.*

*(ii) The Committee were informed in evidence that the failure to make further assessment of local problems and the requirements of staff at the time of finalisation of tenders in April, 1963, was having enquired into. They would like to be informed of the result of such an enquiry.*

[S. No. 14, Appendix IX to Forty-eighth Report (Third Lok Sabha).]

#### ACTION TAKEN

A departmental Board of Officers assembled on 4th and 5th February and 6th and 17th May, 1966, for the purpose of investigating the circumstances leading to the construction of accommodation in excess of requirements and to pin point and apportion responsibility.

2. As a result of the enquiry, the then Commander Works Engineer, has been found guilty of an error of judgement by his failure to take into consideration all the relevant facts of the situation and this resulted in infructuous expenditure. The officer has been censured by conveying the 'Severe Displeasure' of the Chief of Army Staff (to be recorded) on the 6th December, 1966. This is considered adequate to meet the disciplinary aspects of the case.

DADS has seen.

#### Recommendation

*The Committee cannot appreciate the reasons on the basis of which the opinion of the technical expert was disregarded. They feel that if the opinion of the technical expert had been kept in view, the loss of money as well as the inconvenience to the Air Force could have been avoided. Nor are the Committee impressed by the argument of economy advanced by the witness as it is clear in retrospect that ultimately the project has cost more. In view of this the Committee would caution against the practice of taking "calculated risk" against the advice of the technical experts.*

[S. No. 16, Appendix IX to Forty-eighth Report (Third Lok Sabha).]

#### ACTION TAKEN

The observations of the Committee have been noted and have also been communicated to the various Air Commands for guidance.

2. DADS has seen.

#### Recommendation

*The Committee regret to observe that lack of forethought and proper planning on the part of Naval authorities delayed the commissioning of the test house. The equipment received from 1960 to 1963 had been lying idle and there had been extra expenditure which could have been avoided*

*had the authorities contacted the suppliers for providing technical data from the very beginning. The Committee are surprised how the Naval authorities thought of installing the equipment by themselves when at the time of ordering for this equipment they did not even consult who could render them some assistance. They trust that the Ministry of Defence would establish better co-ordination between the Services and ensure that such cases do not recur. They also hope that equipment in question would be utilised early now.*

[S. No. 22, Appendix IX to the Forty-eighth Report (Third Lok Sabha).]

#### ACTION TAKEN

Noted.

2. Instructions have been issued to all branches of the Ministry of Defence in this Ministry's u.o. No. 11(9)/66/D(Budget), dated 19-10-66 (copy enclosed) stressing the need for mutual consultation between the Services and other organisations of this Ministry including those under the Department of Defence Production, with a view to ensuring better co-ordination.

3. The equipment in question will be utilised when the Test House is commissioned. It is anticipated that the Test House will be commissioned in 1967.

4. DADS has seen.

[M. of D. u.o. No. F.5(10)/66/D(N-1), dated the 17th February, 1967.



**IMMEDIATE****ANNEXURE****MINISTRY OF DEFENCE****D(BUDGET)**

**SUBJECT:—***Better Co-ordination between different Organisations of the Ministry of Defence.*

A case has come to notice where there was considerable delay in the commissioning of test house equipment as the suppliers refused to furnish necessary data on installation drawings, specifications etc. along with the equipment. A supplementary contract had to be entered into with the suppliers for furnishing of designs, layout etc. and for supervision of the installation. Similar test house equipment had, however, earlier been installed in another Organisation under the Ministry of Defence but no attempt was made to make use of their experience in the installation of the other test house equipment and this resulted in avoidable delay and additional expenditure on a supplementary contract. While criticising the delay in the commissioning of the equipment, the Public Accounts Committee have commented on the lack of coordination between different Organisations under the same Ministry, and have recommended that to avoid recurrence of such delays better coordination between the different Organisations under the Ministry should be established.

2. The above recommendation is brought to the notice of all concerned with the request that in situations like this, a system of mutual consultation between the Services and other Organisations of the Ministry of Defence including those under the Department of Defence Production should be developed and advantage taken of whatever experience and know how is available in Organisations under the Ministry.

Sd/- R. J. REBELLO  
*Additional Secretary (P)*

Secretary (DP)  
Secretary (DS)

Additional Secretary  
All Joint Secretaries

D.G.I.  
C.C.R. & D.

All Deputy/Under Secretaries

M. of D. u.o. No. 11(9)/66/D(Budget), dated 19-10-1966.

Copy to:—

Army Headquarters—  
D.C.O.A.S.  
A.G.

Q.M.G.

M.G.O.  
E-in-C.

Naval Headquarters—  
D.C.N.S.

Air Headquarters—  
D.C.A.S.

All Inter-Services Organisations.

### Recommendation

*The Committee regret to observe that the C.D.A.'s objection was not given prompt and due notice by the Naval Headquarters and they continued to incur expenditure without proper sanction. It is unfortunate that the authorities kept on watching the progress of the proposed scheme for more than one year and approached the Ministry of Defence only in July, 1958 for ex-post-facto sanction. Had the matter been taken up earlier the avoidable expenditure could have been reduced. The Committee trust that the Ministry of Defence will issue suitable instructions to Service Headquarters to give proper and prompt attention to audit objections in order to avoid cases of this nature.*

[S. No. 23, Appendix IX to Forty-eighth Report (Third Lok Sabha).]

### ACTION TAKEN

Noted.

2. Suitable instructions have been issued to Services Headquarters on the 11th July, 1966 to avoid recurrence of such cases.

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

[M. of D. u.o. No. 5(11)/66/D(N-1), dated the 24th October, 1966.]

### Recommendation

*While the Committee appreciate the fact that the existing capacity of the Ordnance Factories has to be utilised to the maximum extent and that in an emergency the DGOF may have to place orders on uneconomical factories also, they nevertheless feel that in the cases referred to above, the difference in the cost of production was a marked one, the reasons for which deserve careful examination. The Committee suggest that the DGOF should make a constant review of the methods and cost of manufacture of an item in different factories. This would help in planning, production in the factories and also enable him to keep a watch on their efficient management.*

[Sl. No. 26 of Appendix IX of the Forty-eighth Report (Third Lok Sabha).]

### ACTION TAKEN

The observations made by the Committee have been noted. It may be stated that the Director General, Ordnance Factories, took notice of the variations in the cost of production of similar items produced by different ordnance factories as early as 1957 and issued instructions to all the ordnance factories. Consequent upon the observations made by the Committee the matter has again been reviewed and suitable instructions issued to the officers concerned—vide copy of note No. 41/P/C/25, dated 9-8-66 (Annexure).

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

[F. No. 4(13/66/D(Prod).]

## ANNEXURE

ROUTINE: ADDL. DG/ORD

**SUBJECT:**—*Periodical comparison of cost estimates between 2 Factories for the same stores.*

**Ref:**—This office No. 41/P(C), dated 18-6-57.

Recently it has come to the notice that there is wide variation in cost of production of various similar items produced in more than one factory. It appears that instructions issued to all production sections vide endorsement on the letter under reference are not being followed strictly.

2. This variation in cost of production of same items in two factories has attracted serious attention of highest audit authorities including P.A.C. whose observations on the subject are reproduced below:—

“While the Committee appreciate the fact that the existing capacity of the Ordnance Factories has to be utilised to the maximum extent and that in an emergency the D.G.O.F. may have to place orders on uneconomical factories also, they nevertheless feel that in the cases referred to above, the differences in the cost of production was a marked one, the reasons for which deserve careful examination. The Committee suggest that the D.G.O.F. should make a constant review of the methods and cost of manufacture of an item in different factories. This would help in planning, production in the factories and also enable him to keep a watch on their efficient management”.

3. It is once again enjoined on all production sections and their A.D.G.'s that suitable instructions be issued to the staff to suitably instruct the General Managers of factories on whom extracts are placed for producing same items to ensure that they personally carry out scrutiny of estimates and bring down the cost of production and thus reduce the difference to an absolute minimum possible. Similar instructions may be issued when it becomes known that a factory has placed I.F.Ds. on two other factories for production of same items.

4. Presumably instructions issued in this office letter No. 41/P(C), dated 11-2-65 for comparing factory cost with trade cost are being followed strictly.

It is requested that all the A.D.G.'s concerned may keep a close watch to see that instructions issued by them on this subject are vigorously followed by their staff.

Sd/- Addl. DG/Ord.

All A.D.Gs. of Production Groups Through respective Addl. D.Gs.

Copy to:—

All Production Sections.

F. No. 41/P(C)/25, dt. 9-8-66.

**Recommendation**

*The Committee hope that such mistakes would be avoided in future.*

[S. No. 29, Appendix IX to Forty-eighth Report (Third Lok Sabha).]

**ACTION TAKEN**

The recommendation of the Public Accounts Committee has been noted. Necessary instructions have been issued to all Defence Organisations, a copy of which is enclosed.

[Ministry of Defence u.o. No. 11/9/66/D(Budget), dated 11-7-66.]

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

[No. 4/4/66/D(PROD.).]

## ANNEXURE

## MINISTRY OF DEFENCE

## DEPARTMENT OF DEFENCE PRODUCTION

**SUBJECT:—***Public Accounts Committee—(Third Lok Sabha)—Forty-eighth Report on the Appropriation Accounts (Defence Services) 1963-64 and Audit Report (Defence Services), 1965—Procurement of an unwanted store.*

While examining the Audit Report (Defence Services) 1965 the Public Accounts Committee have adversely commented on the placement of an order for purchase of certain material without ascertaining the correct requirement of the user, which led to unnecessary purchase of stores valued at Rs. 5.86 lakhs and could have been avoided if due care had been taken.

2. Services Headquarters etc. are requested to ensure that before placing orders for purchase of stores etc. the authority responsible for placing such orders, makes a proper assessment of the requirements so that unnecessary purchases are avoided.

Sd/- B. B. TANDAN  
Deputy Secretary (B. & P.)

## Army Headquarters—

M.G.O. Branch (MG/C)

Q.M.G.'s Branch (Q1E).

E-in-C's Branch (E3A)

Inspection Orgn. (TD-30/B)

D.M.R. &amp; F.

D.G.A.F.M.S. (DG-2E)

D.G.O.F.

R. &amp; D. Orgn. (RD-26).

## Naval Headquarters—

(NS/Coord).

## Air Headquarters (B. &amp; C.)—

[M. of D. u.o. No. 11(9)/66(D(Budget), dated 11-7-1966.]

**Recommendation**

*The Committee regret to note the halting manner in which the whole case of compilation of the Book of Regulations for the Ordnance Factories was handled by the authorities. Not only was the initial estimate of the work defective but also no check seems to have been exercised to watch the progress by anyone (the D.G.O.F., Ministry of Defence and Finance) for 12 years. The Committee regard this period as too excessive and they feel that during this long period the objective with which this work was initiated has suffered. During evidence, it was admitted that there was no need to keep a separate officer to supervise the work for 7 years. The lack*

*of interest shown by the authorities in this case resulted not only in avoidable extra expenditure but also in the delay in the publication of the book which was considered to be useful for the Ordnance Factories. The Committee hope that the second volume of the compendium would be finalised without further loss of time.*

[Sl. No. 32—Para 4.37 of Appendix IX of the P.A.C. (1965-66) Forty-eighth Report (Third Lok Sabha).]

#### ACTION TAKEN

(1) The observations of the Committee are noted.

(2) The second volume of the compendium will consist of two parts viz. Part I and Part II. Part I of the Book (to be named as "Factory Regulations") will contain rules of exclusive applicability to Ordnance Factories Organisation and Part II (to be named as "Hand Book of Reference of General Rules") will contain rules of common applicability to the Ordnance Factories Organisation as well as to other Organisations under the Ministry of Defence. Both Parts I and II of the Book were sent in June, 1967 to the Government Press, Nasik, for printing.

(3) Director of Audit, Defence Services, has seen.

[File No.] 1(1):65:D(FY)-P.C.I.]

#### Recommendation

*In the absence of proper accounting system in the military farms, the Committee regret to observe that the figures of profit shown are unrealistic as admitted by the witness and that they do not represent the true position of the financial working of the farms. The Committee were informed that a revised system for pricing payment issues and free issues of milk on the basis of the market price in the locality would come into force from 23rd January, 1966. A new accounting system which was recommended by an expert accounting committee in November, 1962 is proposed to be introduced from 1st April, 1966. The Committee are not happy over the delay in introducing the new accounting system and they hope that its introduction will not be further postponed. They would watch the results of implementation of the new pricing system and the progress of introducing revised accounting system through future Audit Reports.*

[Sl. No. 34, Appendix IX to Forty-eighth Report, Public Accounts Committee, 1965-66.]

#### ACTION TAKEN

As already stated in para 4 of our note dated 17-6-66 indicating the action taken by Government on the recommendation at Serial No. 18, Appendix XX to the 33rd Report of the Public Accounts Committee forwarded to the Lok Sabha Secretariat with our O.M. No. F.11(2)/66/D (Budget), dated the 30th June, 1966, the revised procedure for fixing

separate rates half yearly for each station by a Board of Officers appointed by the Station Commander for free and payment issues of milk on the basis of the local market rates for equivalent quality of milk plus pasteurisation and delivery charges was brought into force in all farms during January-February, 1966, except at Bhuj where it was introduced from 1-3-66. The new accounting system based on the recommendations of the Expert Accounting Committee has also been introduced in all farms with effect from 1-4-1966.

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

#### Recommendation

*The Committee deplore the inordinate delay in the implementation of some of the important recommendations of the R.V.F. reorganisation Committee which had submitted its report in 1959. Out of 128 recommendations made by this Committee, final decision on 28 recommendations had yet to be taken by Government. The Committee regret to observe the casual approach in this case. They would like the Ministry to expedite decisions regarding the remaining recommendations.*

[Sl. No. 35, Appendix IX to Forty-eighth Report, Public Accounts Committee, 1965-66.]

#### ACTION TAKEN

As already stated in para 5 of our note dated 17-6-1966 indicating the action taken by Government on the recommendation at Serial No. 18 Appendix XX to the 33rd Report of the Public Accounts Committee forwarded with our O.M. No. F.11(2)/66/D(Budget), dated the 30th June, 1966, final decisions have been taken on all recommendations of the R.V.F.C. Reorganisation Committee.

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

#### Recommendation

*The Committee understand from the Ministry that all the cattle-holding farms were incurring losses, because of high cost of production. At present the cost of production of milk at the various farms ranged from 87 paise per litre at Pathankot to Rs. 3.84 per litre at Agra. The average production cost on all India basis worked out to Rs. 1.72 per litre. The Committee feel that cost of production of milk produced at Military Farms is too high. They regret to note that this problem of high cost of production of milk has not yet been tackled effectively by the authorities concerned. In their earlier reports (para 9 of 17th Report and para 19 of 33rd Report, 3rd Lok Sabha) the Committee had suggested that the Ministry should examine in consultation with the Ministries of Finance and Food and Agriculture, the feasibility of entrusting the supply of milk requirements of units and formations to civil organisations which might*

*be set up for the purpose. The Committee regret to observe that no headway has been made in this regard. The Ministry of Defence have approached the State Government only to take over the responsibility of supplying milk to Units. The State Government, though agreeable to supply milk to units, were not able to assure supplies in case of general scarcity at any time. The Ministry have, however, not explored the possibility of entrusting the supplies to the Co-operative Societies or other agencies. When the Committee made the aforesaid recommendations it was not their intention to entrust the work to State Government but they wanted that this should be entrusted to private agencies so that the farms may be operated more efficiently and economically. The Committee regret that their recommendation has not been given due consideration. The Committee desire that this matter should be examined in all aspects and early decision taken.*

[Sl. No. 36, Appendix IX to Forty-eighth Report P.A.C., 1965-66  
(Third Lok Sabha).]

#### ACTION TAKEN

The re-organisation of military farms with a view to improving their operational results and thereby reducing the cost of production of milk has been examined and the following measures designed to cut down unremunerative expenditure have been decided upon and are being implemented :—

- (i) Culling of all uneconomic animals in three phases, starting with calves and young stocks, then dry and low-yield animals and thereafter other uneconomic animals. In Phase I, which is now complete, a total of 2,495 calves and young stocks have been culled out. Phase II has already commenced and will be completed by the end of 1967 and Phase III will start immediately thereafter. To improve the future stock, selective rearing and revised rearing standards have been introduced. Artificial insemination has been introduced at four stations with freisian bulls. When this scheme is completed by training indigenous Sahiwal bulls and buffalo bulls for artificial insemination service, it will be possible to dispose of more than 200 surplus bulls and over 150 male calves and young stock and thereby effect further economy.
- (ii) Military Farm, Kasauli, which was a cattle holding farm, was closed down with effect from 1st September, 1966. The farm at Pachmarhi was converted into a Milk Depot on 30th September, 1966 after closing down its cattle section. Subsequently, the Milk Depot was also closed down on 15th June, 1967 due to reduction in the requirements of milk at the station. The cattle section of Military Farm, Panagarh ceased functioning



from 1-11-1966 and the farm was converted into a Milk Depot from 1-4-1967. The cattle section of Military Farm, Wellington, ceased functioning from 1-10-1966 and the farm was converted into a Milk Depot from 1-4-1967. As regards Military Farm, Kirkee, the P.A.C. was informed during consideration of Para 5 of Audit Report Defence Services, 1966 that this farm was in the process of being closed down. This farm is, however, now proposed to be retained as a smaller cattle-holding farm on the land which may be left over after transferring the land required for the expansion of the High Explosive Factory. The tentative proposal is to run this farm as a Branch of Military Farm, Pimpri.

- (iii) Re-categorisation of Class IV employees so as to ensure full utilisation of their services on different jobs according to seasonal requirements and introduction of transfer liability for effective use of their services where required.
- (iv) Reduction in establishment expenditure as a consequence of the foregoing measures.

2. As regards entrusting supply of milk requirements of units and formations to civil organisations, the position is explained in para 3 of our note dated 17-6-1966 in which the action taken on the recommendation at Sl. No. 18, Appendix XX to the 33rd Report of the Public Accounts Committee (Third Lok Sabha) is indicated. This note was forwarded to the Lok Sabha Sectt. with our O.M. No. F.11(2)/66/D(Budget), dated the 30th June, 1966. As already stated, the entire milk requirements of Military Farm, Gauhati and Military Farm Depot, Shillong are procured from the local civil schemes. In addition, a part of the requirements of the Military Farm, Tezpur is also being obtained from the Livestock Farm of the State Government. The supply of milk to units in Delhi has been entrusted to the Delhi Milk Scheme with effect from 15th October, 1966 and the Military Farm Depot at Delhi Cantt. ceased functioning from the same date and it was wound up from 31-3-1967. Efforts are continuing for procuring the milk requirements of the Farms at other stations from the Public Sector projects or other Co-operative institutions wherever possible.

3. The advisability of handing over Military Farm land along with the cattle to Co-operative Societies or other agencies with the obligation to supply an agreed quantity of milk produced has also been examined. It is felt that in that case there would be no guarantee of supply of the required quantity of milk at all times. Besides, constant problems relating to fixation of price are likely to arise. What may possibly happen is that Military Farms would have parted with their land and cattle with unsure prospect of getting them back or getting guaranteed regular supply of milk. Accordingly, implementation of this alternative has not been favoured.

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

### Recommendation

*The Committee are surprised how this important aspect regarding unsatisfactory conditions of grazing/accommodation at the station was overlooked while deciding to locate the sheep farm. To that extent there was lack of planning and forethought on the part of the officers concerned.*

*The Committee desire that before it is decided to set up a new sheep farm elsewhere, the question whether it is absolutely necessary for the Defence authorities to have their own farm for the purpose should be examined. In view of the high establishment and overhead charges involved in a departmental farm, it should be considered whether it would not be more economical to get the meat supplies from other sources.*

[Sl. No. 37, Appendix IX to Forty-eighth Report Public Accounts Committee, 1965-66.]

### ACTION TAKEN

The observations of the P.A.C. on points to be considered before any sheep farm is established, have been noted.

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

### Recommendation

*In view of the fact that the cultivable land of the Farm has been reduced from 802 acres to 200 acres, the Committee desire that the Ministry should consider the economies of continuing the cultivation activities through the Military Farm, Shahjahanpur. It should also be examined whether any reduction can be effected in the existing staff as a result of curtailment of cultivation activities.*

[Sl. No. 38, Appendix IX to Forty-eighth Report Public Accounts Committee, 1965-66.]

### ACTION TAKEN

The Military Farm, Shahjahanpur, was converted into a Milk Depot with effect from the 1st December, 1966 after closing down its cultivation section. Subsequently, the Milk Depot was also closed down on the 15th May, 1967 as the daily requirement of milk at the station had fallen below the minimum level required to justify the maintenance of a Milk Depot. As a consequence, a reduction in the establishment of Military Farms has been effected to extent of one officer, seven Class III and nine Class IV staff.

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

### Recommendation

*From the facts placed before them, the Committee find that there is no conclusive evidence documentary or otherwise as to whether both the firing ranges at the station were in use by the Army units during the period 1947-48 to 1958. The local Army authorities responsible for allocating the*

*firing ranges ought to have maintained a register showing the allotments made to various units from time to time. Apart from this, there should have been a periodical review by the local military authorities regarding the utility and the need for continued occupation of the Ranges. But in the present case the Ministry reviewed the position only after the claims of the owners of the adjoining lands came in for payment in 1958. Even after that the Ministry took four years to decide about the abandonment of the Ranges. The Committee desired that the procedure regarding carrying out periodical reviews of the properties acquired, requisitioned or hired by the Defence Services should be improved to ensure that such properties as are surplus to the requirement are not retained.*

[Serial No. 41 of Appendix IX to the Forty-eighth Report, 1965-66.]

#### ACTION TAKEN

2. The observations of the P.A.C. have been noted. Government had no intention to abandon these Ranges. In 1959, the question of acquiring the private land for the Ranges was considered. As the cost of acquisition was found to be high, it was decided to use the Ranges on a temporary basis. Accordingly, this was authorised by issue of a notification in November, 1960 by the State Government under the Manoeuvres Field Firing and Artillery Practice Act, 1938. The life of this notification expired on 30th April, 1962. The State Government were of the opinion that it was not legally feasible to continue to hold on to this land by notification under the Manoeuvres Field Firing and Artillery Practice Act, 1938. The Ministry of Law agreed with the view expressed by the State Government and the Ranges were, therefore, abandoned in October, 1962.

3. Necessary instructions regarding carrying out periodical review of hired, requisitioned or acquired properties held on charge of the Defence Services have been issued to the local military authorities from time to time. Necessity for their release or retention is also examined by the QMG's Inter Service Committee for Lands and Buildings periodically. However, elaborate instructions on the subject have also been issued vide Ministry of Defence letter No. 29(1)/65/D(Lands) dated 14th October, 1965 (copy attached)—Annexure 'A'.

4. In order to eliminate delay under the existing procedure in the disposal of hired and requisitioned lands as are found surplus to Defence Services requirements, it has now been decided that surplus hired and requisitioned lands on which no assets have been built may be de-hired or derequisitioned by the local military authorities upto the financial limits indicated in the Ministry of Defence memorandum No. 1/4/Stats/ML&C/10529/D(Lands), dated 15th December, 1965 (copy attached)—Annexure 'B'. In accordance with the recommendation of the P.A.C. to improve the procedure to ensure that such properties as are surplus to the Defence requirements are disposed of expeditiously the matter is being reviewed, and the result thereof will be communicated to the P.A.C.

5. The delay in replying to the P.A.C. recommendation is regretted. The delay has occurred due to consultations with various authorities and due to the necessity of obtaining information from subordinate authorities.

D.A.D.S. has seen.

[M. of D. u.o. No. F. 10(6)/66/D(Q&C) dated 9th January, 1967.]

#### FURTHER INFORMATION

In continuation of the Ministry of Defence u/o No. F. 10(6)/66/D (Q&C), dated 9th January, 1967 forwarded to the Lok Sabha Secretariat under their Office Memorandum No. 11(9)/66D(Budget), dated 17th January, 1967.

2. The question of improvement in the procedure to ensure that such properties as are surplus to the requirements of the Defence Services are disposed of expeditiously referred to in para 4 of the earlier note, has been reviewed by the Ministry of Defence. Detailed instructions in this regard have been issued vide this Ministry letter No. 20(10)/66/D(Lands), dated 20th March, 1967 (copy attached).

D.A.D.S. has seen.

[M. of D. u.o. No. F. 10(6)/66/D(Q&C), dated 13th April, 1967.]

## ANNEXURE 'A'

No. 29(1)/65/D(Lands)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 14th October, 1965

To

The Chief of the Army Staff.  
The Chief of the Air Staff.  
The Chief of the Naval Staff.

The Director,  
Military Lands and Cantonments,  
New Delhi.

SUBJECT: —*Procurement and Utilisation of Lands.*

Sir,

I am directed to say that the question relating to procurement and utilisation of lands by the Defence Services has been under consideration. The following decisions have been taken:—

*Maintenance of land record, issue of instructions for the timely submission of the prescribed certificates*—It has been observed that while the General and Military Lands Registers of Ministry of Defence lands inside and outside Cantonments, respectively, are kept upto date, the certificates prescribed in Rule 14 of the ACR Rules, 1944 are not being regularly furnished. The concerned units and MEOs should therefore, be directed that lands under their management should be periodically inspected and the aforesaid certificates furnished so as to reach the Ministry, invariably, by 1st of July, each year.

2. *Details of land in occupation of the service and forwarding the lists etc. to station commanders*—A list of hired, requisitioned and acquired lands should be forwarded by the Military Estates Officers to the respective Station Commanders of the three Services, for physical verification and intimation of the result to MEO who should also be informed as to the use to which the land is put.

Where lands are not properly demarcated, a joint survey in consultation with the local revenue authorities should be arranged and necessary action taken for erection of the boundary pillars through the local MES authorities. Wherever necessary, action would also be taken for removal of encroachments by the local military authorities or the Military Estates Officer as the case may be, in accordance with the existing rules.

3. *Constitution of a Station Pool*—Lands are being hired, requisitioned or acquired during the present emergency, independently for the three

Services possibly without ascertaining whether the land required by one, can be spared by another Service. It has, therefore, been decided that in Stations where lands are held by more than one Service, a Committee consisting of these Services should be constituted with the Station Commander as Chairman. The MEO will function as Member-Secretary to the Committee but will not have veto powers where there is a unanimous recommendations of the Committee. Administrative sanction for hiring or requisitioning of lands under the powers delegated in Government of India, Ministry of Defence letter No. A/25570/Q3(H)/791-S/D(Qtg), dated the 13th December, 1962 should be accorded only with the prior approval of the Committee and cases where there is a difference of opinion in the Committee, should be referred to the Government for orders. If the Ministry Estates Officer feels that hiring or requisitioning of a particular piece of land is unjustified or objectionable, he should report the matter with detailed reasons to DML&C, for consideration and orders of the Government. In Station where only one Service has acquired, requisitioned or hired lands, existing powers would continue to be exercised as at present.

4. While according approval to hire or requisition an immovable property in a Cantonment or Military Station included in KLP, the Station Committee will render a certificate in the following terms:—

“Certified that we have satisfied ourselves that the total area of land owned requisitioned or hired by the Three Services, is less than the total area required according to the KLP, in KLP Station for any non-KLP Units located in any KLP Stations and for any temporary needs and that the land proposed to be requisitioned or hired now is to meet the whole or part of the deficiency.”

If, however, for strategic or technical reasons, the Committee desired to hire or requisition an immovable property contrary to the aforesaid certificate, it shall, as soon as possible, submit for orders of the Government a detailed report indicating the lands in possession of the Defence Services, and why the same could not be utilised for the purpose for which fresh hiring or requisitioning had to be resorted to.

Sanction for hiring/requisitioning lands in non-KLP Stations as well as elsewhere, on ground of operational necessity, will continue to be accorded by the local military authorities, under delegated powers.

5. *The necessity to prevent encroachments and the consideration of special measures therefor*—Encroachments on defence lands being on the increase in the recent past, strict and vigilant measures should be adopted to prevent and remove the same by frequent inspection. The following additional steps should also be taken:—

- (a) In developing land, preference should be given to isolated plots or patches.

- (b) Constructions should be taken up along the periphery of lands.
- (c) Fencing should be liberally provided to the lands which adjoins the civil area or at places where there is obvious temptation to encroachers.

Fencing should, however, be of the cheapest variety. It has been observed that in a number of Defence installations the outer fencing did not coincide with the boundary of the holding. In future the outer fencing should invariably be put up along the perimeter of the land wherever feasible, the existing outer fencing should also be shifted to the perimeter.

6. Wherever encroachments in the shape of pucca or semi-pucca constructions have been in existence for a sufficiently long period, and where the land appertaining to the same, can be spared from the defence requirements, action to regularise the occupation will be initiated by the Unit or the MEO concerned. The Units and MEOs should however, be instructed that any attempt to encroachments, in future should be stopped at the very initial stage.

7. *Association of local planning authorities*—While planning projects, the Recce-cum-Sitting Boards should, invariably, consult the Town Planning Experts in the matter of development of land and construction thereon in areas where town planning authorities have been properly constituted by the State Government, or Municipal Authorities so as to conform, as far as possible, to the uniform development.

8. This issues with the concurrence of the Ministry of Finance (Defence) vide their u.o. 571/S/W/VI, dated 24th September, 1965.

Yours faithfully,  
**B. N. JAYASIMHA**  
*Deputy Secretary to the Government of India*

**ANNEXURE 'B'**

No. 1/4/Stats/ML&amp;C/10529/D(Lands)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

*New Delhi, the 15th December, 1965***MEMORANDUM**

**SUBJECT:—***Procedure for declaration of landed properties as surplus to the requirements of the Defence Services.*

In this Ministry's Memorandum No. 1466-Q/D(Qtg&LHD), dated the 28th March, 1958, and subsequent Memorandum No. 2430-Q/D(Q&L), dated the 15th May, 1958, and No. 4(2)/58/D(Qtg)/4562-Q/D(Q&L), dated the 11th September, 1958, it was directed that no landed property should be declared surplus to the requirements of the Defence Services and released without the prior approval of the Defence Minister. Experience of the last few years has shown that the above orders have held up to some extent de-hiring and de-requisitioning of properties which were no longer required for any Defence purposes.

In order to eliminate delay in the disposal of hired and requisitioned properties, it has been decided by the Defence Minister that the following authorities be authorised to declare surplus hired and requisitioned lands on which no assets of the Defence Ministry have been created subject to the financial limits given against each—

Authority	Annual rental or recurring compensation in each case not exceeding
	Rs.
(a) Commander of Brigade, Brigade Area or Sub Area/equivalent Naval/Air Force Commander .. .. .	5,000
(b) Commander of a Corps, Division Area, Independent Sub Area or Independent Brigade Group/equivalent Naval Air Force Commander .. .. .	25,000
(c) General Officer Commanding-in-Chief equivalent Naval Commander/AOC-in-C .. .. .	Rs. 1 lakh

Cases in which the annual liability or compensation exceeds rupees one lakh or cases in which it is proposed to do requisition only a portion of the lands covered by a requisitioning order will require the approval of Government.

Sd. VINAYA VYAS

*Under Secretary to the Government of India*



To

The Chief of the Army Staff.

The Chief of the Air Staff.

The Chief of the Naval Staff.

Copy to—

All Sections of the Ministry.

Controller General of Defence Productions.

Air HQrs/Naval HQrs/DML&C.

P.S. to D.M.

P.S. to M.D.P./D.D.M.

P.S. to Secretary.

P.S. to Addl. Secretary.

All Joint Secretaries and Deputy Secretaries.

**ANNEXURE 'C'**  
**No. 29(10)/66/D(Lands)**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF DEFENCE**

*New Delhi, the 20th March, 1967*

**To**

The Chief of the Army Staff,  
 The Chief of the Air Staff,  
 The Chief of the Naval Staff.

**SUBJECT:—***Disposal of surplus acquired/requisitioned/hired properties.*

Sir,

I am directed to say that cases have come to the notice of the Government properties, mostly defence owned, are not utilised and on which infructuous chowkidari expenditure is incurred. The Public Accounts Committee has also brought several such cases to the notice of the Government.

2. *Land and Buildings*—The matter, has been carefully examined by Government and it has been felt that a solution lies in two directions—

- (a) To locate the properties which are not utilised in fact, and to determine whether they should be retained for future requirements of the Defence Services or be disposed of;
- (b) To ensure that properties declared surplus to Defence requirements are expeditiously disposed of.

As regards (a) above, it has been decided that the Army/Naval/Air HQrs. will furnish quarterly statements showing lands/buildings and compact properties which have been lying continuously vacant for the last 6 months to their administrative sections. The list should indicate the date from which the property is lying vacant, whether it is defence owned, hired or requisitioned and whether any requirement is anticipated thereof.

It has further been decided that requisitioned or hired buildings/lands lying vacant for more than six months should be reviewed by Army/Naval/Air HQrs. who should record reasons in writing why the property should not be released forthwith. Where a property lies vacant for more than one year every such case will come to Ministry of Defence to decide whether the same should be immediately released or continued under requisition/hire as the case may be.

In cases where a decision has been taken to dispose of the property, the same will be handed over immediately to the ML&C Service for taking disposal action.

3. As regards (b) above, it has been decided that ML&C Dte. will maintain a record of properties declared surplus to defence requirements and will furnish monthly report to the Ministry of Defence about the progress made in the disposal of such properties.

Sd. VINAYA VYAS

*Under Secretary to the Government of India*

Copy to:—

D(L&C)	D(O-I)
D(Air-II)	D(O-II)
D(N-II)	DML&C
D(Prod)(Admin)	Air HQrs/Naval HQrs.
D(R&D)	DFA(W)
D(Fy)	DFA(Q)

#### Recommendation

*The Committee feel concerned to observe that there was an omission on the part of the officer of the Ministry of Law to notice this point even after the Supreme Court gave a ruling in two cases in 1962 that the contracts not executed according to the constitutional requirements cannot be validated by ratification. In view of the fact that this case was seen by Ministry of Law on several occasions after the publication of Supreme Court's ruling in 1962, the omission is all the more regrettable.*

[Sl. No. 43 of Appendix IX to the Forty-eighth Report (Third Lok Sabha), 1965-66.]

#### ACTION TAKEN

This has been dealt with in this Ministry's note already submitted to the Public Accounts Committee as mentioned in para 5.56. The matter has been brought to the notice of officers and they have been asked to be careful in dealing with such cases.

#### Recommendation

*The Committee have also come across some instances at the other places where the opinion given by the Ministry of Law was based more on expediency than on law, or that it was given without considering all aspects of the case (as in the case under discussion) or they have given several opinion inconsistent with each other.*

*The Committee have also come across instances where the Administrative Ministries refer cases to the Ministry of Law though not strictly necessary whereas even some important cases where prior consultation of the Ministry of Law would be beneficial for safeguarding the interests of Governments are not referred to that Ministry at appropriate stage.*

[Sl. No. 44 (5.58) of Appendix IX to the Forty-eighth Report, 1965-66.]

**Recommendation**

*The Committee, therefore, suggest that a proper procedure should be laid down for referring the cases to the Ministry of Law and limit should also be fixed for the Ministry of Law to give their opinion.*

[Sl. No. 44 of Appendix IX to the Forty-eighth Report (3rd Lok Sabha), 1965-66.]

**ACTION TAKEN**

(i) The first part of the recommendation has been brought to the notice of all officers concerned and they have been asked to be more careful in dealing with such cases. (A copy of Ministry of Law O&M Paper No. 70, dated 8th December, 1966 is attached for reference).

(ii) A circular letter to all Ministries has been issued. A copy of Ministry of Law O.M. No. F.17(1)/66-O&M, dated 8th December, 1966 is attached for reference.

## ANNEXURE 'A'

No. F.17(1)/66-O&amp;M

GOVERNMENT OF INDIA

MINISTRY OF LAW

(DEPARTMENT OF LEGAL AFFAIRS)

*New Delhi, the 8th December, 1966**Agrahayana 17, 1888(S)**O. & M. Paper No. 70*

SUBJECT: —*Disposal of cases received by the Ministry of Law for legal advice.*

The Public Accounts Committee have had occasion to make critical observations with regard to the manner in which cases are referred by the administrative Ministries to this Ministry for advice and the delay in the disposal of cases by this Ministry. The Committee have suggested that a proper procedure for ensuring that cases are referred by the administrative Ministries to this Ministry at the appropriate stage and also for avoiding delay in the disposal of cases referred to this Ministry for advice should be laid down for the guidance of all concerned.

2. The administrative Ministries, etc. have been addressed with regard to the points to be observed by them while sending cases to this Ministry for legal advice. A copy of the Office Memorandum sent to the Ministries, etc. in this connection is enclosed.

3. All officers in the Department should ensure that cases received by them are disposed of as expeditiously as possible. No case should normally be kept pending with an officer for more than one month except where it involves examination of complicated facts or points of law. Cases of a difficult and complicated nature should be brought to the notice of the Joint Secretary and Legal Adviser in charge of the concerned group and should ordinarily be discussed with him.

Sd. D. B. KULKARNI  
*Joint Secretary*

Encl: O.M. No. F.17(1)/66-O&M,  
dated 8-12-1966.

To

All Officers of the Department of Legal Affairs  
(including Calcutta and Bombay).

Copy to: —

1. All Advice Sections (including Calcutta and Bombay).
2. Budget & Accounts Section (with one S/Copy).

## ANNEXURE 'B'

No. F.17(1)/66-O&amp;M

GOVERNMENT OF INDIA

MINISTRY OF LAW

(DEPARTMENT OF LEGAL AFFAIRS)

New Delhi, the 8th December, 1966

Agrahayana 17, 1888(S)

## OFFICE MEMORANDUM

**SUBJECT:—***Procedure for making references to the Ministry of Law for legal advice.*

Attention of the Ministry of Home Affairs, etc. is invited to Chapter XI, paragraph 131 of the Manual of Office Procedure (copy enclosed) laying down the procedure to be followed by a Ministry in making a written reference to another Ministry.

2. It is noticed that in spite of the instructions mentioned above and the specific instructions issued by this Ministry from time to time on the subject, cases are still being referred to this Ministry without furnishing the relevant facts in a single and self-contained note and without clearly stating the point or points on which this Ministry's advice is required. The public Accounts Committee in their Forty-eighth Report—1965-66—have *inter alia* observed that instances have come to their notice where the administrative Ministries are not strictly necessary, whereas even some important cases where prior consultation with this Ministry would be advantageous for safeguarding the interests of the Government, are not referred to the Ministry at the appropriate stage.

3. It is requested that the requirements of paragraph 131 of the Manual of Office Procedure should be strictly complied with when cases are referred to this Ministry for advice. This will save time and labour all round and also result in the expeditious disposal of the references made to this Ministry. The Ministry of Home Affairs, etc. are also requested to note the observations of the Public Accounts Committee mentioned above and issue necessary instructions to all concerned in the matter.

Sd. D. B. KULKARNI  
*Joint Secretary*

Encl. 1

To

All Ministries/Departments of the Government of India.

Copy forwarded to the Department of Administrative Reforms.

## ANNEXURE 'C'

*Extract from the Manual of Office Procedure*

## CHAPTER XI

## INTER-DEPARTMENTAL REFERENCES

131. *Written reference*—When it is necessary to consult another Ministry before issue of orders on a case, a reference may be made either by sending the file unofficially or a self-contained unofficial note or unofficial memorandum as may be found convenient. When the file itself is sent, the point or points on which opinion of the other Ministry is sought or which it is desired to bring to its notice, should be clearly stated in a single note. Where possible, the drafts of the orders proposed to be issued may also be put up on the file. All routine notes and other papers, except those which should be retained on the file, shall be removed before the file is sent.

**Recommendation**

*The Committee find that after placing the indent for the equipment on the India Stores Department, London, two important changes necessitating reduction in the requirement took place viz. (i) Reorganisation of Army units in April/May 1963 and changes in provisioning policy. While reducing the order in November, 1963, the Master General of Ordnance took into account the changes in the provisioning policy but it is regrettable that owing to lack of coordination in the various sections of the Army Headquarters, the decrease in the requirement on account of reorganisation of Army Units was not brought to the notice of the MGO. The timely action by the sections concerned would have enabled the MGO to take into account the decreased requirement while modifying the order in November, 1963. The Committee desired that the present procedure should be tightened with a view to ensuring that all important changes affecting the provisioning of costly and important equipment are brought to the notice of the MGO promptly to avoid over-provisioning and unnecessary locking up of funds.*

[Sl. No. 48, Appendix IX, PAC's 48th Report (Third Lok Sabha), 1965-66.]

**ACTION TAKEN**

Army Headquarters have issued necessary administrative instructions to all concerned, regarding the measures that should be adopted to avoid the recurrence of wrong provisioning/over provisioning of Ordnance/QMG/Engineer stores due to raisings, re-organisations, disbandments, embodiments, dis embodiments and changes to establishments and equipment tables.

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

[F. No. 14(2)/66/D(O.I).]

### Recommendation

52. *The Committee regret to observe that there had been inordinate delay in starting the construction of the kiln building and subsequently in commissioning the seasoning plant. Although the laboratory equipment, the availability of which held up the commissioning, was available with the Director General of Ordnance Factory, since 1959, this fact was not known to the Army authorities due to lack of co-ordination. The other difficulties which held up the commissioning of the plant, viz., want of necessary power connection and certain other stores could have been avoided with proper planning. The Committee hopes that such delays will be avoided in future.*

53. *The Committee regret to observe that this is another case of bad planning. There was delay in the placement of the indent for the preservation plant and also in its utilisation after its receipt in January, 1963. The Committee would also like to know the date on which the plant actually goes into production.*

[Sl. Nos. 52 & 53 of Appendix IX to Forty-eighth Report (1965-66)  
(Third Lok Sabha).]

### ACTION TAKEN

Noted. Necessary instructions have been issued by the Army Headquarters, M.G.O.'s Branch vide letter No. A/03514/0S20A, dated the 27th October, 1965 (copy at Annexure I) for ensuring proper co-ordination in planning projects in order to avoid delays. It is hoped that with the issue of the above instructions, such cases will not recur in future.

2. Noted. As regards the commissioning of the Preservation Plant, the work in connection with the erection of the Plant has since been completed and the plant has been taken over. The plant went into production with effect from the 17th September, 1966.

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

[M. of D. u.o. No. 2(17)/64/1266/D(Works-II), dated 23-3-1967.]



## ANNEXURE

COPY OF LETTER NO. A/03514/0S20A, ARMY HEADQUARTERS, MASTER GENERAL OF THE ORDNANCE BRANCH, DHQ PO NEW DELHI, DATED THE 27TH OCTOBER, 1965 ADDRESSED TO BRIGADIERS, ARMY ORDNANCE CORPS, ETC. ETC.

SUBJECT:—*Planning, Sanctioning and Execution of Project—Watching of for avoidance of infructuous expenditure.*

Cases have come to notice where projects requiring progressing by different authorities, or on different aspects by the same authority, have suffered from a lack of co-ordinated planning with the result that all component aspects of a particular project had not been progressed according to a co-ordinated time schedule and consequently infructuous expenditure was incurred. The following are instances of this nature:—

- (a) A laboratory building was constructed but planning was not done for simultaneous procurement of complete laboratory equipment and technical laboratory staff.
- (b) A kiln building was constructed but planning was not done for simultaneous provisioning of complete machinery and fitting required to be installed therein and necessary power and water connects for operation of the kiln.

2. The Public Accounts Committee and the Audit have on a number of occasions criticised such cases of infructuous expenditure.

3. The planning of a project may involve the following:—

- (a) Buildings.
- (b) Ancillary services.
- (c) Machinery equipment.
- (d) Establishment.
- (e) Any other important requirement such as specialised training and so on.

4. It is necessary that at the time of planning of a project, it is ensured by the concerned Depot Commander that complete requirements of the project, as indicated in the preceding para, are kept in view and, any other authority concerned with the project, say the Technical Development authority and so on, is consulted at the appropriate stage and complete requirements of such an authority are also taken into consideration in the finalisation of the project. The Depot Commander should carefully watch progress of the project till it is sanctioned and executed. He should maintain close liaison with the concerned Engineer Staff and any other concerned authority and ensure that plans are so formulated that the various requirements of a project are completed concurrently and speedily, with a view to avoiding

any infructuous expenditure. In case the Depot Commander comes across any difficulty in the finalisation of the requirements of project or further action thereon till its completion, he should immediately report the matter to higher authorities and ensure removal of the difficulty.

5. You are requested to issue suitable instructions in the matter to the Depot Commanders under your command for necessary action.

6. Please acknowledge.

Sd.

for Director of Ordnance Services.

Copy to:—

All Commands, etc., etc.

### Recommendation

*The Committee feel concerned over the tardy manner in which the proposal mooted by the Army Headquarters in October, 1950 for setting up a small laboratory in the Depot was pursued. The sanctioning of the provision of the laboratory took eight years and there was a further delay of seven years in establishing it. The Committee feel that once the decision to establish a laboratory had been taken in March 1958, it should have been executed expeditiously.*

[Sl. No. 54 of Appendix IX to Forty-eighth Report (Third Lok Sabha) (1965-66).]

### ACTION TAKEN

The observations of the Committee have been noted. The proposal for setting up the Laboratory was mooted by Army HQ in October, 1950 but it was only in June, 1955 that they accepted in principle the necessity of the said laboratory. The necessity for the project was accepted by the Government in March, 1958. The delay in establishing the laboratory was due to lack of co-ordination among the parties concerned. Instructions have been issued by QMG's Branch *vide* their letter No. 61279/Q3W(Policy), dated 19th August, 1965 (copy enclosed) reiterating the necessity for associating the real users in the costing-cum-siting board and clarifying that where a Service floats a proposal for setting up within its premises a laboratory to be operated and manned by the Research and Development, a representative of Research and Development should also be associated with the Board along with the Central Ordnance Depot. Instructions have also been issued by Government on 14th July, 1965 regarding the necessity for planning and co-ordinating the execution of ancillary facilities and civil works in cases of projects in order to co-ordinate the simultaneous and proper completion of the various items of works at the same time. A copy of these instructions is also attached.

D.A.D.S. has seen.

[M. of D. u.o. No. 2(2)/66/7608/D(O-II), dated the 22nd September, 1966.]

## ANNEXURE 'A'

No. 14(21)/64/D(Budget)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 14th July, 1965

## MEMORANDUM

SUBJECT:—*Planning and watching execution of ancillary facilities and Civil Works in case of projects.*

Cases have come to notice where projects requiring progressing by different Sections or in different aspects in the same Section have suffered from a lack of coordinated planning with the result of all the component aspects of a particular project had not progressed according to a coordinated time schedule and consequently there had been infructuous expenditure. The following are instances of this nature:—

- (i) A hospital being completed but not being put to use for want of fixation of rates or the eligibility of certain categories of people for treatment.
- (ii) Machinery being imported but the building not being completed as foundation specifications were not formulated in time.
- (iii) Machinery being imported but the air-conditioning requirement being lost sight of.
- (iv) Machinery being imported but appropriate and timely action to train personnel to handle the machinery not having been initiated.
- (v) Buildings being completed, machinery being imported but ancillary facilities such as approach roads, bridge classifications and power supply not having been provided in time.

2. The Public Accounts Committee and the Audit have also on a number of occasions criticised such uncoordinated planning.

3. While there is general awareness for the need for planning, the main difficulty encountered has been to develop and establish a methodology to ensure such planning.

4. The starting point for such coordinated action would be the sanction for either machinery or a building project. Planning and programming should start simultaneously with the issue of a sanction. All the sanctions issued from a particular Branch should be listed out and should be analysed with a view to find out where coordinated planning and programming is necessary. This should be done at the level of Deputy Secretary. Once the

necessity for such coordinated planning is identified in projects, a time schedule for various actions to be taken should be drawn up. Periodical meetings on the project could be convened once in two months and reviews by Joint Secretaries concerned every three or six months. Where a case is delayed on account of major issues raised by Finance or difficulties encountered by the supplying agency, the matter should be brought to the notice of Secretary so that it could be taken up at the appropriate level.

5. The planning of a project may involve the following: —

- (i) Buildings.
- (ii) Ancillary services.
- (iii) Machinery.
- (iv) Establishment.
- (v) Any other important requirement such as specialised training, etc.

6. Every authority seeking sanction for a proposal for a building, purchase of machinery or a training scheme should simultaneously provide answers to the following three major questions: —

- (i) When will the building in which machinery is to be installed be completed?
- (ii) What arrangements have been proposed or made for training the personnel required to operate the machinery?
- (iii) What action has been taken to ensure that there will be no time lag between the completion of the building and the ancillary facilities and the arrival of the machinery?

7. In answering these questions, a time schedule should be worked out backwards from the day the project should be ready to function. This will lead to the dates by which sanctions and other action in regard to various other items should be initiated and completed. The coordinating agency should ensure that action is taken according to the schedule. This could be done by attaching a programming proforma to the sanction file and reviewing it from time to time.

8. It is requested that action on the above lines be initiated immediately. The effectiveness or otherwise of this procedural drill should be reviewed at the end of six months.

Sd. A. D. PANDIT  
Defence Secretary

**To**

Secretary (DP)  
Addl. Secretary  
All Joint Secretaries  
D.G.I.  
C.C.R. & D.  
All Deputy Secretaries.

**Copy to: —**

Army Headquarters—  
D.C.O.A.S.  
A.G.  
Q.M.G.  
M.G.O.  
E-in-C.  
Air Headquarters—  
Air HQrs. (D.C.A.S.)  
All Inter-Services Orgns

## ANNEXURE 'B'

No. 61279/Q3W(Policy)

ARMY HEADQUARTERS

## QUARTERMASTER GENERAL'S BRANCH

D.H. P.O. New Delhi-11, 19 Aug. 65

To

Headquarters—

Southern Command (10)

Eastern Command (10)

Western Command (10)

Central Command (10)

SUBJECT:—*Planning of Works Projects.*

1. Instructions have been issued from time to time that all interested parties must be associated with the planning of a work project. This is to ensure that the Users requirements are definitely settled at the start of a plan and all aspects of a project receive due consideration.

2. In any project which includes laboratories, inspection or any other aspect of Research and Development functioning, it is necessary that a representative of the R&D Organisation is associated with the project from its inception. Failure to do this is likely to result in delay in the commencement of work on account of some technical deficiencies. Such delays are objectionable.

3. It is requested that this requirement be made known to all Headquarters who may be called upon to order user recce-cum-siting-cum-costing boards.

Sd.

Brig.

For Quartermaster General

**Recommendation**

*The Committee feel concerned to find that 50 vehicles handed over to the contractor for repairs in 1958 were neither repaired by him nor had been returned by him so far even after about 8 years. In the meantime the vehicles had been deteriorating as a result of their being kept in the open and in dismantled condition. The Committee cannot view with equanimity the facts of this case and the state of helplessness in which Government found itself as a result of the agreement entered into with this party. The case points to the necessity of examination of the contract form in order to*

*make a provision for cases of this type viz. withholding Government property delivered to a contractor for repairs, withholding of the same without carrying out repairs and yet claiming some compensation for having incurred alleged expenses.*

[Sl. No. 55 of Appendix IX to Forty-eighth Report (Third Lok Sabha) (1965-66).]

#### ACTION TAKEN

In accordance with the recommendation made by the Public Accounts Committee, it has been decided, in consultation with the Ministry of Law, to incorporate the following clause in similar contracts to safeguard the return of the Government stores/components in the event of cancellation of the contract.

*"Cancellation of the Contract in part or in full on Contractor's default*

If the Contractor, in the opinion of the Government, fails or neglects to comply with any of the terms and conditions of the Contract or with any order issued thereunder, then in such a case the Government shall, without prejudice to any other right or remedies under this Contract, have the right and be entitled to cancel the contract by giving fourteen days' notice in writing to the Contractor, without being liable to pay any compensation for such cancellation. The Contractor, however, will be entitled to be paid at contract rates, after deduction of any amount due to the Government, for the work already completed, which in the opinion of the Government is in accordance with the terms of the Contract. In the event of cancellation of the Contract in the circumstances aforesaid, the Contractor shall, on demand by the Government or the authorised representative thereof, hand over immediately to the Government or the authorised representative all Government stores/components in the possession or custody of the Contractor without waiting for the payment or even settlement of any claim already made or intended to be made by the Contractor."

Suitable instructions have accordingly been issued to all concerned.

D.A.D.S. has seen.

[M. of D. u.o. No. 2(4)/66/160/D(O-II), dated the 11th January, 1967.]

#### Recommendation

*The Committee are surprised that within 6 months of sanctioning the works (costing Rs. 10.26 lakhs) these were cancelled. It is not clear why all the factors subsequently advanced in favour of shifting the site were not fully considered originally. In fact the Committee find that the Board of*

*Officers which selected the site for the workshop had absorb that there was enough space to accommodate the workshops and to cater for future expansion and that this land was away from the civil population. It was deposed before the Committee that the proposed change in the location of the scheme was due to some local pulls from technical authorities themselves arising from rivalry between the two stations. In that case, the Committee feel, that the matter should have been referred to higher authorities and decision taken on merits. The Committee however take a serious view of such local prejudices influencing the vital decisions of location of Army Units. They would like to know the final decision taken in the matter.*

[Sl. No. 62(i) of Appendix IX to the PAC's 48th Report (Third Lok Sabha).]

#### ACTION TAKEN

The Public Accounts Committee have observed that within 6 months of sanctioning the below mentioned two works, the same were cancelled. These two works are:—

(a) Accommodation for EME Workshop Type 'C' ...	Rs. 9.80 lakhs
(b) Classification Ranges ... ..	Rs. 0.46 lakhs
	Rs. 10.26 lakhs

The PAC have observed that it is not clear why all the factors were not taken into account while originally selecting the site for the aforesaid two works and have desired to know the final decision taken in the matter.

2. On 22nd June, 1963, the Station Commander conveyed to the GE the verbal orders of the GOC to suspend all works in the Range area as there was a proposal to shift the Cantonment to an entirely different site. The Area Headquarters forwarded a signal to HQ Command on 1st July, 1963 stating that the area selected for various works is surrounded by civil population on three sides and by the river in the fourth side, that the said area does not provide a suitable location for the proposed Cantonment, and that the area West of Chambal proposed prior to the Emergency for the future Cantonment be abandoned in favour of another area adjacent to east of the main military area. The Command HQ accepted the proposal in principle and took up the matter with the Army HQ in July, 1963. The COAS also agreed with the GOC-in-C. On 28th October, 1963, a proposal was submitted by the QMG's Branch to the Ministry of Defence for changing the Cantonment site.

3. The further developments in the matter are that there has been a reduction in the strengths of the Training Centre and consequently the workload does not justify the setting up of an E.M.E. Workshop Type C. Also the existing classification range is considered sufficient for the reduced number of troops in the station.

4. As regards the location of units the final decision taken on 30th Apr. 1966 is that there will be no change therein. The observation of PAC



that the matter should have been referred to higher authorities for a decision on merits has however, been noted.

5. DADS has seen.

[M. of D. u.o. No. 8(11)66/D(W-I), dated 28th April, 1967.]

**Recommendation**

*It is not clear to the Committee why after the sanction was cancelled in July, 1963, the MES division was not closed down till June, 1964. The Committee desire that this aspect should also be investigated with a view to fixing responsibility.*

*The Committee are of the view that the creation of the second division in this case lacked proper justification. They feel that in such cases instead of creating two divisions with about 50 per cent of staff, the MES authorities should have created one fully staffed division to look after the work in hand and bifurcated it later if more work had developed. The Committee hope that there will be better planning in future.*

[Sl. No. 62 and No. 63 of Appendix IX to Forty-eighth Report (1965-66) (Third Lok Sabha).]

**ACTION TAKEN**

The recommendation contained in Para 5.136 Serial No. 62 refers to Kotah Station 'A'. It is true that although the sanction was cancelled in July, 1963, the MES Division was not closed down till July, 1964. The reasons for the continuance of the Division during this period were as follows:—

- (i) Adequate normal maintenance load and new works.
- (ii) Additional work load imposed by a survey of the two sites with a view to consider their relative merits for Cantonment purposes and completed works.
- (iii) Expectation that a decision about final selection of the site would be forthcoming any time.

2. During this period, the Division executed a work load of Rs. 16.44 lakhs, whereas the total expenditure on its establishment from February, 1963 to June, 1964 was only Rs. 1.53 lakhs. The expenditure for the shorter period from July, 1963 to June, 1964 will be about 2/3rds of this. The annual percentage of the establishment charges for the period February, 1963 to June, 1964, works out to 9.3. Besides, the strength of the staff was restricted to the minimum, and as against the authorised subordinate staff of 64 Nos. as on 1st July, 1963, only 36 were posted.

3. Even after a decision is taken to close down a Division, a time lag is inevitable between the date of the decision and the actual closing down. This time is required for finalisation of proposals with regard to organisational changes, as they have to be processed upto the highest level. However,

MES establishments are planned with utmost care and the position is continuously watched. During the year 1963-64, considerable economy in establishment was achieved. This will be evident from the fact that such expenditure was only 6.93 per cent of the work load during this year (1963-64) as against 11.24 per cent in 1962-63.

4. Lastly, instructions have already been issued by E-in-C's Branch vide their letter No. 85886/E2A, dated 1st of June, 1966, copy enclosed.

5. The recommendation contained in Para 5.140 Serial No. 63 relates to station 'B'. The facts are as follows:—

- (i) Accommodation for a Centre at a cost of Rs. 240 lakhs was sanctioned in March, 1963. But the go-ahead sanctioned was restricted to only Rs. 50 lakhs and even though two MES Divisions were sanctioned, only one was placed in position with effect from January, 1963 to start with. Even this Division was not fully staffed. Against the sanctioned strength of subordinate staff of 50 Nos., only 31 Nos. were positioned.
- (ii) In Sept. 1963, the go-ahead sanction was raised from Rs. 50 lakhs to Rs. 175 lakhs. Placing of second Division with the staff was, therefore, necessary. However, as against the authorised strength of one Garrison Engineer, 3 Assistant Garrison Engineers and 51 subordinate staff, only one Assistant Garrison Engineer and 26 subordinate staff were posted. Their posting was itself spread over a period of time. As no Garrison Engineer was posted with the second Division, its staff remained under the control of the Garrison Engineer of the first Division. Moreover, as no Unit Accountant was posted in the second Division, for all practical purposes, it was a part and parcel of the first Division created earlier.

It is also worth mentioning that although the work load fully justified positioning of the second Division much earlier, it was placed in position from December, 1963 onwards only.

- (iii) It was expected originally that in the light of the work load, at least two fully-equipped Divisions will have to be posted. The start was made with one. But, in view of the restriction to Rs. 50 lakhs in the first go-ahead sanction, the first Division was not fully staffed. The original idea that two Divisions, fully staffed, will in any case be required, was strengthened when the limit of a go-ahead sanction was raised from Rs. 50 lakhs to Rs. 175 lakhs in September, 1963. Action was, therefore, initiated for the posting of a second Division, so that it may be in position in time for undertaking the total work load of at least Rs. 175 lakhs. But here again, staffing was done gradually and in phases. An

additional precaution was taken of not posting a Garrison Engineer and an Accountant and placing the (part) second Division under the administrative control of the Garrison Engineer of the first Division. It could not possibly be anticipated, at any time before the final decision was taken in January, 1964 that the Centre would not be located at this station, that two Divisions would not be required.

6. Ultimately, the combined strength of the two Divisions with about 50 per cent of the staff works out to only one fully-staffed Division. The reasons for creating them have already been explained above and it may only be added that the establishment expenditure on them during the period from February 1963 to June 1964 was only Rs. 2.25 lakhs against the executed work load of Rs. 70.36 lakhs wherefrom the annual percentage of establishment charges works out to only 3.2.

7. The observations of the P.A.C. have been noted.

8. D.A.D.S. has seen.

[M. of D. u.o. No. 15(7)/66/691-S/D(Works-II), dated 5th June, 1967.]

## ANNEXURE

COPY OF LETTER No. 85886/E2A, ENGINEER-IN-CHIEF'S BRANCH, ARMY HEADQUARTERS, KASHMIR HOUSE, NEW DELHI, DATED 1ST JUNE, 1966 ADDRESSED TO CHIEF ENGINEER, ALL COMMANDS.

SUBJECTS:—*Sanction of Establishment/Organisation.*

Establishment and organisation of MES Formations is sanctioned on the basis of anticipated work load for the ensuing year. It is, therefore, probable that the establishment is sanctioned for those works also which are yet to be sanctioned. There is, therefore, necessity for reviewing the sanctioned establishment during the year on the basis of works which are either not sanctioned or abandoned due to various reasons.

2. The audit authorities and the PAC have taken a serious view of infructuous expenditure on the establishment sanctioned in excess of our requirements. In order to avoid any further adverse comments by audit authorities it is once again stressed that the establishment and organisation sanctioned at the beginning of the year should be reviewed and any recommendations for the closing down should be forwarded immediately and those issued in this regard should be implemented without any loss of time.

3. This may be stressed on all concerned.

Sd.  
for *Engineer-in-Chief*

Copy to:—  
Chief Engineer, West Coast, etc. etc.

## Recommendation

*The Committee are surprised how such a heavy cash balance (Rs. 40,000) was kept by the unit in this case. They feel that responsibility should be fixed for keeping cash in unit chest beyond a reasonable limit. They also desire that the question of fixing monetary limits on holding cash in unit chest should be finalised early. The Committee also trust that other necessary remedial measures to avoid out-break of fire and to strengthen the fire fighting arrangements have been taken.*

[Sl. No. 66, of Appendix IX to Forty-eighth Report (1965-66)—  
(Third Lok Sabha).]

## ACTION TAKEN

Instructions for drawing cash and holding thereof to meet disbursements are contained in para 36 of the Pamphlet "Field Imprest Payment Instructions". These instructions stipulate fixation of ceiling limits as laid down therein, except for units serving in Field Areas and served by Field Cashiers which are allowed to draw and retain cash upto the extent required till the next visit of the Field Cashier.

2. Station 'A' is a Field area where no banking facilities are available and units are served by Field Cashiers. Rs. 50,000 were drawn by unit on 15th January, 1964 from Field Cashier to pay unit personnel who were to proceed on leave, as the next visit of the Field Cashier was uncertain and not anticipated before first week of February, 1964. The leave details could not, however, be despatched as anticipated due to very restricted flying during the period on account of bad weather. Money required to pay labourers on muster roll was being drawn from Engineer Works Section located at Station 'B' in Winter and Station 'C' in Summer. The amount required for payment of muster roll was drawn from the "Supply and Services" Imprest which is normally intended for works expenditure incurred by Engineer Units and was brought on 26th January, 1964. Actual date of carrying money from Station 'B' to Station 'A' depends upon availability of aircraft flights which in turn depends upon weather conditions. As a flight was available on 26th January and as 27th January was a public holiday, the opportunity of the flight on 26th January was taken and the money brought the same day. It was also necessary to give a day's notice to the local Labour Officer and the labour for making payment. This notice could be given on only 28th January but only a limited number of labour turned up to receive payment on 29th January, 1964. Under the circumstances, retention of a large cash balance became unavoidable. In the case of Field Area, where banking facilities do not exist, and the location and weather conditions are not such as to forecast accurately the visits by Field Cashier or despatches of personnel, fixation of any monetary limit might inconvenience the troops.

3. Remedial action as necessary has been taken to avoid outbreak of fire and to strengthen the fire fighting arrangements.

4. As advised by the Controller of Defence Accounts, the cash loss of Rs. 39,949.30 is being included in one consolidated loss statement of Rs. 1.21 lakhs which will cover all items of unit equipment and property lost. Expeditious submission of the loss statement for sanctioning by the Government of India is being vigorously pursued.

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

[M. of D. u.o. No. 15(4)/66/770-S/D(Works-II), dated 21st June, 1967.]

## APPENDIX IV

*Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply.*

### Recommendation

The Committee feel concerned to note that despite their repeated observations (Para 87 of 17th Report and para 62-63 of 33rd Report—3rd Lok Sabha) the position of store accounts is still far from satisfactory, and the number of outstanding vouchers had been gradually increasing. Since, in the absence of proper linking of these vouchers it cannot be ensured that the actual quantity of stores that should have been received by the consignee has actually been received by him, undue delay in this matter is fraught with the risk of losses. The Committee were informed that special offices had been appointed for the purpose of clearing of the outstanding vouchers. They would watch results through the next Audit Report.

[Serial No. 4 of Appendix IX to 48th Report of the P.A.C. (3rd Lok Sabha).]

### ACTION TAKEN

The observations made by the Committee have been note.

D.A.D.S. has seen.

### Recommendation

*As regards the existing procedure for linking of stores purchased in U.K. and paid for by the Chief Accounting Officer of the Indian High Commission, the Committee understand from Audit that such payments are finally booked by the Chief Accounting Officer as a lump sum. A list of such payments is not received by the Defence Accounts Officers in India and they are not in a position to ensure that all the stores paid for in the U.K. have been received in India and taken on charge in the books of the Defence consignees. In this connection the Committee understand that one copy of the Mechanical form (Duplicate claim copy of invoice and packing accounts) is now being retained in the Chief Accounting Officer's office as a spare. The Ministry of Defence may examine, in consultation with the Department of Supply, whether this copy could not be utilised by the Chief Accounting Officer to support the lump sum figures booked by him in the Accounts and sent to the C.G.D.A. so that the latter might link them up with receipted packing accounts received from the ultimate consignees. The Committee also feel that in view of the time-lag in verifying whether the*

*stores paid for have been actually received or not, the Ministry of Defence in consultation with Department of Supply should carefully examine the feasibility of importing goods on D.A. terms (Document against Acceptance).*

[Sl. No. 5 of Appendix IX to the Forty-Eighth Report of the Public Accounts Committee (3rd Lok Sabha).]

#### ACTION TAKEN

The procedure for linking of the stores purchased in U.K. and paid for by the Chief Accounting Officer of the Indian High Commission has been revised in June, 1965. According to this revised procedure, the ISM is now forwarding duplicate copies of suppliers' claims to the C.G.D.A. for distribution to the various Controllers of the Defence Accounts. With each batch of these duplicate copies, DG ISM is also sending a statement showing the relevant invoices numbers. These statements are serially numbered so as to ensure that proper check is carried out. Further, the Chief Accounting Officer issues a certificate each month along with Defence invoices that all the invoices pertaining to Defence stores procured through ISM contracts, the cost of which has been debited during the month to the Defence Services, have been forwarded to the DG ISM. The DG ISM on his part further certifies the fact that all these invoices have been included in the list while forwarding monthly list to the C.G.D.A. In so far as stores procured from the U.K. Govt. Departments are concerned, the Service Advisers have been instructed by MGO Branch, Naval Headquarters and Air Headquarters to obtain an extra copy of the vouchers from the U.K. Government Departments and to forward it to the Chief Accounting Officer to enable him to follow the revised procedure for linking of invoices. The CGDA has confirmed after consulting the Controllers of Defence Accounts that this procedure is acceptable to Audit for verification of credit of stores paid in England and for clearance of packing accounts. He, has, however, suggested that the Director of Audit, Indian Accounts in the U.K. should be associated with the issue of certificates by the C.A.O. DGISM in order to ensure that these certificates may serve the desired purpose. The matter has accordingly been taken up with the Director of Audit, Defence Services, who is considering the suggestion of CGDA in consultation with the Director of Audit, Indian Accounts in the U.K. The Naval Adviser has also expressed some difficulties in the matter of implementing the procedure explained above as the number of individual Navy items procured from the U.K. Defence Ministry (Admiralty) far exceeds these similarly obtained by either the Military or the Air Advisers. Further in the case of Naval stores, end-of-year advances are given to the U.K. Ministry of Defence (Admiralty) and these advances are adjusted as bills are later received by the Naval Adviser, certified by his office and passed to the CAO for noting and set-off adjustment against the advances. In view of the very large number of vouchers involved, the Naval Adviser has represented that detailing of shipping particulars on each voucher will entail

considerable amount of clerical effort, which he is unable to undertake with the present staff. The matter is being examined with a view to devising some suitable procedure which will be adequate to meet audit requirements.

2. The suggestion of the Public Accounts Committee that stores be imported on DA (Document against Acceptance) has been examined in consultation with the Ministry of Supply, Technical Development and Materials Planning. If the payments are to be made only after the due receipt of stores at the consignees end, the contracts will have to be placed on FOS (free on sight) basis and not on FOB basis. This would take the responsibility for shipment and documentation out of the hands of ISM, involving the use of Commercial Bills of Lading and the complication of claiming rebate on the sea freight. The freight concession at present obtained from the Conference Lines by the ISM in the shape of discount would also be lost. Further, this would have the effect of escalating the prices as the firms would wish to cover themselves for delay in payments, and in some cases, they may not show any interest in making supplies.

D.A.D.S. has seen.

[F. No. 14(3)/66/D(O.I.)]

#### Recommendation

*The Committee may be informed about the outcome of the proposed review, the streamlining of the procedure and the steps taken or proposed to be taken to expedite the disposal of these cases.*

[S. No. 8 of Appendix IX to 48th Report (Third Lok Sabha) on the Appropriation Accounts (DS) 1963-64 and Audit Report (DS) 1965.]

#### ACTION TAKEN

The existing procedure for regularisation of losses has been reviewed. It has been found that delay occurs almost at every channel involved in the procedure. Instructions have also been issued from time to time drawing attention to the need for early finalisation of the loss cases. If these instructions are followed rigidly, it is likely that much of the delay can be eliminated.

2. Some of the concrete steps, however, already taken or proposed to be taken, for cutting down delay in the regularisation of loss cases are detailed below:—

- (i) *Laying down a time schedule for various authorities involved in the regularisation procedure*—A time schedule has already been laid down on the Air Force side. A copy of the instructions is enclosed. Necessary instructions have been issued to Army and Naval Headquarters, etc., to lay down similar time schedules for the various authorities concerned.



(ii) *Delegation of additional financial powers for dealing with losses*—In Ministry of Defence letter No. F. 13(2)/59/D(Budget), dated 28th April, 1959, certain powers were delegated to various authorities for writing off of losses. These powers were not exercisable for MES losses although many of the losses appearing in the Appropriation Accounts pertain to them. Additional powers delegated in this regard are: —

Chief Engineer—Rs. 5,000.

Command Works Engineer—Rs. 1,000.

Garrison Engineer—Rs. 500.

A copy of the relevant orders is enclosed. It is expected that with the issue of these orders many of the loss cases can be disposed of at the level of C.E., C.W.E., and G.Es.

(iii) *Setting up of an Ad hoc Committee for dealing with the old loss cases*—*Ad hoc* Committees have already been set up for early disposal of old audit objections/losses raised prior to 31st March, 1961. These Committees are due to complete their work on 25th January, 1967. It is proposed that they would be given a fresh lease of 6 months and would be asked to clear all loss cases detected upto 31st March, 1964.

It is expected that with the adoption of the measures detailed above, it would be possible to deal with the cases of losses more promptly.

In this connection, attention is also invited to the reply to recommendation at serial No. 39 of Appendix to the Seventeenth Report 1958-59, sent to the Public Accounts Committee, *vide* Ministry of Defence Office Memorandum No. 11(10)/59/D(Budget), dated the 6th March, 1964.

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

## ANNEXURE 'A'

No. 13(2)/59/D(Budget)/9256/D(W-II),

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 24th October 1966/Kartika 2, 1888.

## CORRIGENDUM

SUBJECT:—*Delegation of financial powers for write off of losses*

In Sub-Para 1 of Para 5 of this Ministry's letter No. 31238/E3A1/16-IS/D(W-II), dated the 10th September, 1959, for the words "will be as laid down in Table 'B' item (viii) MES Regularisations" occurring at the end thereof, *substitute* the following:—

"will be as laid down below:—

- (1) G.E. (Brig)—Rs. 5,000.
- (2) C.W.E.—Rs. 1,000.
- (3) G.E.—Rs. 500."

2. This issues with the concurrence of the Ministry of Finance (Defence), *vide* their u.o. No. 4543-W/I, dated 17th October, 1966.

Sd. R. S. CHAUDHRI

*Under Secretary to the Government of India.*

To

The Chief of the Army Staff, New Delhi.

Copy to:—

\* \* \* \*

IMMEDIATE

## ANNEXURE 'B'

MINISTRY OF DEFENCE

D (BUDGET)

SUBJECT:—*Public Accounts Committee—48th Report (3rd Lok Sabha)—Recommendation at Serial No. 8 of Appendix IX—Delay in regularisation of cases of losses.*

The Public Accounts Committee in its recommendation quoted above have adversely commented on the delay in regularisation of cases of losses. While giving evidence before the Public Accounts Committee, on the delay in the finalisation of the cases of losses, the Defence Secretary promised to examine the matter in consultation with the Financial Adviser to see how finalisation of these cases could be expedited. The recommendation has accordingly been examined in consultation with Branches of Services Headquarters and the Ministry of Finance (Defence) CDA with a view to find out the reasons for delay in the finalisation of these cases. It is, however, noticed that adequate instructions on the subject already exist and if these are strictly complied with, the speedy disposals of cases of losses will be assured.

2. It is, however, observed that considerable delay takes place at various levels in processing the board of officers or Court of Inquiry proceedings. In this connection, Air Headquarters have already laid down a time schedule for regularisation of losses, *vide* their letter No. HQ/32068/45 E.13, dated the 29th May 1963 (copy enclosed). In order to ensure that the cases of losses are regularised expeditiously, it has been decided that the following drill may be followed by the staff authorities for the finalisation of the Court of Enquiry:—

- (i) One week for Station HQ Sub Area.
- (ii) 15 days at Area level.
- (iii) One month at Command level.

3. A.G's Branch, Naval Headquarters, etc., are therefore, requested to issue suitable instructions to all concerned in regard to the above procedure. A copy of the instructions, when issued, may be furnished to D(Budget).

K. B. DAS BHOWMIK  
*Under Secretary*

SS Branch (SD-2).

A.G's Branch (Coord & Budget).

MGO Branch (MG-C).

QMG's Branch (Q1E).

E-in-C's Branch (E2A).

Naval Headquarters (MS-Coord).

Air Headquarters (B&C).

All Inter-Services Organisations.

[M. of D. u.o. No. 11(8)/66/D(Budget), dated 23rd November, 1966.]

Copy to—

All Sections of the Ministry of Defence (including Deptts. of Defence  
Production and Supplies).

## ANNEXURE 'C'

From: Air Hqrs., New Delhi-11.

Date: 29th May 1963.

Ref.: Air HQ/32068/45/E.13.

*Regularisation of Losses in the IAF—Avoiding of Delay.*

Losses of the A.F. equipment are attributable to various factors, the details of which are explained in the relevant Chapters of AP. 830, Volume I. According to the instructions contained in letter No. Air HQ/23381/1/PS, dated the 9th May 1955, losses exceeding Rs. 200 are required to be investigated by Courts of Inquiry while losses due to theft, fraud or neglect, irrespective of their value are to be invariably investigated by Courts of Inquiry. The result of the Courts of Inquiry are communicated to the Competent Financial Authority for necessary regularisation action together with the relevant loss statements. Loss statements requiring the sanction under the financial powers vested in the CAS are sent to Air HQrs along with Court of Inquiry proceedings, Air HQrs. refer the case to CDA (AF) for audit report. CDA (AF) examines the case in consultation with the LAO concerned. The observations raised by CDA (AF) are referred by Air HQrs to the Command HQrs concerned for further elucidation. Command HQrs. in turn forward these observations to the concerned unit. Replies received from the unit are forwarded to Air HQrs by Command HQrs. These replies after being vetted at Air HQrs are referred to CDA (AF) for his final audit report. In certain cases, CDA (AF) again refers the case to the LAO concerned for his remarks on the reply furnished by the unit.

2. Losses falling within the financial powers of the station Commanders/Command HQrs are regularised in consultation with the LAO concerned: CDA (AF), while those falling within the financial powers of the C.A.S. or requiring Govt. sanction are regularised by the Air HQrs after obtaining final audit report from the CDA (AF) and approval of the M. of Fin. (Def.) and Min. of D. (D/Air.I).

3. As due importance and consideration are not given in dealing with the losses at various stages the result is that delay ensues at every stage. The various stages at which delay normally occurs are enumerated below:—

- (a) Delay in ordering Courts of Inquiry to investigate the losses.
- (b) Delay in completing proceedings by the Court of Inquiry.
- (c) Delay in recording endorsement by the Station Commander.
- (d) Delay in recording endorsement by Command HQrs.
- (e) Delay in obtaining final audit report from CDA (AF).
- (f) Delay in finalising the case with M. of Def. and Fin. (D) when Govt. are the competent Financial Authority.

4. In order to ensure expeditious regularisation of losses of equipment, it is imperative that the delay at each stage as mentioned above should be reduced to the minimum, if not, totally eliminated. To achieve this object, the following time-schedule is prescribed for strict adherence by all concerned dealing with losses at various stages:—

- (a) From the time a loss is discovered, within a period of 15 days, the Court of Inquiry should be convened for investigating such losses. At stock-holding E.Ds. where loss statts. relating to stock-taken losses are raised in large numbers, it will be advisable to constitute standing courts of Inquiry for investigating such losses so that there is no delay in this regard.
- (b) Depending upon the nature and extent of the loss, proceedings of the Court of Inquiry should be finalised within a period ranging from one week to one month.
- (c) On completion of the proceedings of the Court of Inquiry, endorsement of the station Commander thereon should be finalised within one week from the date of completion.
- (d) Proceedings of the Court of Inquiry which are referred to Command HQrs should be endorsed with the remarks on behalf of the AOC-in-C within one month from the date of receipt whenever command HQrs refer the proceedings of Court of Inquiry to the Units due to various reasons, it should be ensured that full and final replies are received from the units within a month from the date of reference.
- (e) Proceedings of the Court of Inquiry which require ref. to Air HQrs should be transmitted to Air HQrs duly endorsed with the remarks on behalf of the AOC-in-C within the months from the date of receipt of Command HQrs. At Air HQrs ref. to CDA (AF) for obtaining Audit report and/or queries, if any required to be raised with the Command HQrs should be completed within 4 weeks from the date of receipt of proceedings of the Court of Inquiry at Air HQrs.
- (f) Full and final replies to the queries raised by Air HQrs and/or CDA (AF) should be furnished within 45 days from the date of such ref.

5. To eliminate delay in obtaining final audit report of CDA (AF) action is being taken separately with CDA (AF) to lay down a similar time schedule on his side.

6. As delay in regularisation of losses of equipment has resulted in an accumulation of unregularised losses, the same has featured in the Appropriation Accounts for Defence Services with the attendant adverse criticism from the Public Accounts Committee thereon. It will be appreciated that

it is necessary to avoid adverse criticism from the Public Accounts Committee on the inordinate delay in regularisation of losses. The only method by which this can be achieved is by ensuring that the above-mentioned time schedules are strictly adhered to by all concerned.

Sd. \* \* \*

### Recommendation

*The Committee regret to note that it took more than five years for Air Force Authorities to utilise properly lighting equipment imported in 1957. If the authorities had no experience of this item, it was necessary on their part to obtain technical advice from foreign experts or other countries where such equipment was being used. They should have at least watched a trial performance of their set before finalising the purchase. The Committee regret to note that when the quotations of suppliers did not provide the required control of intensity of light at 10 per cent the Air Force authorities did not even enquire from them if they could provide the same. In the opinion of the Committee, had the authorities been vigilant enough this defect or lacuna could have been noticed much earlier.*

*Further the Committee also regret to note that the equipment was not received in proper condition and that it took more than 3 years to get the damaged parts replaced and have the equipment in a serviceable condition. The Committee would like to be informed whether this matter had been taken up with the suppliers to claim damages in this regard.*

*As regards the further delay it was admitted before the Committee that the works and services were not planned properly. The Committee trust that suitable measures will be adopted by the Ministry of Defence to ensure that all connected works are taken up simultaneously and such cases are avoided in future. The Committee cannot emphasize too strongly the need of greater vigilance in all items of such importance particularly those which are imported from abroad against the expenditure of foreign exchange.*

[Sl. No. 11 of Appendix IX to the 48th Report (3rd Lok Sabha).]

### ACTION TAKEN

When the indents for portable lighting sets were raised, the specifications laid down that the brightness control would be at three positions, namely, viz., 10 per cent., 50 per cent. and 100 per cent. However, at the time of finalising of the contract Air HQs had accepted the two position control (i.e. 50 per cent. and 100 per cent.). It may be relevant to mention here that the lighting sets have a maximum intensity 5,000 candle power. This intensity is much less than the specifications laid down for permanent airfield lighting by the International Civil Aviation Organisation. As a matter of fact, the specification of that Organisation provided for maximum intensity of over 1,00,000 candle power, but the normal usable intensity is 5 per cent. of the maximum, that is about 5,000 candle power. Since this intensity is equal to the maximum intensity of the Portable Sets and twice

the intensity of 50 per cent control position, Air HQrs had accepted that two position control and hence the question of approaching the manufacturers for the 10 per cent control position also did not arise. The glare omitted by the lights noticed later on by flying trials, appears to have been caused by the peculiar design of the reflectors which was not visualised at the time of the purchase.

The following factors contributed towards non-utilisation of the sets in addition to the non-availability of suitable generating sets in time—

- (i) Inadequate arrangements for power supply;
- (ii) Receipt of the equipment in damaged condition;
- (iii) Delay in the repair of the sets by the manufacturers;
- (iv) The cables being unarmoured got eaten up by rodents or were damaged in grass cutting operations;
- (v) The cables being laid-above-ground, theft had also occurred;
- (vi) Extension of runways and delay in providing the works services required;
- (vii) The Sets were purchased on the basis of the recommendations of the Equipment Selection Committee held in May 1955. Most of the offers received from the firms for supplying the lighting sets included stand-by generating sets also. The Committee had, however, dropped the requirement of stand-by generating sets because they expected the generators to be available from the existing stocks held at Air Force Depots in repairable condition. But the non-availability of this equipment at the time of installation of the airfield lighting sets had contributed to their non-utilisation.

3. Out of the 4 sets, the equipment approximately equivalent to three sets is only left now. The rest has been wasted out due to normal wear and tear. The sets are now in use without providing the additional control at 10 per cent. position. The glare has been reduced both by painting the reflectors and by putting in increased resistance.

4. The repair/replacement of damaged parts was hastened up time and again by the unit and Dte. of Equipment at Air HQrs with the Local Representatives of Principal manufacturers, till the work was completed. The work was done free of cost to IAF. There was no clause in the contract to claim for delay in repair/replacement of damaged parts.

5. The chronology of events from the time the equipment was taken over till the defects were rectified is given as an appendix.\*

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\*Not printed.



6. Suitable instructions have already been issued to Service Headquarters so that when a machinery is imported ancillary facilities required for the proper functioning of the machine are provided as quickly as possible. This Ministry's Memorandum No. F. 14/21/64/D(Bud)\*, dated 14th July, 1965 refers. Instructions have also been issued by the Air HQrs at the instance of this Ministry that whenever more than qty 1 of a new type of equipment/machinery is to be ordered, the question whether only one of the type should not be ordered for purposes of experiment and evaluation in the first instance should be carefully considered and appropriate recommendations made to Government. In this connection a copy of Air HQrs Instruction No. 28/65, dated 22nd December 1965 is attached. Government have also issued instruction to Air HQrs that they should render a 6 monthly report to the Ministry of Defence and the Ministry of Finance (Defence) of equipment/machinery which has remained un-utilised for 8 months or more since its receipt in India. A copy of Ministry of Defence u.o. No. 37(10)/64/D(Air-IV), dated 29th March 1965 is attached herewith.

D.A.D.S. has seen.

[M. of D. u.o. No. 37(10)/64/D(Air.4), dated 9.11.1966.]

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\*See page 61— Annexure 'A'.

## ANNEXURE 'A'

COPY OF MINISTRY OF DEFENCE U.O. No. 37(10)/64/D(A-IV), DATED 29TH MARCH, 1965, REGARDING PREVENTION OF NON-UTILISATION OF COSTLY EQUIPMENTS AND MACHINERY IN THE I.A.F.—RETURN REGARDING.

Attention is invited to the Minutes of the meeting held in the room of Additional F.A.III on the 2nd March 1965, circulated to all concerned under this Ministry's u.o. No. 37(10)/64/D(Air-IV), dated 19th March, 1965.

2. It has been decided by JS(A) that Air Headquarters should submit to the Ministries of Defence and Finance (Defence) a six monthly report, as in the proforma attached, in respect of all equipment/machinery costing Rs. 50,000 and above and which have remained un-utilised for 8 months or more since the date of receipt in India either at Embarkation Headquarters or at the unit. The return would cover only Equipment and machinery in the nature of capital goods requiring installation and would exclude equipment/machinery obtained as reserve backing. The return should be as on 30th June and 31st December and should be submitted on or before the 31st July and 31st January respectively. It has also been decided that the first return should include all past indents.

Sd. J. A. KALYANAKRISHNAN  
Deputy Secretary (A-II)

*Air HQrs (DOE—Air Cdr. G. B. Singh)*

Name of Equipment machinery	Cost of Equipment with f.e. element	Whether imported or indigenous	Date of indent date of A/T	Date when the equip. was received at embarkation HQ unit	Reason for non-installation	Remarks
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### Recommendation

*The Committee deplore the manner in which machines which were received against an urgent indent were handled by the Air Force authorities. They are surprised to find that the procurement authorities did not even know as to where the test benches were to be sent. This resulted in avoidable delay due to shifting of these test benches from place to place and an infructuous expenditure of Rs. 20,000 in rectifying the damage caused to them due to rough handling in transit. The Committee trust that the Ministry of Defence will further investigate the reasons for the defective handling of test benches and take further steps to ensure that costly equipment required by the Services is carefully handled and promptly put to use.*

[Sl. No. 13 of Appendix IX to the 48th Report (3rd Lok Sabha), 1965.]

### ACTION TAKEN

The observations of the Committee have been noted.

2. A Court of Inquiry was convened on the 27th December, 1965 to investigate the reasons for the unnecessary movement of the Generator Test Benches. The findings of the Court were made available to Government on the 31st January, 1966. A thorough scrutiny of the findings of the Court has been made in this Ministry. It has been found that there was considerable confusion and lack of proper control on the part of the provisioning section of Air Headquarters in distributing the item to the ultimate consignees which resulted in the unnecessary movement of the items from place to place over long distances and consequent delay in the utilisation of the test benches. Apart from the fact that adequate staff was not available in the provisioning section at that time to cope up with the volume of work then existing, the confusion arose as the item was not an Air Headquarters controlled item at that time. Had it been controlled and issued only under instructions from Air HQrs., re-issues and duplicate issues could have been avoided.

3. The following are the other main causes for the delay:—

- (a) Delay in issue of disposal instructions.
- (b) Delay in bringing on charge of the items.
- (c) Delay in the receipt and repair of two test benches.
- (d) Delay due to damage in transit.

4. It may be mentioned in this connection that the Deputy Director, Assistant Director and Civilian Gazetted Officer who were working in the provisioning Section of Air HQrs. at the material time have since retired or expired. A fourth officer has also left the services some years ago.

5. The Court has found that even though certain lapses have occurred and some individuals may be responsible for these lapses, it is not possible to pin-point the blame on any particular individual.

6. In order to watch the delay in the utilisation of costly equipment, Government have already asked Air HQrs to submit to the Ministry of Defence and Ministry of Finance (Defence) a six-monthly report in respect of equipment/machinery costing Rs. 50,000 and above which have remained un-utilised for 8 months or more since the date of receipt in India either at Embarkation Headquarters or at the units.

D.A.D.S. has seen.

### Recommendation

From the above the Committee regret to observe that the Air Force authorities were themselves to be blamed for the delay in procurement of fire tenders and the unsatisfactory position of fire fighting equipment. They deprecate the delay on the part of the Air Force Authorities in finalising the orders against the offers received by the DGS&D in 1955. It is unfortunate that the authorities could not even decide for such an urgent and important need, about the type of equipment its chassis, etc., for five years and in the meanwhile they were running a serious risk. The Committee find that the incidence of loss due to fire in Air Force installations had increased from 15 cases in 1960 (involving a loss of Rs. 8,397) to 28 cases (involving a loss of Rs. 2,24,880) in 1964. The Committee take a very serious view of this deficiency and feel that if the same is not remedied in time, the possibility of future damage of imported equipment and those in short supply would always loom large. They, therefore, desire that the Ministry of Defence should give serious and immediate attention to this problem and make an all out effort to strengthen the fire-fighting arrangements in the Air Force as the damage caused by fire involves not only loss of foreign exchange, but deprives the service of their valuable equipment.

[Sl. No. 15 of Appendix IX to the 48th Report (3rd Lok Sabha) (1965-66).]

### ACTION TAKEN

The present position of fire Fighting Vehicles in the IAF is given below:—

I. *Tender Fire Domestic*—The position regarding the unit entitlement, reserve and assets of this vehicle, since 1965, is given below:—

Year	UE	Reserve @ 10% * 30%	Total liability	Actual Strength	Actual Def	Dues in	Net Def
Feb 65	118	12@	130	66	64	47	17
Sept 65	128	13@	141	68	73	72	1
Dec 65	131	13@	144	86	58	54	4
Dec 66	128	38*	166	89	77	69	8

It may be seen from the above analysis that in December, 1965, against the actual deficiency of 58 vehicles, the Dues-in were qty 54 and qty 4 remained uncovered by indents. In December, 1966, the actual shortage jumped to qty 77, against which Dues-in were qty 69 while qty 8 was not covered by any indents. This sudden increase in deficiency is due to the fact that since August, 1966, the percentage of reserve allowed on this type has been raised from 10 per cent. to 30 per cent. Action is, however, being taken to raise indents on DGS&D for the shortage revealed.

As regards qty 69 for which orders on DGS&D have already been placed, the following position is indicated: —

An indent for qty 19 was placed on the DGS&D on the 26th April, 1963. DGS&D informed Air HQ in Feb 64 that the indent had been withdrawn because the comments of Air HQ on certain queries were not received in time by the DGS&D. Due to the intervention of the Ministry of Defence, however, the indent was reinstated in April, 1965; but according to DGS&D the indent had a reference to the specifications of an earlier R/T and as this R/T had been amended on more than one occasion, it was necessary for them to call for fresh sets of specifications from the I.A.F. These were forwarded on 17th June 1965 and hence the effective date of the indent became 17th June 1965. Concurrently, another indent for 25 Nos. was raised on 13th September 1965. DGS&D combined these two indents and finalised a contract for qty 44 on the 29th December, 1965 (on 4th March 1966 DGS&D was asked to procure one more vehicle. This was also included in the contract and thus the total order was for qty 45). Delivery schedule was six vehicles per month from the date of approval of prototype. The DGS&D was informed on 19th January, 1966 that a prototype was not necessary and production conforming to specifications of earlier vehicles supplied could start straight-away. Another indent for qty 24 was placed on DGS&D on 28th December, 1966.

Our experience regarding supply against our past indents shows that it takes about 2 years for the indents to materialise. The delay is firstly due to the time taken in finalising contracts which in turn is due to the time lost in sorting out technical details between the Inspection Wing (of the DGS&D) and the Indentor. It has now been decided on 26th May 1965, however, to designate the Fire Adviser in the Ministry of Defence as the Inspection Authority for Fire Fighting Equipment required by Defence indentors. This will to a very great extent eliminate the time taken in sorting out technical details between the DGS&D (Inspection Wing) and Indentors (Air HQ). Secondly, the delay is due to the time taken in manufacturing the vehicles. The Ministry of Supply have clarified on 13th March 1967, that the delivery of Tenders is dependent upon the supply of chassis/Power take off Units to the fabricators on whom orders for the supply of the vehicles are placed. The chassis are released to the fabricators either by the DGS&D or the Indenting Department. As for Power-Take off Units, the

contracts call for import licences unless the units are available with them in stock. Deliveries against the contracts—placed by the DGS&D materialise in about 18 to 24 months, in case the quantities required are large. If the quantities indented are small in number, the deliveries materialise earlier. They have also clarified that all the chassis (qty 45) have been received by the firm during the period August, 1966 to January, 1967. Some of the fire tenders are stated to be under inspection which would be completed on receipt of clarifications on certain technical points from the Indentor. The supplies are expected to be completed before September, 1967.

*Trailer Fire Pump*—The position regarding the UE, Reserve and assets since 1965 is given below—

Year	UE	Reserve	Total liability	Actual Strength	Actual Def.	Dues in	Net Def
May 65 ..	173	..	173	76	97	43	54
Dec 65 ..	173	..	173	90	83	70	13
Dec 66 ..	194	..	194	90	104	67	37

It may be seen that the actual deficiency in Dec. 65 was 83, out of which there were Dues-in of 70 and only 13 vehicles remained uncovered by an indent. An order to cover this deficiency was also raised in March, 1966. The actual deficiency in Dec. 66 has gone up to 104, out of which there are Dues-in of qty. 67, and 37 vehicles have still to be indented for. The sudden increase in deficiency is due to the fact that 9 Signal Units and 3 Bomb Disposal Squadrons, established for Trailer Fire Pump (qty. 2 each), were formed between Sept. 65 and Aug. 66. Action is in hand to raise indents to cover this deficiency.

As regards orders for qty 67 already placed on DGS&D, it may be stated that an order for qty 54 was placed on 9th October, 1965. This was contracted for by the DGS&D. The probable date of completion was 15th January, 1967. The Ministry of Supply has stated in March 1967 that the firm have started bulk production and supplies are likely to materialise soon.

As regards the second indent for qty 13, it has been stated by the Ministry of Supply that the effective date of the indent has been taken as 16th October 1966 by the DGS&D, i.e., the date on which clarifications asked for from the Indentor were received. The indent has already been covered by a contract on 23rd February 1967. Supplies are expected to materialise by the end of May, 1967.

As regards further deficiency (qty 37), steps are being taken to ascertain the suitability of the Trailer Fire Pump available with the Army. If they are found suitable, necessary indent will be raised on Army, or else an

indent will have to be placed on DGS&D for the same with Government approval.

*Tender Fire Crash*—The present position, the UE and assets of this vehicle since 1965, is given below:—

Year	UE	Reserve @ 10% * 30%	Total liability	Strength	Total Def.	Dues in	Net Surplus Def.
Feb 65 ..	93	9@	102	64	38	47	9
Dec 65 ..	85	9@	94	88	6	23	17
Nov 66 ..	83	25*	108	106	2	1	1

Although we were holding surplus number of vehicles in 1965, the present deficiency has come to qty 1. This is mainly due to the fact that the present reserve percentage allowed on this vehicle has been increased from 10 per cent. to 30 per cent.

Qty 1 is due from the Indian Navy to whom 1 Tender Fire Crash was earlier given on loan.

2. It may be seen from the preceding paragraphs that position regarding Tender Fire Crash is quite sound, whereas there is considerable shortage of Tender Fire Domestic and Trailer Fire Pump. The requirements of Fire Fighting Vehicles do not remain constant. They fluctuate due to various factors, e.g., increase in reserve percentage, formation of new units, down-gradation. Whenever such a shortage is revealed, Air Force promptly raises indents against DGS&D Army. The pipe-line for the supply of these vehicles is also very long, as it takes about 2 years for an indent to materialise. The recommendation of the P.A.C. has been brought to the notice of the Ministry of Supply.

3. The observations of the P.A.C. have been noted.

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

#### Recommendation

*The Committee regret to note that the shortage of cheaper oil was mainly due to the under-provisioning of this oil by the Naval authorities during the successive annual reviews relating to the years 1959-60 to 1961-62. This resulted in an avoidable extra expenditure to the extent of Rs. 1.24 lakhs. The Addl. Secy. Defence admitted in evidence that it was a case of human failure. The committee are, however, surprised to know as to how the witness considered the question of fixing the responsibility in this case as "not worth-while" when, according to his own statement, the mistake was serious enough because it was repeated for 3 years. It was even admitted in evidence that responsibility could be fixed if they really went into it. The Committee regret to note that no attempt was*

*made to fix the responsibility for the mistake. Further, no measures had been taken to guard against the occurrence of such cases in future. The Committee were given to understand that a further enquiry was being conducted in this case by the Ministry of Defence. They would like to be apprised of the results of this enquiry.*

*They also suggest that the procedure of provision of stores in this case should be examined with a view to remove defects, if any.*

[Sl. No. 17 in Appendix 'IX' to the PAC's 48th Report.]

#### ACTION TAKEN

(a) *Fixing of responsibility for the mistake*—This aspect has been examined by the Government from two points of view, viz. (i) whether there has been any lapse on the part of the estimating Officers and (ii) whether responsibility can be fixed for the wrong posting of entries in the ledger.

As regards the first point, the Government are of the view that there has been no lapse on the part of the estimating Officers, their being no deliberate or intentional ignoring of any procedure or practice. As regards the wrong posting of entries in the ledger during the relevant period viz. October, 1958 to April, 1962, 274 postings have been made in the ledger and judging from the hand-writing, these have been made by different dealing clerks whom it has not been possible to identify because the relevant Attendance Registers have already been destroyed in accordance with the standing orders. As no records showing the dates of destruction of the Attendance Registers has been maintained till now, it is not possible to state categorically whether they were destroyed before the Draft Audit Paragraph on the subject was received in November, 1964. It may, however, be stated that in accordance with the normal practice, the last of the relevant registers must have been destroyed early in 1964. At this stage therefore, identification of the persons concerned would have to be based on a comparison of handwriting with the ledger entries by specialist.

2. Having given anxious consideration to the disciplinary aspect of this case, having regard to the circumstances mentioned above, Government are of the view that even if it were possible to get expert opinion in regard to the handwriting, the time and labour involved in that process and the subsequent process of taking disciplinary action against each of the individuals would be out of proportion to the degree of guilt with which the individuals could be charged, especially as their bona fides are not suspect and there being no indication of any deliberate intent/attempt to cause loss to the State or gain themselves. Therefore, if at all any charge could be brought against the individuals, it could only be that of negligence in the performance of their duties. In the circumstances, the Government are of the view that the disciplinary aspect need not be pursued further.



(b) *Remedial measures*—As suggested by the Committee the procedure for provisioning of stores in cases of this nature has been examined with a view to avoiding defects and the following action has been taken:—

- (i) Instructions have been issued by NHQ that “in lieu” issues and the requirements of new ships should be taken into account for the purposes of provisioning.
- (ii) Instructions have been issued by NHQ that demands for items issued “in lieu” or as substitutes should be stamped “substitute” in addition to “non recurring” and initialled by person authorising the “in lieu”/substitute issue.
- (iii) The system under which the duplicate ledgers were maintained, one in the Naval Store Depot and the other at NHQ has since been changed and provisioning is now done on the basis of the entries in the machine posted ledgers maintained in the Naval Store Depot.
- (iv) Every effort will be made to ensure that the time lag between the date of the Indent and the materialisation of supplies is minimised.

3. The following further measures have been taken to facilitate the fixing of responsibility in such cases:—

- (i) It is considered that the ledgers should provide for the signature and designation of the posting clerks to facilitate the fixing of responsibility. Since this will affect the procedure being followed in the Army and Air Force also, the question is being examined on an Inter-Services basis;
- (ii) NHQ have been asked to ensure that proper records are maintained showing the dates of destruction of records.

4. DADS has seen.

[M. of D. u.o. No. F.5(8)/66/D(N 1), dated the 10th July, 1967.]

### Recommendation

*The Committee are constrained to observe the tardy manner in which the important scheme of expansion of Naval Dockyard was handled by the authorities at different stages. They cannot help getting the impression that the urgency of the matter was not fully appreciated by those who dealt with this scheme. It took more than 2 years for Government to consider the scheme submitted by the Consulting Engineers in June, 1950 and another period of about 2 years was taken to start the work on Stage I. Ultimately, the work which was supposed to be completed by 1961 was still incomplete.*

*In para 28 of their 8th Report (Second Lok Sabha) the Estimates Committee (1957-58) had expressed their dissatisfaction over the progress of the scheme as follows:*

*The work on the Stage I was started in the middle of 1955 and is expected to be completed in 1961. The Committee consider it very unfortunate that over 2 years should have been taken in commencing the execution of the project in 1955 when the scheme was finalised towards the end of 1952.*

*The Committee feel that in an important matter like the Naval Dockyard, a greater sense of urgency in executing the project should have been shown.*

*The Committee regret to observe that despite the above observations of the Estimates Committee no serious attempt has been made to accelerate the progress of work on the scheme and in the meanwhile, further delay continued to add to the cost of the project.*

[Serial No. 19 of Appendix IX to Forty-Eighth Report (3rd Lok Sabha).]

#### ACTION TAKEN

It may be explained that in arriving at the above conclusion, undue reliance has been placed on the financial and time estimates provided in the May 1950 Report of the Consultants as broken down for the various stages of the Dockyard Expansion Scheme. It should be borne in mind that this was a Project Report prepared for the guidance of Government so as to give a general idea of the financial implication of undertaking a scheme of this magnitude, and also of the intervals of time at which certain additional facilities would be expected to become available. It has been expressly stated at the concluding portion of Para 103 (Page 23 of the Report) that ".....If it should be decided to proceed with the development on the lines given in our recommendations, then, of course, the designs for Contract purposes will require much greater detailed study and preparation."

2. It was as a result of detailed study that revised financial and time estimates were subsequently prepared taking into account the continued modernisation needs of the Navy. The time for completion of Stages I & II as initially estimated by the Consultants themselves were as under:—

*Stage I*—5½ years as estimated in 1952 costing Rs. 555 lakhs which was subsequently revised to Rs. 1,072 lakhs. This did not include time required for completion of additional works etc.; costing about Rs. 241.56 lakhs subsequently sanctioned for execution under Stage I, such as Patent Slipway, Ballard Pier Extension, Additional facilities not envisaged earlier.

*Stage II*—7 years/12½ years for works costing Rs. 1,459 lakhs.

Even in the 1950 Report of the Consultants, it was estimated that if the works relating to all the five stages could be undertaken for execution con

secutively without any gap between them the Scheme would be completed in 13 years' time as under:—

Stage I	Preparation	...	...	...	1 year
	Execution	...	...	...	1½ years
Stage II	...	...	...	...	4½ years
Stage III	...	...	...	...	2 years
Stage IV	...	...	...	...	1 year
Stage V	...	...	...	...	3 years
					13 years

The completion period of 9 years mentioned in the 1950 Report envisaged telescoping of stages and fulfilment of certain pre-conditions.

3. The work could not be commenced in 1951 as envisaged in the report of the Consultants which was received in June 1950. The following factors account for the unavoidable loss of time which occurred in the course of execution of Stage I of the Project:

- (1) *June 1950 (the date of receipt of the report) to November 1952 (the date of issue of Administrative approval for Stage I at a cost of Rs. 555 lakhs)—29 months spent on examination of all aspects of the report.*

When the report of May 1950 was received, a copy was made available to the Bombay Port Trust in their capacity as Conservators of the Bombay Port. The objections raised in Nov. 1950 by the Bombay Port Trust and civilian interests represented thereon are indicated hereunder:—

- (a) That it would seriously hamper the future expansion of the port for commercial purposes. It is not practicable to expand the port towards the north where the water is shallow or towards the east where reclamation had to be carried out deep into the sea. The only possibility of expansion lies in the southerly direction and this will be blocked for ever by the scheme of developing the Naval Dockyard.
- (b) That the Scheme was objectionable from the point of view of security and although the proximity of the Dockyard might afford slight additional security to the commercial port, at the same time it will also increase the risk of attacks and their severity.
- (c) That the Naval establishment will create further problem of providing housing for officers and ratings, Canteens for workers and that the expansion will take away the harbour frontage popularly known as Appollo Bunder which at present serves as a boating and recreational resort for the public.

The matter had to be discussed with the State Government to resolve the objections raised by the commercial concerns at Bombay at the Prime Minister's level and also with the Port Trust authorities. The fundamental question of expansion of the Dockyard at Bombay had to be resolved and the Port Trust's opposition overcome before any further progress could be made to accept or implement any part of the Consultant's Report. Due to the time that elapsed in resolving these objections and taking into account the time that would be required by the Consulting Engineers to carry out surveys, prepare drawings, place Contracts etc. it was found necessary to rephrase the order in which certain facilities were to be provided in the original plan.

It will, therefore, be seen that the delay of 29 months in this matter was caused out of the necessity for Government to consult and to overcome the opposition of other Statutory Bodies and private interests, who were affected by the expansion of the Naval Dockyard at Bombay.

(ii) *Dec. 52 (Date of issue of Administrative Approval for Stage I) and Sep. 54 (the date of execution of Contract for the 1st Civil Engineering Works)*—21 months.

The Consultants while submitting their report of May 1950 and also in their subsequent correspondence had pointed out that if Government proposed to implement their Scheme it would require further preliminary investigations like trial bores, surveys etc. before detailed designs and drawings and the Contract documents could be drawn up. Consequently, after the Stage I works were administratively approved in December, 1952 for execution, the Consultants sent out their team of engineers to Bombay in January 1953 to carry out the detailed investigation, which were completed around May 1953. Advertisements for Contract No. 1 were issued in June 1953 and the tenders were received on 31st October 1953. The Consultant's report and recommendations on those tenders were received by Government in December 1953.

As the Contract as planned envisaged the taking over of certain areas belonging to the Bombay Port Trust, the Ministry of Defence approached the Bombay Port Trust on 19.8.1953 for transfer of these lands and assets. As against the original anticipation that these lands and assets would be a straightforward acquisition by Government, the B.P.T. raised various difficulties regarding the mode of compensation and the manner of transfer of these assets to Government. The transfer of these assets and the terms therefor was the subject of prolonged negotiations, which were finalised in August 1954. As soon as the agreement with the BPT was arrived at, Contract No. 1 (for which tenders were received in October 1953) was accepted on the 2nd September 1954.

As the progress made by the Contract No. 1 was very slow, and in fact, as certified by the Consulting Engineers in October 1956, the Contractor had

abandoned the works, the Contract was forfeited in December 1956 and all the plant and equipment left behind were taken over by Government. About 18 months were lost due to slow progress by the Contractor in execution of Contract No. 1. He did only 18 per cent of the work between October 1954 and December 1956 (26 months). The manner in which the span of these 26 months were spent is explained hereunder: —

Acceptance of tender of M/s Hind Construction Co. Ltd., Calcutta in 2nd September 1954.

Issue of work order for the contract on 24th September 1954, in which it was envisaged that the works under the Contract would be launched immediately. The prescribed date for the completion of the contract was fixed at 24-5-1957.

The actual commencement of works under the contract could take shape only in late June 1955. The delay of these 9 months, according to the contractor, was due to the diversion of the dredging fleet originally earmarked for this project elsewhere by their Italian Associates. An alternative dredging fleet could be procured by the contractor only in the middle of June 1955.

From June 1955 to early 1956 the Contractor was able to complete works worth Rs. 32 lakhs only, after which all the works were virtually abandoned by him as later certified by the Government's Consulting Engineers.

In December 1956 it was decided by Government to entrust the balance of the works under the Contract to an Engineer Administrator for departmental execution. The work had to be reorganised for execution departmentally resulting in delay in completion of the works.

The scope of work carried under Stage I was considerably increased as compared to what had been envisaged initially and this entailed corresponding delay in completion of the work. Additional time required for execution of Stage I was mainly on account of the failure of the Contractor in Contract No. 1, as by their very nature, other works could be taken up for execution only after sufficient progress was made on Civil Engineering Works included in Contract No. 1. The time required for the provision of additional facilities also accounts for the delay in completion of Stage I.

From the analysis above, it would be apparent that no available delay had occurred in actual examination/execution of Stage I of the Scheme. It is true that work on Stage I is still in progress but the items on which the works are in progress are not those covered by the original Administrative Approval. All Civil Engineering works under Stage I of the Scheme are now substantially completed.

### Recommendation

*In this connection also the Committee want to draw attention to the following observations of the Estimates Committee contained in para 32 of their 8th Report (Second Lok Sabha).*

*"The Committee do not feel happy over the method in which the fees of the Consultants have been fixed. The present terms are such as to give them an unintended benefit on account of the increase in the cost of work due extraneous reasons, like contractor's delays and failure and not due to additions to the work. The Committee would, therefore, recommend that Government should review the matter and lay down principles on which remuneration should be paid to consultants in future contracts. They would suggest that Government should negotiate with the consultants in the present case to eliminate increments of costs on account of extraneous reasons, from the cost of the project, for determining remunerations."*

*In their reply to this recommendation (at page 25 of 109th Report of Estimates Committee—Second Lok Sabha) the Ministry of Defence had stated that the consultants had given certain proposals/suggestions which were under consideration of Government.*

[Serial No. 20 of Appendix IX to the Forty-Eighth Report.]

### Recommendation

*The Committee are not sure whether the revised terms will safeguard Government against the unintended benefit occurring to the Consultants as a result of increase in the cost of works due to rise in prices and other extraneous reasons (e.g. delay in completion of work etc.). They, therefore, suggest that in future while negotiating such contracts where the details of the project and its period of completion are not certain, the Government should consider provision of an overall ceiling for the remuneration of the Consultants.*

[Serial No. 21 of Appendix IX to the Forty-Eighth Report.]

### ACTION TAKEN

These recommendations refer to fees payable to the consultants under the Consultancy Agreements. Memorandum of Agreement for Stage I works under the Naval Dockyard Expansion Scheme, Bombay was executed with the Consulting Engineers on 22-11-52. In 1952 when the Agreement was drawn up, it was assumed that the cost of works under Stage I would be to the tune of Rs. 5.5 crores. As the cost of Stage I increased considerably, reduction was sought in the quantum of fees payable to the Consultants. As a result of further negotiations with the Consulting Engineers in

November 1959, it was finally agreed that the fees for Stage I works would be regulated as under—

- (i) The fees under clause 4(i) of the Agreement would be at 4.6 per cent on cost of Stage I upto Rs. 5.5 crores.
- (ii) Fees would be reduced to 4 per cent on cost of Stage I in excess of Rs. 5.5 crores.
- (iii) The fee would be based on accepted Contract price less provisional and contingent sums plus cost of any additional work carried out as extension to the Contract. In the case of works executed departmentally the fee would be based on estimates to be agreed between Government and Consultants.
- (iv) On Contract No. 1 the fee would be based on the original Contract figure (less provisional items not executed).

The observations of the Estimates Committee referred to in this recommendation have already been implemented in respect of the Stage I Consultancy Agreement.

It may be explained that in the case of Stage I the Consultancy fees for works carried out by contract are related to the original contract price less provisional and contingent sums plus variations, if any, ordered. The Contract contains provisions for adjustment of price variations as also compensation in certain cases due to extension of time for the completion of works. Such payments on account of price variations or compensation for extension of time do not attract fees under the revised terms agreed to by the Consultants.

As regards Stage II, for which a Consultancy Agreement was entered into in January 1962, a ceiling on the Consultants' fees in relation to the works envisaged therein has been fixed in terms of the agreement on the basis of the agreed estimates of the works as per Administrative Approval issued in September 1964. This ceiling cannot be enhanced unless the scope of the works is enlarged. It will, therefore, be noted that no unintended benefit has been accrued to the Consultants and the recommendations of the P.A.C. in this respect have already been implemented.

D.A.D.S. has been.

### Recommendation

*While the Committee are inclined to accept the reason for placing of order on the old Factory 'A' in the first instance due to the pre-occupation of the more modern factory 'B' with other items of production, they see no justification for continuing the production of this item in the uneconomical factory for 3 years. If, as stated in evidence, the fact that the cost of production in Factory 'A' will be more, was known from the very beginning, the DGOF should have taken the earliest opportunity to augment the capacity of Factory 'B' and discontinue production of this item*

*in Factory 'A'. Had this been done a major portion of extra expenditure could have been avoided.*

[S. No. 24 of Appendix IX of the 48th Report of PAC (Third Lok Sabha).]

#### ACTION TAKEN

In 1961-62, Metal & Steel Factory produced the cases much in excess of Ordnance Factory, Ambarnath. This is due to the fact that in 1961-62, Ordnance Factory, Ambarnath was engaged in production of other more important items for the Services. Ordnance Factory, Ambarnath had to produce other types of cases in their light/medium calibre case plant. The factory produced 1,15,900 Nos. of another type of cartridge cases during 1961-62, against the Army's requirement of 2,48,950 Nos. for that year. The factory had also to cope with a sizeable load in their melting shop and rolling mills by way of production of Small Arms Ammunition cups. These capacities are inter-related with the capacity of the case plant. The planned output of the cartridge cases in question at Ordnance Factory, Ambarnath had, therefore, to be restricted.

2. From 1962-63 onwards the trend was reversed and Ordnance Factory, Ambarnath produced cartridge cases much in excess of Metal & Steel Factory. This itself will show that the DGOP was alive to the necessity for diverting the production to the more economical factory.

3. A point may be raised whether in view of the higher cost of production at Metal & Steel Factory, the factory could not have manufactured during 1962-63 and 1963-64 fewer cartridge cases than what they actually manufactured during this period i.e. 2,75,462 and 2,74,750 respectively. There were two reasons why this could not have been done:—

- (i) The capacity of MSF's case plant was 18,000 Nos. per month per single shift of 8 hrs. and the factory did not have sufficient load in their melting shop and rolling mills. Thus it will be seen that if MSF were to produce fewer cartridge cases, it would have resulted in idle capacity which is as much an uneconomical proposition as the higher cost of production in the factory.
- (ii) The requirements of the Army during 1962-63 and 1963-64 were so large (14,72,000 in 1962-63 and 9,19,800 in 1963-64) that OFA alone could not have met the requirements, more so because the factory was simultaneously engaged in production of other more important items for the Services.

4. Regarding the point raised by the PAC that if the fact that the cost of production at MSF would be more was known from the very beginning the DGOP should have taken the earliest opportunity to augment the capacity of OFA and discontinue production of 25 per cartridge cases at MSF, it is stated that such augmentation would have entailed very substantial capital expenditure by provision of additional plant (mostly of



foreign origin) and extension of buildings. A proposal was, therefore, initiated in January, 1966 to modernise the plant at MSF which would have the following advantages—

- (i) very little civil works would be involved since existing buildings would largely suit;
- (ii) Capital outlay in the procurement of plant and machinery would be much less, since a large number of existing machinery could be utilised after thorough overhauling and repair; and
- (iii) Services were already available in the factory.

The DGOF's Methods Study Team have already examined in November, 1966 the performance of the case plant at MSF, located the uneconomic operations and drawn out a scheme for modernisation of the old case plant. Action is already in hand to procure the balancing plant and machinery. It is expected that when modernisation of the old case plant at MSF materialises, the wide variation in the cost of production between MSF and OFA will be eliminated.

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

#### Recommendation

*The Committee are not satisfied with this explanation. They learn from Audit that in the case of item (i) the number of boxes purchased from the trade was nearly 3 times that produced in the Factory. Even the average cost of material used per unit (Rs. 32.50) in the factory was much in excess of the finished article procured from trade (Rs. 24 to Rs. 29.75). The Committee are surprised as to how the Government factories were not able to procure the cheaper varieties of timber in sufficient quantity when the private firms could do so. This clearly indicates that either no serious attempt was made by the Factory or the existing arrangements for provisioning of timber are not satisfactory. The Committee desire that the matter should be further enquired into to find out what steps were taken by the management to procure timber of the right and cheaper variety after the order for the manufacture of boxes was placed on it.*

[Sl. No. 27 of Appendix IX to 48th Report—3rd Lok Sabha]

#### ACTION TAKEN

The question has been re-examined. The specification for wooden ammunition packages lays down, *inter alia*, that the timber used should be of good quality, well seasoned and free from shakes, objectionable knots, centre heart and other defects, etc. However, the extent and gravity of those defects that can be permissible in scantling/half wroughts utilized in the manufacture of boxes is not given in the specification and, therefore, the safest course adopted by the Inspector attached to the factory is to cover the timber in such a manner that all these defects are absolutely

absent in the scantling/half wroughts, which naturally result in higher cost of the processed timber, although the cost of the original logs, may be the same in the factory, as in trade Firms.

2. If the factory were to make use of the cheaper species of timber only to keep down the material cost of wooden packages and to avoid delay, the other alternative would be to maintain a buffer stock for a year in the form of planks. Here again the deterioration in the conversion from log to plank will be unavoidable and, in ultimate analysis, the cost of planks made from cheaper species of timber, may work out to be, more or less, at par with those produced from costlier varieties.

3. The various causes for high production cost of wooden ammunition packages at the Factory as compared with trade supply, are high overheads, use of costlier varieties of timber in the absence of facilities for pressure impregnation treatment, high direct labour and high quality of scantlings. The high overhead charges and high direct labour are, to a large extent, beyond the control of the factory and hence it is difficult to bring down its production cost of wooden ammunition packages to a comparable level with the trade cost, even if cheaper species of timber are used after commissioning of the pressure impregnation plant.

4. Admittedly, the costly timber like Sisoo and Teak used by the factory had inflated the cost. Use of cheaper species of timber would have necessitated pressure impregnation treatment of the planks, but this could not be carried out due to lack of necessary equipment. However, an indent has been placed on the Directorate General, Supplies & Disposals on 21st June, 1966 for supply of 6 Nos. of pressure impregnation plant.

5. According to the present provisioning procedure, indents for timber are placed on the Directorate General of Supplies and Disposals for one year's requirements two years in advance of the period of utilization. These indents are actually placed on the basis of six monthly review. No delay takes place in the placement of indents from the point of view of time of delivery required at the Factory. However, supplies have not been coming forward to the desired quantities. As and when necessary, expediting action is taken with the appropriate authorities. The existing provisioning procedure, as such, does not require any modification.

6. Director of Audit, Defence Services has seen.

[File No. 4/15/66/D(Prod).]

#### Recommendation

The Committee asked the representative of the Ministry of Supply to examine these cases and to furnish a note indicating (i) whether a penalty clause was included in the contracts given to private firms; (ii) what action had been taken against the suppliers for not supplying the goods in time and (iii) in the case of wooden boxes, what were the rates at which orders

were placed on the trade, the reductions effected, if any, on account of lowering of specifications and the final prices paid to them. The Committee regret to observe that this information is still awaited.

[S. No. 28 of Appendix IX to 48th Report (Third Lok Sabha).]

#### ACTION TAKEN

\*A statement showing the orders placed by the DGS&D for supply of Wooden Ammunition boxes (C-251) against the two indents placed by the DGOF is enclosed. The A/Ts referred to therein were governed by the conditions of Contract DGS&D-68 which *did* carry penal clauses for failure to supply within the stipulated period. The extensions in the delivery in the A/Ts were given, reserving the purchaser's right for recovery of the liquidated damages for the delay in supplies. In some of the cases, where at the time of extension current market rate was lower, the delivery period was extended on the firms signifying their acceptance of the lower rates. At the time of finalisation, reports were called from the consignee about the loss/inconvenience suffered by them due to delay in supplies and on the basis of these reports, the claims for liquidated damages have been finalised.

2. The penalties imposed for not supplying the goods in time have been indicated in Col. 12 "Remarks" of the statement.

3. (i) The rates at which these orders were placed on the trade are indicated in Col. 6 of the statement;

(ii) These A/Ts were placed for supply of the stores to the specifications/drawings indicated in the indent. With a view to meet immediate requirements, the Chief Inspectorate, Kirkee, allowed certain deviations in respect of Pressure Impregnation of timber, for treatment of timber by dipping five minutes in Copper Naphthenate Solution for part quantity. This, in the Department's view, did not involve lowering of the specifications and hence the question of reduction did not arise.

[No. PI-43(2)/65, dated 30 March, 1967 from the Ministry of Supply, Technical Development & Materials Planning (Department of Supply & Technical Development).]

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\*Not printed.

#### Recommendation

(i) *What surprised the Committee most in this case was the inability of the technical experts to locate the cause of the failure of the ammunition in proof tests. Even till this day the definite cause remains undetermined. There was evidently a defect in the filled shells as a result of which it could not be used. Still under the existing system of check, with all the scientific aids, it had not been possible to find out the defect. The Committee are, therefore, left with the impression that the existing system of checks and inspection in the Ordnance Factories leaves much to be desired. The*

*Committee take a serious view of this lacuna and desire that this matter should be further examined at the highest level with a view to tightening up the inspection procedure in the Ordnance Factories and improving its efficiency.*

(ii) *The Committee regret to note that the rejections of the shells which were manufactured during November, 1958 to October, 1959 were made known to the Ordnance Factory only in February, 1961. This delay may be investigated and responsibility fixed.*

[Sl. No. 30, of Appendix IX of the Forty-Eight Report (Third Lok Sabha).]

#### ACTION TAKEN

(i) A note giving salient features of the enquiry conducted by Government to ascertain the reasons for the failure of the filled shells and the result thereof was submitted to the Public Accounts Committee. It will be observed from para 2 thereof that the production of the ammunition was successfully established in the Ordnance Factories with effect from 27-5-1957 and considerable quantities have since been supplied to the Services after proper inspection. The rejection of 12 lots for which it has not been possible to pinpoint the defects is a solitary instance. The behaviour of filled ammunition stores at proof stage—though the ammunition is produced strictly according to the specification—cannot always be guaranteed owing to a large number of variables involved. Such rejection cannot also be foreseen and eliminated. The very fact that, after the incident of rejection under consideration, there has not been any recurrence of such large scale rejections in the production of this ammunition, even though the production rate has increased many-fold, will show that not only has the production standard been stabilized, but the inspection standard has already been upto the mark. The Government have been advised by the technical authorities in September, 1966 that the inspection procedure for the inspection of the shells is adequate to meet the requirements and does not need any revision.

(ii) As regards the delay involved in communicating the rejection of the shells to the factory, the position is that the initial failure was made known to the Director General of Ordnance Factories in January 1960. It should be mentioned that failure at proof of the filled shell does not necessarily imply final rejection sentence. To investigate the cause of failure, the loss were subjected to further proof and special proof, the special proof being completed in December, 1960. The final sentence of the rejection was conveyed to the factory on 14-2-1961. The period which elapsed in communicating the final rejection was necessary to enable proper investigation being carried out. In the circumstances, it is considered that the question of fixing of responsibility need not be pursued.

Director of Audit, Defence Services, has seen.

[File No. 4/10/66/D(Prod.).]

### Recommendation

*The Committee feel concerned to note that the machines which were obtained on the recommendation of an expert from the Ordnance Factory remained idle in the godown for 8 to 12 years and it was left only to Audit to point this out. The Committee feel that the existence of the machinery should have come to the notice of the factory authorities during periodical physical verification of items of Tools and Plant. No such physical verification appears to have been done during all these years. The Committee suggest that the circumstances in which machinery valuing Rs. 1.31 lakhs remained unutilised for such a long time should be investigated with a view to avoid a recurrence of such cases. Defects in procedure if any, found as a result of such investigations, should be removed.*

[Sl. No. 31, of Appendix IX to Forty-eighth Report of the P.A.C. (Third Lok Sabha - 1955-56).]

### ACTION TAKEN

The D.G.O.F. had acquired 5 Nos. of the Machines from the Director of Ordnance Services sometime in 1951. These machines were actually received at the Ordnance Factory, between 1953-56 and kept there under storage pending allocation to different Ordnance Factories.

2. Physical verification of the machines in question along-with other machines, was carried out from year to year. It may be stated in this connection that the machines in question, which were declared surplus by the C.O.D., were taken over *not* for utilisation at the Ordnance Factory, but were stored there (which happened to be the nearest factory) for ultimate utilisation in other Ordnance Factories. Although the factory authorities were aware of the existence of the machines, unfortunately both the factory and the D.G.O.F. overlooked the question of allocation of these machines which is regretted.

3. Early in 1965, the D.G.O.F. considered the advisability of having the matter investigated and appointed a one-man committee to examine the matter with a view to avoid recurrence of such cases. In the course of the investigation the committee also visited this factory and arising out of the observations/recommendations made by the committee, an office circular was also issued. Therefore, no further investigation appears necessary. To avoid recurrence of such lapses in future, necessary instructions have been issued to all factories vide the D.G.O.F. letter No. 005/48-31 A/B, dated 1/3-8-1966 read with his letter No. 350, E/M, (P), dated 27-7-1966 (copies enclosed).

[File No. 4/18/66/D(Prod).]

**ANNEXURE 'C'**  
**No. 005/48/31/A/B/**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF DEFENCE**  
**DIRECTORATE GENERAL, ORDNANCE FACTORIES**  
**6, ESPLANADE EAST**

*Calcutta-1, dated the 1st/3rd August, 1966*

To

The General Managers,  
 All Factories.

**SUBJECT:—***Public Accounts Committee (1965-66) Forty Eighth Report (Third Lok Sabha)—Appropriation Accounts (Defence Services), 1963-64 and Audit Report, 1965—Physical verification of plant and machinery.*

In connection with a number of machines that remained idle in a factory godown for a number of years and which formed the subject of an Audit Para, the Public Accounts Committee made the following observations in their 48th Report:—

“The Committee feel concerned to note that the machines which were obtained on the recommendation of an expert from the Ordnance Factory remained idle in the factory godown for 8 to 12 years and it was left only to Audit to point this out. The Committee feel that the existence of the machinery should have come to the notice of the factory authorities during periodical physical verifications of items of tools and plant. No such physical verification appears to have been done during all these years. The Committee suggests that the circumstances in which machinery valuing Rs. 1.34 lakhs remained unutilised for such a long time should be investigated with a view to avoid a recurrence of such cases. Defects in procedure, if any, found as a result of such investigations, should be removed”.

2. D.G.O.F. would, therefore, like to impress upon all factories the imperative necessity of carrying out periodical physical verification of items of plant and machinery, so that instances such as the one adversely commented upon by the P.A.C. do *not* recur in future.

3 The G.Ms. may please ensure that all concerned in the factories take cognizance of these instructions, as well as instructions contained in D.G.O.F Circular No. 350/E/M(P), dated 27-7-66, so that instances such as the one referred to in the P.A.C.'s observation do not again happen.

4. Receipt of this circular may please be acknowledged.

Sd/- N. E. PARTHASARATHY

Dy. DG/CP

for Director General, Ordnance Factories

**ANNEXURE 'D'**  
**No. 350/E/M(P)**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF DEFENCE**  
**DIRECTORATE GENERAL, ORDNANCE FACTORIES,**  
**6, ESPLANADE EAST**  
*Calcutta-1, the 27th July, 1966*

To

The General Managers,  
 All Factories.

SUBJECT:—*Commissioning of Machines received in factories.*

In order that machines received in the Factory are put into use as immediately as possible, it is essential that they are erected within a reasonable time from the date of their receipt. Unless the erection is of a complicated nature, it should be possible to complete this work *within four months.*

Factories will please keep the above time schedule and if erection of any particular plant machine is expected to take more than four months, the case should be reported to the D.G.O.F. H.Q. giving reasons for the delay.

Sd - S. N. CHATTERJEE  
*D.D.G.O.F., Engg.*  
 for Director General, Ordnance Factories

**Recommendation**

*The Committee are not able to appreciate placing of the bulk order for this item in December, 1960 when results of the educational order placed in February, 1960 had not yet been received.*

[Serial No. 33, (Para No. 4.42) Appendix IX of the 48th Report  
 (Third Lok Sabha) of the Public Accounts Committee.]

*The Committee would like to be informed of the final utilisation of the surplus material.*

[Serial No. 33 (Para 4.43) Appendix IX of the 48th Report  
 (Third Lok Sabha) of the Public Accounts Committee.]

**ACTION TAKEN**

In June, 1959, it was decided that manufacture of a particular Fuze should be planned in Ordnance Factories without Time Mechanism which was to be imported from the U.K. The intention was to switch over to indigenous manufacture of the Fuze (less Time Mechanism) the component Time Mechanism being imported, to start with, for final assembly in the Ordnance Factories. Accordingly, an order for 2,000 Nos. of the Fuze was

placed on the Director General, Ordnance Factories, in February, 1960 the balance requirement of the Services for 25,000 Nos. was covered by placing an indent in U.K.

2. In July, 1960, an assessment was made of the prospects of supply of Fuze from U.K. According to our Military Adviser in London, supplies of Fuze Empty could be made by the War Office after twelve months of the placement of order at the rate of 10,000 Nos. per month. Supplies of the empties were, therefore, expected to reach India some time in September/October, 1961. On the basis of indication furnished by the then Director General, Ordnance Factories, and the then Controller General of Defence Production regarding capabilities of indigenous production in July, 1960, it was assessed that by that time i.e. September/October, 1961, Ordnance Factories would be able to establish manufacture of Fuze (less Time Mechanism) and supply 35,000 Nos. of fuze, the then requirement of the Army. It was in these circumstances that the bulk order for 35,000 Nos. of Fuze (less Time Mechanism) which were required to cover deficiencies in operational reserves, was placed on the D.G.O.F. in November, 1961 and the indent in U.K. was cancelled. The expectation that the D.G.O.F. would be able to establish the manufacture of Fuze (less Time Mechanism) by September/October, 1961, however, did not materialise due to the fact that the capacity and resource of the Ordnance Factories had to be utilised to produce other fuzes which were required by the Services on higher priority.

3. So far as the utilisation of the surplus materials/components is concerned, the position is that Naval HQ have already placed an indent (No. NAS 5 OF 28 66 dated 21-6-66) for supply of 17,000 Time Mechanism Fuze to Naval Armament Supply Officer, Naval Armament Depot, Vishakhapatnam, for conversion into Fuze Time Mechanism. The remaining 20,000 will be taken over by NHQ from the DGOF after successful conversion of 17,000 Time Mechanism which may take approximately 12 to 18 months after placement of firm order and establishment of production of the body for the Time Mechanism.

4. Out of the surplus materials worth Rs. 1.54 lakhs mentioned by the Committee, the und-mentioned two items worth Rs. 1,27,753 had been utilised by Ordnance Factories:—

Material	Quantity	Value
Bronze to BS STA 7 C Z9 B I Rd. 3 47	975.00 kgs.	Rs. 5,175.00
Aluminium Alloy to BS 1476 HE 15 W Rd. 1 7 87	16,666.00 kgs.	Rs. 1,22,578.00

The prospects of utilisation of the remaining materials (worth only Rs. 26,031.52) will continue to be explored.

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

[File No. 4/14/66/D(Prod).]



### Recommendation

*The Committee are not happy over the manner in which the building (with rent of Rs. 3,900 p.m.) was requisitioned in May 1963 for the use of an officer of the rank of Major General and was retained till August 1965 and an expenditure of Rs. 34,851 was incurred on additions and alterations made in the building. In addition to the expenditure of Rs. 34,851 on repairs an approximate amount of Rs. 1.01 lakhs will become payable to the landlord for the period June, 1963 to August, 1965. As against this total expenditure of Rs. 1.35 lakhs, a sum of Rs. 3,200 approximately has been realised from the officers who were allotted this house during this period.*

*According to the Ministry's own admission "This is one of those cases where we really cannot say that the powers that have been delegated have been exercised with all due discretion". The Ministry are considering about the extent to which powers should be limited and regulated. The Committee would like to know about the decision taken in this regard. They hope that such cases will not recur.*

*The Committee are surprised that even after the transfer of the Major General concerned in Septembr, 1964 the Army authorities thought that they could meet the requirement of entitlement of accommodation with regard to floor area by allotting the house to two Lt. Colonels, without having regard to the heavy rent payable. The house could have been de-requisitioned at this stage instead of August, 1965. The Committee deprecate such routine approach on the part of officers.*

*The Committee would also like to know the outcome of the dispute regarding the fixation of rent of the building by the Collector. They would also like to know if any part of the expenditure of Rs. 34,851 incurred on additions and alterations had been recovered from the owner of the building or the fixture installed by the Army authorities have been removed.*

[S. No. 40, Appendix IX of Public Accounts Committee's 48th Report (Third Lok Sabha).]

#### ACTION TAKEN

The observations of the Committee have been noted.

Necessity for requisitioning of No. 32, Raja Santosh Road, Calcutta had been felt due to acute shortage of accommodation for all ranks consequent upon the move of Headquarters Eastern Command, from Lucknow to Calcutta in May, 1963 and because of the fact that the last tenant of this building had been paying rent at Rs. 1,452.00 per mensem inclusive of taxes, the Military Lands and Cantonments Authorities had assessed rental at Rs. 1,573.00 p.m. inclusive of taxes on 3rd July, 1963. If it were known that the rent of the building would be Rs. 3,900.00 p.m., it was quite possible that the Army authorities would not have resorted to the requisitioning of the said building.

In order to ensure, that houses for service officers are not hired at exorbitant rentals, it has been decided by this Ministry in March, 1966 *vide* letter No. A/07760/J&K-14/Q3(H)/867-Q/D(Q&C), dated 5th March, 1966 (copy enclosed) that in case of hiring residential accommodation for any service officers, prior Government sanction shall be obtained when the agreed rent or estimated recurring monthly compensation exceeds Rs. 1,000.00.

2. Fixtures and fittings costing Rs. 1,501 were retrieved before de-requisitioning the building. Other improvements such as doors and book-case converted from windows, A.C. current and linoleum flooring, done to the building were not disturbed as restoration to original condition would have entailed abnormal expenditure to Government. The owner has given a clear discharge certificate on 2nd August, 1965 absolving Government of any liability on account of damage done to building during the entire period of occupation. In view of the above, no recovery was affected for the additions/alterations to the house from the owner.

3. Competent civil authority (Collector) assessed the compensation for the house at Rs. 3,900.00 p.m. on 19th June, 1964 whereas Deputy Director M.L. & C. Eastern Command has considered on 8th June, 1966 that compensation should be about Rs. 2,700.00 p.m. Consequently the matter is still under discussion between Deputy Director, M.L. & C. and the competent civil authority. The possibility of the reduction in compensation is, however, slender. A further note in this regard will be submitted to the Committee.

A sum of Rs. 51,750.00 has been paid 'on account' to the owner, towards the rent for the period of requisitioning from 10th June, 1963 to 28th February, 1965. Further rent for the period from 1st March, 1965 to 2nd August, 1965 will be paid to the owner after the dispute regarding fixation of fair rent is settled.

4. As a result of this case and to safeguard the interests of the State in future, Government have issued a notification copy enclosed, under the Defence of India Act, on 10th June 1965 prescribing that the competent authorities (the Collector) shall associate the representatives of the Defence Ministry as far as possible while assessing compensation for requisitioned properties, and shall not communicate the offer of compensation to the owner without the concurrence of the representatives of the Defence Ministry.

D.A.D.S. has seen.

#### FURTHER INFORMATION

In para 3 of Ministry of Defence note bearing u.o. No. F. 10(5)/66/D (Q&C), dated 19th December, 1966 forwarded to the Lok Sabha Secretariat under No. 11(9)/66/D(Budget), dated 23rd December, 1966, it was mentioned that the question of re-assessment of the compensation for the house

and reduction thereof from Rs. 3,900 p.m. to Rs. 2,700 p.m. was under discussion between the competent civil authority (Collector) and the Deputy Director, Military Lands and Cantonments, Eastern Command. It was also mentioned that the possibility of reduction in the compensation was slender but that a further note would be submitted to the Committee.

2. The outcome of the case is that the Deputy Director Military Lands and Cantonments, Eastern Command, has accepted the valuation of the Collector as reasonable and has accorded sanction to the fixation of the rent for the property at Rs. 3,900 per mensem on 27th March, 1967.

D.A.D.S. has seen.

[M. of D. u.o. No. F.10(5)/66/D(Q&C), dated 13th April, 1967.]

**ANNEXURE 'A'**

No. A/07760/J&K-14/Q3(H)/867-Q/D(Q&C)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

*New Delhi, the 5th March, 1966/Phalgune 14, 1887 (Saka)*

To

The Chief of the Army Staff.

The Chief of the Naval Staff.

The Chief of the Air Staff.

**SUBJECT:**—*Hiring of accommodation by O. C. Station or by service officers of the rank of Major General and above and equivalent ranks in Navy and Air Force, themselves.*

Sir,

I am directed to state that the President is pleased to decide that in case of hiring of residential accommodation for any service officer, prior Government sanction, shall be obtained where the agreed rent/estimated recurring monthly compensation exceeds Rs. 1,000.00.

Yours faithfully,

Sd/- SATYA PAL SARNA

Dated 5-3-1966.

*Under Secretary to the Government of India*

Copy to—

Q.M.G.'s Branch/Q3 (B-i).

N.H.Q. (Dte. of Civil Engineering).

Air Force HQrs. (Dte. of Works).

## ANNEXURE 'B'

COPY OF MINISTRY OF HOME AFFAIRS GAZETTE NOTIFICATION S.O. No. 1888,  
DATED THE 10TH JUNE, 1965.

S.O. No. 1888—In exercise of the powers conferred by sub-section (1) of section 40 of the Defence of India Act, 1962 (51 of 1962) and of all other powers enabling it in this behalf and in supersession of the notification of the Government of India in the Ministry of Home Affairs No. G.S.R. 1716, dated the 13th December 1962, as amended by notification No. F.2/63-Poll(Spl.), dated the 27th September, 1963, the Central Government hereby directs that the powers exercisable by it under the provisions of the said Act specified in column (2) of the Schedule hereto annexed shall also be exercisable by each of the authorities mentioned in the corresponding entry in column (3) of the said Schedule in respect of any immovable property situated within its jurisdiction, subject to the conditions specified in the corresponding entry in column (4) thereof.

*The Schedule*

Serial No.	Provisions of the Act	Authorities	Conditions
1	2	3	4
1	Sections 29, 30 (except the provisos thereto) 31, 32, 33, 35 and 36 and sub-sections (1) and (3) of section 37.	(a) All Collectors, Dist. Magistrates, Additional District Magistrates and Deputy Commissioners in the States and all Political Officers in NEFA.  (b) All Land Acquisition Collectors, Land Acquisition Officers and Sub-Divisional Magistrates functioning as Land Acquisition Collectors in the States and all Assistant Political Officers functioning as Land Acquisition Collectors in NEFA.	(1) While determining compensation under section 30 or section 37, the local officer of the concerned Ministry or department of the Central Government shall as far as possible, be associated.  (2) Before communicating the determination of the compensation to the person or persons in whose favour the determination has been made, the approval of the concerned Ministry or department of the Central Government or of any officer authorised by that Ministry or department in this behalf shall be obtained.
2	Provisos to section 30 and sub-section (2) and (4) of section 37.	All State Governments.	

[No. F.3/5/65/Poll(Spl.).]

Sd/- HARI SHARMA  
Special Secretary

### Recommendation

*The Committee regret to observe that owing to lack of proper understanding between the Military authorities and the Railways, there was a loss of imported stores valuing Rs. 22,740 as a result of exposure to rains of the packages which were despatched in an open wagon without any protective covering during the monsoon. The Committee feel that while asking for an open wagon the Defence Authorities should have taken adequate precautions to protect the packages from damage due to rain. They regret to observe that this was not done. The Committee cannot also rule out the possibility of some damage having occurred by rain during storage at port since 3 of the packages received in April, 1962 were handed over by the port authorities to the Embarkation Commandant in July, 1962. The Committee note the contention of the Defence Ministry that the goods had been booked at Railway risk at higher rates of freight. Even so, the Committee feel that the Embarkation Headquarters should have insured that the packages were actually provided with adequate covering, especially when the goods were susceptible to damage by rain and also when goods were despatched during monsoon season. The Committee hope that the officers will be more careful in handling defence stores which are imported at the cost of much needed foreign exchange and the damage to which is also likely to affect the operational efficiency of the Armed Forces.*

*The Committee desire that in the present case the dispute between the Railways and Defence Authorities should be settled early and a report submitted to them.*

[S. No. 42 of Appendix IX to the 48th Report (Third Lok Sabha).]

### ACTION TAKEN

The observations of the Public Accounts Committee have been noted.

2. Even though the responsibility for despatch of piece-meal consignments, as also the selection of appropriate type of wagon, rests with the Railways, yet to rule out any possibility of damage taking place to imported stores in general and to consignments susceptible to damage by rain in particular, suitable instructions had already been issued to the Landing Officers. Landing Officers had been directed that where it becomes unavoidable to carry stores, susceptible to damage by the weather, in open wagon by reason of size etc., whether carried as full wagon load or as smalls notwithstanding the fact that these are consigned at Railway risk, to ensure that adequate arrangements are made to cover the stores with tarpaulins. Besides, the Indentors had also been instructed to arrange for packing of stores, especially those which are susceptible to damage by exposure, in suitable sized packing cases, so as to enable them to be carried in closed wagons.

3. There was no visible or suspected damage to the packages in question at the time of their clearance from the port premises or at the time of onward despatch to the ultimate consignee. It was, therefore, unlikely that any damage could have occurred while the packages were in storage at port.

4. The Railways have again repudiated on 16-2-1966 their liability for the damage. They have contended that a previous consignment in packing cases of a similar size had been carried in a closed wagon in 1962 earlier than despatch of present consignment of five packages. As the packing cases were too big to be pushed through the doors of a covered wagon, it would appear that this was done by removing one or two battens of the packing cases, to enable them to be pushed through the wagon doors. The matter is not now being pursued with the Railway Ministry (Railway Board) as it is considered that no useful purpose is likely to be served thereby.

5. D.A.D.S. has seen the above note.

[M. of D. u.o. No. 26(1) 66/D(Mov.), dated 14th October, 1966.]

### Recommendation

*The Committee regret to observe that this is yet another case where there was failure to notice a major change effecting the provisioning of an item of Defence stores and to take necessary action to revise the requirement before placing orders for supply of 92,000 numbers (costing Rs. 55.20 lakhs) in July/August, 1960 on the Director General of Ordnance Factories. This item was deleted from the operational reserve list vide General Staff Branch letter dated 26th May, 1960, but nobody in the MGO Branch took notice of this deletion. What is worse, even after the omission was pointed out by Ministry of Finance (Defence) in January, 1961, no action was taken by the MGO Branch to cancel or suspend the bulk orders already placed on the DGOF. Instead, the matter was referred to the General Staff Branch for clarification. Even if the MGO Branch had doubt in the matter, they should have at least suspended the orders till a clarification was available.*

*Another unsatisfactory feature of the case is that the General Staff Branch took two years to clarify the position that deficiencies need not be covered and the demands cancelled to the extent possible without financial repercussions. But it was too late at that time to cancel the order. Only about 48 per cent of the quantity ordered could be cancelled. This has resulted in avoidable expenditure of Rs. 25 lakhs approximately on the quantity of 30,954 which has already been supplied by the DGOF. The Committee would like to know about the final action taken to cancel the remaining quantity of 16,414 (involving Rs. 1,46,000) which has not yet been manufactured. The Committee desire that this case should also be examined with a view to fixing responsibility on the officers concerned for the various lapses at different stages.*

*The Committee note that some remedial measures have been taken or are proposed to be taken by the Ministry. They hope that such cases will not recur.*

[Sl. No. 57 of Appendix IX to the 48th Report of the Public Accounts Committee (3rd Lok Sabha) 1966-67.]

#### ACTION TAKEN

1. Prior to July, 1953 the War Wastage Rates as laid down by the War Office were adopted in India for provisioning purposes. In 1952, it was decided to review the rates laid down by War Office with reference to Indian conditions and requirements and the first list containing contact rates (rates of wastage during war) were laid down by Army HQrs. (GS Branch) in July, 1953. A revised list was issued in May, 1960 and this has been subsequently amended from time to time based on the changes required. None of the above lists included the rate for the item under consideration.

2. The provisioning of this item prior to 1950 was being made by Ordnance authorities only to meet the training requirements in accordance with the training scale furnished by MT Directorate. In March, 1950, Ordnance authorities brought to the notice of General Staff that no War Wastage Rate is available for this item which is being issued to the units in the field and requested General Staff Branch to intimate an estimated War Wastage Rate for provisioning purposes. After consulting Headquarters, Western Command who had experience of Kashmir operations, Army HQrs. General Staff Branch laid down a provisional War Wastage Rate in December, 1950. The above War Wastage Rate laid down by General Staff formed the basis of provisioning from 1950 onwards. In 1954, after the issue of first FFC list which did not contain this item, MGO Branch asked GS Branch for confirmation that the FFC rate prescribed by them for this item in 1950 continued to hold good. This was confirmed by General Staff Branch in April, 1954 after consulting the Military Operations Directorate. Since the FFC rate list is also issued only by General Staff Branch who had laid down a specific War Wastage Rate for this item, MGO's Branch continued to do provisioning on the basis of the scale laid down by General Staff Branch. The three indents placed by MGO's Branch in July-August, 1960 on DGOF related to a total quantity of 92,000 for replacement of overage stocks. The indents were placed with the specific concurrence of the General Staff Branch and approved by Ministry of Defence and Ministry of Finance (Defence).

3. After indents were placed on the DGOF in July-August, 1960, Ministry of Finance (Defence) pointed out on 12th January, 1961 that the item was not included in the latest FFC list of 26th May, 1960, and asked the MGO's Branch to rectify this discrepancy. The DADS also mentioned on 1-5-61 that in case there was a contact rate requirement for this item, the same should be incorporated in the FFC list of 1960. The matter was accordingly taken by MGO's Branch with GS Branch. The contact rate for



this item had been specifically laid down by GS Branch in 1950 and it was confirmed by them in 1954. The indents of 1960 were also concurred in by GS Branch who confirmed on 25th May, 1961 that they were obtaining the concurrence of the Government to include this item in the FFC rate list. In the circumstances, action to suspend or cancel the orders placed on DGOF was not taken and the non-inclusion of this item in the FFC rate list was incorrectly viewed at that stage only as an error.

4. When General Staff Branch made the proposal in May, 1961 to include this item in the FFC rate list of 1960, Ministry of Finance (Defence) suggested in July, 1961 that the proposed scale should be reviewed taking into account the changed requirements, if any, of the various units which require the same. Accordingly, the matter was taken up by GS Branch in August, 1962 with the various ammunition depots to indicate issues giving three years for training requirements and with the User Directorates to determine the operational requirements of the item. This was a time-consuming process but it resulted in the reversal of the earlier decision of GS Branch taken in December, 1950 which was operative for more than 10 years, namely that there was no operational requirement for this item. This decision was taken on 13th December, 1962. On 18th January, 1963, the matter was further considered by the GS Branch and it was decided that even in respect of demands already placed on DGOF the same should be suspended to the maximum extent possible without financial repercussions.

5. According to the above decision, the DGOF was asked on the 23rd January, 1963 to suspend the demand to the extent possible without financial repercussions. On the 6th February, 1963, the DGOF intimated that instructions had been issued by him to restrict production of this item to the extent of material components already provisioned and he promised to intimate quantities which could be cancelled without financial repercussions. On the 4th September, 1963, MGO Branch reminded the DGOF asking for information regarding the quantity which could be cancelled without financial repercussions. On the 13th September, 1963, DGOF gave an interim reply to the MGO Branch. DGOF intimated that preliminary review had revealed that there would be some surplus of box, steel sheets, and chemicals as a result of cancellation of the existing orders. As the surplus quantities would not be in matching quantities, there were bound to be financial repercussions at the short closure of the orders. He added that these were being worked out and the final figure would be intimated as soon as was possible. Finally it was on the 9th December, 1963, that the DGOF stated that apart from the orders that could be cancelled without financial repercussions, quantity 18,000 could be cancelled only with financial repercussions involving Rs. 82,580. On the 30th April, 1964, GS Branch advised that there was no operational requirement at all for this ammunition and the requirements were only for training purposes. On this basis, on the 9th May, 1964, DGOF was instructed to suspend production of this item. As a result, except for quantity of 30,954 which had already been received

from DGOF, the outstanding demands were cancelled on 9-5-64 involving financial repercussions amounting to Rs. 1.46 lakhs approx. in respect of quantity 16,414.

6. It would be seen from the above that there has been no fault on the part of the Ordnance authorities who had taken provisioning action for the item in accordance with the directions of the General Staff Branch. It is admitted that there has been a delay in taking a decision on inclusion or otherwise of this item in the FFC list and consequent delay in cancelling the orders placed on the DGOF. This delay, however, cannot be ascribed to the negligence on the part of any particular individual officer/officers and was caused mainly by the detailed examination made by General Staff Branch in consultation with the various authorities concerned. As already pointed out, this detailed examination resulted in the change of the earlier concept which had been in force for more than 10 years.

7. As a remedial measure, it has also been decided in June, 1967, that the FFC rate list should be kept up-to-date by amending it as and when a new equipment is introduced, an equipment is declared obsolete or when change in the rate is considered necessary. The list would be reviewed every 6 months during June and December.

DADS has seen.

[F. No. 14(7)'66 'D(O.I.)]

#### Recommendation

*The Committee regret to find that the Department took 20 months to survey the generating sets rendered surplus on closure of the power house. They would like to know about the findings of the Board of Officers which went into the matter and the final action taken on their report.*

*Another unsatisfactory feature of this case is that although the sets were repaired by the Contractor in March, June and September, 1963, these could not be utilised due to certain defects which remained un-rectified by him till June, 1965. In the meantime a sum of Rs. 1.11 lakhs (approximately) had been paid to the contractor. They would like to know whether any action has been taken against the contractor for the delay or the officer who made the payment without ensuring thorough repairs.*

[Sl. No. 67 of Appendix IX to Forty-Eighth Report (1965-66)—  
(Third Lok Sabha).]

#### ACTION TAKEN

The observation is noted. A copy of the findings of the Board of Officers held on the 30th August, 1965 is enclosed as Appendix 'A'\*. It will be seen therefrom that besides the Members of the Board of Officers constituted by the Commander Works Engineer to test the generating sets, the Deputy Chief Engineer, Eastern Command, and the Commander Works Engineer

\* Not printed.

have been held responsible for negligence. Disciplinary action has been taken accordingly as under: —

- (a) Two members of the Board of Officers constituted by the Commander Works Engineer have been given charge sheets for being awarded major punishments, and the third member has been awarded punishment of 'Censure' on 28th January, 1967.
- (b) Disciplinary action is being taken against the then Commander Works Engineer.
- (c) The then Deputy Chief Engineer, Eastern Command, retired from service on 5th May, 1965. Till that date, unfortunately, the stage was not reached when disciplinary action could have been initiated against him.

2. Action has been taken against the contractor who has been removed from the approved list of Commander Works Engineer, Calcutta. Disciplinary action has also been initiated against the officer responsible for making the payment without ensuring thorough repairs. Charge sheet has been served on him for imposition of major penalty.

3. DADS has seen.

[M. of D. u.o. No. 15(10)/66-536-S/D(W-II), dated 4th May, 1967.]

*APPENDIX V*

*(vide para 1.4 of Report)*

*List of Recommendations of the Committee in respect of which interim replies have been received*

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<i>Para No. of P.A.C. Report</i>	<i>Serial No. of Recommendation</i>
<b>48TH REPORT—APPENDIX IX</b>	
2·6	9
2·8	10
5·64	46
5·66	47
5·106	56
5·118	59
5·120	60
5·127	61
5·146	4
5·152	65
5·161 } 5·162 }	68

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## APPENDIX V

### *Recommendations/Observations to which Government have furnished interim replies*

#### **Recommendation**

*It is unfortunate that the judgement exercised by the authorities in this case resulted in the locking-up of funds in costly equipment which could not be used so far. The Committee feel that when such items the development of which is not proved are to be purchased, the decision must be taken at the highest level after considering all the pros and cons and examining the alternatives available. The Committee would like to be informed of the progress made in the procurement of ancillary items.*

[Sl. No. 9 of Appendix IX to Public Accounts Committee (1965-66)  
Forty-eighth Report (Third Lok Sabha).]

#### **ACTION TAKEN**

Recently, a proposal had been made by Air Headquarters to form Air Headquarters Equipment Policy Committee which will consider all proposals for the introduction of new equipment into the I.A.F. before they are put up to the Government for approval. Government sanction to the formation of the Committee has been issued on 14-2-1967.

2. Regarding procurement of ancillary equipment, trials in respect of certain types of alternative equipment are being carried out. However, long term purchases will depend upon the comparative merits and economics of each type as well as the results of the efforts which are now being initiated to develop an equivalent item indigenously. A further report will be submitted to the Committee in this regard.

3. To avoid non-utilisation over-provisioning of imported stores, office instruction has already been issued.

4. The Director of Audit Defence Services has seen.

[M. of D. u.o. No. F.4(7) 66 D(Air)-I, dated 15th May, 1967.]

#### **Recommendation**

*The Committee regret to observe that an order was placed for the equipment without any demand from the user unit. Apart from procedural defects, the case also discloses lack of co-ordination and proper supervision by higher authorities in the matter of imports of costly equipment. The Committee suggest that immediate steps should be taken to remove these defects in the procedure which results in placing of an indent for additional quantity of equipment without proper justification. The Committee would*

*also like to know the decision taken to develop the equipment within the country.*

[Sl. No. 10 of Appendix IX to Public Accounts Committee (1965-66) Forty-eighth Report (Third Lok Sabha).]

#### ACTION TAKEN

Suitable instructions (copy enclosed) already exist to ensure that demands are not raised by Units for items which cannot be put to use in the immediate future.

2. The project for indigenous development of the items involved within the country by Aeronautical Research Development Establishment is in preliminary stage. The results of the efforts made to develop the items indigenously will be intimated to the Committee in due course.

3. Director of Audit, Defence Service has seen.

[M. of D. u.o. No. F.4(7)/66/1/D(Air-I), dated 31st January, 1967.]

## ANNEXURE

From: Air HQrs, New Delhi-11.  
 To: As per distribution given below.  
 Dt.: 7th April, 1965.  
 Ref.: Air HQ/32325/5/E.14.

## NON-UTILISATION OF STORES

A case appeared in the Audit Report, Defence Services 1965, wherein certain item was issued to a Wing against their 'B' demand. The item was not issued to any Section but was kept in stock and then finally returned to the stock-holding depot as "surplus to requirements" after a period of one year and eight months.

2. Based on this issue to the Wing, further quantity of this item was provisioned ex-U.K. at a cost of few lakhs of Rupees. The item thus procured could not be utilised as the ancillary equipment required for putting to use was not available. It has now been observed in audit that demanding of such equipment without investigating its actual utilisation has resulted in infuctuous expenditure on account of over provisioning of equipment.

3. In order to avoid recurrence of similar instances in future, Command Headquarters are requested to issue suitable instructions to units under their control to ensure that demands are not raised for items which cannot be put to use in the immediate future.

Sd. R. N. SHARMA

*Wg. Cdr.*

for *Air Vice Marshal*

*Air Officer Incharge, Maintenance*

## DISTRIBUTION:

HQ W.A.C.  
 HQ T.C.  
 HQ M.C.  
 HQ C.A.C.  
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 A.F. Station, New Delhi.  
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 No. 1 AF Selection Board, Dehra Dun.  
 No. 3 AF Selection Board, Gwalior.  
 No. 4 AF Selection Board, Varanasi Cantt.  
 A.F. Station, Baroda.  
 Def. Services Staff College.  
 National Def. Academy.  
 National Defence College.  
 A.F.D., HAL

S.L.A.W., Secunderabad.  
 AFLC, Barrackpore.  
 AFLS, Santacruz.  
 2 P&S Flight.  
 No. 1 W.E.C., Delhi Cantt.  
 No. 2 W.E.C. Delhi Cantt.  
 No. 3 Wireless E.C., C/o 1 Wing 56 APO.  
 A.E.C., C/o A.F.A.C. Coimbatore.  
 R&D Org. (RD-30).  
 DCSO (Air).  
 FSD.  
 DGAFMS (DGIC).  
 HAL.

**Internal:**

All Dtes. of HQ.  
 All DDEs of Eqpt.  
 All Prov. Section.

**Recommendation**

*The Committee hope that necessary remedial measures will be taken by the Ministry to prevent such unauthorised occupation of Government premises by contractors and also concealment of information about such unauthorised occupation.*

*The Committee would also like to be informed about the decision of the court on the applications for vacation of the injunction against Government in the present case.*

[Sl. No. 46, Appendix IX to Forty-eighth Report (Third Lok Sabha) 1965-66.]

**ACTION TAKEN**

In order to prevent unauthorised occupation of Government premises in future, necessary remedial measures have been taken by issue of necessary instructions by Army Headquarters.

The decision of the court on two applications, when announced will be intimated to the Committee.

DADS has seen.

[M. of D. u.o. No. 10(4)/66/D(Q&C) dated 3rd December, 1966.]

**Recommendation**

*The Committee also regret to note the abnormal delay of over 10 years which has taken place in finalising this case. The desirability of early finalisation of this case can hardly be over-emphasised.*

[Sl. No. 47, Appendix IX to Forty-eighth Report (Third Lok Sabha) 1965-66.]



## ACTION TAKEN

Applications for vacation of injunction against the Government were filed in the court on 17-1-1966. The case came up for hearing on 27-2-1966 and was adjourned to various dates till 6-8-1966 at the instance of Government Counsel, as either more time was required for studying the case or for summoning of the witnesses. On 6-8-1966, the respondent's lawyer requested the court for adjournment to lead more evidence. The Government pleader opposed it but the court adjourned it till 12-9-1966. On the said date the respondent's pleader pleaded for further adjournment for longer time as summons for the witnesses called by him had not been issued. Government counsel opposed it on the ground that the respondents had failed to summon the witnesses inspite of sufficient time having been allowed to them by the court. He pleaded that respondent was in unauthorised occupation of the premises for the last 15 years and that rental arrears to the extent of Rs. 6 lakhs were outstanding against them. The court postponed the case to 12-10-1966 after warning the respondent's pleader that no further postponement would be allowed.

Further action will depend upon the verdict of the court. A further note in this regard will be submitted to the Committee.

D.A.D.S. has seen.

[M. of D. u.o. No. 10(4), 66 III-D(Q&C), dated 1st November, 1966.]

## Recommendation

"The Committee desire that necessary steps should be taken in consultation with the Ministry of Law to expedite the settlement of the dispute which has been going on with the contractor since 1958. They would also like to know the final result of the arbitration in this case. The Committee would also like to know whether Government have considered any departmental action such as black-listing the contractor for his non-cooperative and obstructive attitude."

[S. No. 56 of Appendix IX to 18th Report (Third Lok Sabha 1965-66).]

## ACTION TAKEN

Necessary steps are being taken to expedite the settlement of the dispute and the final result of the arbitration will be intimated to the Public Accounts Committee.

D.A.D.S. has seen.

[M. of D. U.O. No. 2(5), 66 D(O-II), dated the 31st January 1967.]

### Recommendation

*"The Committee desire that necessary steps should be taken in consultation with the Ministry of Law to expedite the settlement of the dispute which has been going on with the contractor since 1958. They would also like to know the final result of the arbitration in this case. The Committee would also like to know whether Government have considered any departmental action such as blacklisting the contractor for his non-cooperative and obstructive attitude.*

[S. No. 56 of Appendix IX to 48th Report (Third Lok Sabha) (1965-66).]

### ACTION TAKEN

Reply was sent to the PAC under our u.o. No. 2(5)/66/D(O-II), dated 31-1-67. The only outstanding action on this recommendation is that the PAC is to be informed of the final result of the arbitration in the dispute between the Govt. and the contractor. Colonel Viswanath, the arbitrator retired from Government Service. The terms and conditions for continuation of Col. Viswanath as arbitrator had been under consideration in consultation with the Ministry of Law, Ministry of Finance (Defence) and the arbitrator. Col. Viswanath agreed to continue the arbitration proceedings on the basis of the terms and conditions offered. Government orders in this respect were issued on 1-6-67.

Final hearing was held by the arbitrator during the period 1st to 12th Sept. 1967. Since then the arbitrator requested Army Headquarters to furnish Stamped Paper for recording the award. It is understood from MGO Branch that the requisite Stamped Paper was forwarded to the arbitrator on 25th October, 1967. The arbitration proceedings are completed and the award of the arbitrator is awaited.

[M. of D. u.o No. 2(5)/66/D(O-II), dated the 10th November, 1967.]

### Recommendation

*The Committee are surprised to learn that according to the standing instructions if any freak rates are discovered in tender, the tenderer concerned is given an opportunity to revise those rates, if he so desires. The Committee feel that quoting of the freak rates should not be the only criterion to negotiate higher rates with that tenderer. In such cases the higher tenderer should also be given an opportunity to bring down their rates. They desire that the standing instructions in this regard should be suitably modified.*

[S. No. 59 of Appendix IX to the 48th Report. (Third Lok Sabha).]

**ACTION TAKEN**

2. The entire question regarding 'freak rates' is under examination. The decision taken will be communicated to the PAC in due course. In the meanwhile instructions have been issued by E-in-C's Branch vide their letter No. 33416/E8, dated 3rd Feb., 1966, (Annexure II) that when adjustment of freak rates entails upward revision of the rates, no reference is to be made to the tenderer by the accepting officer but a report is to be rendered to E-in-C's Branch with full details for further instructions.

## ANNEXURE

COPY OF ARMY HEADQUARTERS, E-IN-C'S BRANCH, NEW DELHI, LETTER NO. 33416/E8, DATED 3RD FEBRUARY 1966 ADDRESSED TO THE CHIEF ENGINEERS, ETC. OF ALL COMMANDS.

SUBJECT:—*Disposal of tenders containing freak rates.*

1. The instructions on adjustment of freak rates in tenders submitted by contractors are contained in this office letter No. 33416/E8, dated 29 May 1962.

2. As a result of a recent Audit para it has been decided to re-examine the subject with a view to deciding whether any change in the existing instructions is called for.

3. Until such time as revised instructions, if any, are issued the existing procedure shall continue to be followed. However, when adjustment of a freak rate entails upward revision of the rate, no reference is to be made to the tenderer but a report is to be rendered to this office giving full details of and justification for the rate which is considered freak and is, therefore, proposed to be enhanced. Necessary instructions with regard to further action to be taken on the matter will be issued by this office in consultation with Ministry of Defence.

4. The procedure outlined in para 3 above shall apply in respect of every tender which is considered to contain freak rates requiring enhancement irrespective of whether it is to be accepted by CE, CWE or GE and shall come into force forthwith.

Sd/-

for Engineer-in-Chief

## Recommendation

*The Committee regret to observe that, while on the one hand the officers were keen to revise the 'freak rates' quoted by the contractor on the ground that he would not be able to do the work at those rates, on the other they allowed him to do substandard work. The Committee would like to know the action taken against the officers who were slack in supervision and also about the recovery (Rs. 1.75 lakhs) from the contractor.*

[Sl. No. 60 Appendix IX to Forty-Eighth Report (1965-66)—  
(Third Lok Sabha).]

## ACTION TAKEN

In regard to the question of disciplinary action, the following two allegations were investigated by the SPE:—

- (i) That for the construction of the work relating to the construction of runway for jet fighters at Airport Sirsa, the contractor who had given his tender for Rs. 86,61,045.70 which was already

12 lakhs above the estimated cost, in conspiracy with certain officials of the office of the Chief Engineer, Western Command, Simla, manipulated the records and inflated the value of the tender by about Rs. 12.7 lakhs.

- (ii) That in spite of the higher rates accepted by the Chief Engineer, Western Command, Simla, the works executed by the contractor were below the prescribed specifications laid down in the contract.

Allegation No. (i) has been dropped as no good evidence was forthcoming to substantiate the charge during enquiry. As regards allegation No. (ii), suitable action is under consideration in consultation with the Central Vigilance Commission.

4. The amount of Rs. 1,68,943.62 was recovered from the contractor on account of devaluation of certain items of defective work. The contractor disputed this recovery and also preferred some other claims. The matter was referred to arbitration and the arbitrator has awarded a sum of Rs. 81,042.00 in favour of the contractor against the recovery of Rs. 1,68,943.62 made by Government. The arbitrator has also awarded some other claims in favour of the contractor in respect of other claims preferred by the contractor. The award was contested in court at Hissar which upheld the award as given by the arbitrator. After obtaining legal advice, the Legal Remembrancer has been asked to file an appeal against the said judgment.

5. A further note to the PAC will be submitted in due course.

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

[M. of D. u.o. No. 15(3)/66/7297/D(Works-II), dated 28-9-1967.]

#### Recommendation

*The Committee are perturbed at the perfunctory manner in which the contract was placed for a work of the magnitude of more than Rs. 1 crore. Only a short period of 10 days was allowed for quoting rates, stipulating an unrealistic time schedule of three months for completion of the work. On the last day for submission of tenders, the period of completion was extended from 3 months to 5 months, but no extension of time was allowed for submission of tenders on modified basis. The result was that only one tender was received which was 100 per cent above the estimated cost but which was brought down to 60 per cent above the estimated cost after negotiation. It is understood from Audit that the Chief Technical Examiner has stated that the rates accepted are high.*

*What is worse, as against the 5 months period allowed for the completion for the work, it was actually completed after more than a year from the date of handing over the site. Thus even after paying higher rates,*

*Government could not get the benefit of early completion. It is only fortuitous that the operational efficiency of the Air Force did not suffer because of the cease-fire but really speaking, the contractor has let down the Air Force. The Committee hope that learning from the experience of this work, the authorities in the Defence Services would be more careful in planning and execution of emergency works which involve an expenditure of huge amount of public money.*

*The Committee regret to note that the S.P.E. has taken too long a period in finalising investigations in this case which was referred to them in 1963-64.*

*They would like to know the outcome of the enquiry made by S.P.E. and the action taken against the officers.*

[Sl. No. 61 of Appendix IX to Forty-Eighth Report (1965-66)—  
(Third Lok Sabha).]

#### ACTION TAKEN

Noted. Necessary instructions for ensuring proper planning and execution of works have been issued by the Engineer-in-Chief's Branch vide letters No. 33416/9/E8, dated 3rd June, 1966 and even number dated 10/21 January, 1966 (Copies enclosed as Appendix I & II).

2. As regards delay by the SPE, the matter has been examined. It is noticed that the case was referred to the SPE only on 16-9-1965 for investigating into the irregularities. After collecting and examining the material available on the basis of which a case could be registered, the SPE registered a regular case on 22-10-1965 for investigation. In this connection, it may also be stated that in para 5.125 at page 87 of their 48th Report (1965-66), the Committee has recorded that the enquiry was started in 1963-64 following a complaint from the Air Force about the delay in the execution of the work and certain oral reports received in the Ministry about certain contracts. The 'enquiry' referred to above was only a preliminary departmental enquiry and not an enquiry by the SPE as they came into the picture only on 16-9-1965 when the case was sent to them. In view of this, the case was not referred to SPE for investigation in 1963-64 as pointed out by the Committee.

3. The report of SPE's investigation is still awaited. A note, indicating the action taken against the officers, will be sent to the Committee as soon as the report is received and the matter considered further in the light of SPE's investigation.

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

[M. of D. U.O. No. 15(8)/66/464-S/D(W-II), dated 14-4-1967.]

**ANNEXURE 'A'**

**COPY OF ARMY HEADQUARTERS, ENGINEER-IN-CHIEF'S BRANCH, NEW DELHI, LETTER NO. 33416/9/E8, DATED 3RD JUNE 1966, ADDRESSED TO CHIEF ENGINEER SOUTHERN COMMAND, POONA-1, ETC. ETC.**

**SUBJECT:—Contract Procedure, Period for completion of Works.**

Reference this office letter No. 33416/9/E8 of 10/21 January, 1966.

It has come to notice that in connection with construction of a Runway.

- (a) while inviting tenders, time allowed to tenderers for submission of tenders was inadequate.
- (b) completion time stipulated in the tender documents was unrealistic considering the magnitude of work,
- (c) on the last day of submission of tenders, the period of completion in the tender documents was increased by an amendment to the tender documents, but while doing so, no change was made in the date of submission of tenders. Consequently response to invitation of tenders was poor and the rates quoted were abnormally high.
- (d) It actually took much longer to complete the work than the amended period stipulated in the contract.

2. The need for realistic planning initially, allowing sufficient time to contractors for submitting tenders, exercising care while stipulating completion period for a work and then adhering to it firmly have already been stressed in this office letter quoted above. The various factors which affect completion period have also been given in Appendix 'A' to that letter.

3. It is again stressed that proper attention should be paid by all concerned to the various factors mentioned in that letter so that period for completion stipulated in tenders is realistic and there is no likelihood of our obtaining inflated tenders on grounds of inadequate period allowed for completion initially.

**Sd. (V. S. DEVDHAR)**  
**for Engineer-in-Chief**

## ANNEXURE 'B'

COPY OF ARMY HEADQUARTERS, ENGINEER-IN-CHIEF'S BRANCH, NEW DELHI, LETTER NO. 33416/9/E8, DATED 10/21ST JAN. 1966, ADDRESSED TO CHIEF ENGINEER, SOUTHERN COMMAND, ETC. ETC. AND COPY TO CHIEF ENGINEER, WEST COAST ETC. ETC.

SUBJECT:—*Contracts: Extension of Time.*

Instructions on the subject of extension of time in contracts concluded in MES have been issued from this office from time to time laying stress on the following aspects:—

- (a) It is in the interest both of Govt. and of contractor that adequate period of completion be allowed in every contract;
- (b) Standard forms of contracts in use in MES stipulate that:—
  - (i) time is of the essence of a contract and in the event of delay in completion of a work, Govt. is entitled to recover compensation from contractor;
  - (ii) accepting officers have authority to extend period of completion under certain circumstances, if extension is justified;
- (c) If there is no justification for delay on the part of a contractor, it should be ensured that there is no laxity in adopting the correct procedure, which may jeopardise Govt. case for claiming compensation.

2. Cases continue to be brought to the notice of this office which reveal that extensions granted were not commensurate with completion period initially allowed. It seems that it is not always appreciated that completion period allowed in a contract has direct bearing on rates quoted and that more competitive quotations are received if completion period allowed is reasonable.

3. Recent scrutiny of completion periods in several contracts and of extensions granted has revealed that the spirit of the instructions referred to in para 1 above has not been adhered to in a number of cases. The scrutiny has further brought out that if proper attention had been paid to the following aspects, extensions could have been minimised:—

- (a) Collection of correct ground data initially and devoting of more time to proper planning;
- (b) Giving more time to GEs to comment on provisions made in tender documents to enable them to suggest modifications to suit site factors/local conditions.
- (c) Checking of layout and grouping of buildings to fit these into the ground and consulting users, where possible, particularly in case of technical buildings;



- (d) Agreeing (in writing) with users as well thought out programme for handing over sites/buildings, before going out to tender;
- (e) Making uncontrolled items of steel contractor's supply, particularly when quantities involved are not large;
- (f) Earmarking for implementation in future construction, failing which, keeping to the absolute minimum, changes initiated by users or improvements considered desirable by engineers, during the course of construction.

4. Some of the factors which affect completion period and which have been noticed during the course of the aforementioned scrutiny are detailed in Appendix 'A'. These and other relevant factors must be taken into account by an Accepting Officer before laying down adequate completion period for a work. The importance of Accepting Officers laying down adequate completion period can not be to strongly stressed.

5. In case of important or urgent works, Accepting Officers are advised to consult contractors who have experience of work in the particular area and ascertain their views with regard to completion period considered reasonable.

6. A careful analysis should be made of extensions granted in respect of works executed during the course of the previous two to three years. This should be of great assistance in fixing completion periods.

7. Although it is appreciated that in certain cases local staff authorities may exert pressure for reducing completion period, engineers must be careful to ensure that the minimum period required for completing a work to an acceptable standard is not reduced.

Sd.

*Engineer-in-Chief*

Encl. Appendix 'A'

## ANNEXURE 'C'

## FACTORS AFFECTING COMPLETION PERIOD

## 1. Availability of the following:—

- (a) local materials;
- (b) skilled (and unskilled) labour;
- (c) water for construction;
- (d) electric energy for welding and lighting.

## 2. Period lost due to rainy days.

3. New sites where approach roads do not exist—period of completion should be more than that for developed sites.

4. Work scattered over two or three sites—completion period should be more as compared to that required for work of the same magnitude concentrated at one site.

5. Officers Quarters, Institutes Messes, Hospitals and the like where internal finishes and fittings need more attention a more liberal provision is necessary.

6. Work pertaining to additions/alterations to existing buildings period allowed for completion should be on a more liberal scale as compared to new work of the same value as in case of work involving additions/alterations site restrictions hamper progress.

7. Double storeyed or multistoreyed buildings with a considerable amount of RCC work.

8. Separate contract being arranged for specialised work such as air-conditioning or water proofing—proper coordination between the work of the builder and that of the specialist is essential.

9. Sewerage work in areas in which sub-soil water level is high—a comparatively longer period is necessary.

10. Time required in procuring stores to be issued by Government.

## Recommendation

*The committee are far from happy at the halting manner in which departmental action is being taken against the officers responsible for misappropriation and negligence. A court of Inquiry was held in March, 1962, the Sub-Area Commander recommended disciplinary action in January, 1963 and the case was referred to the SPE by the Area commander in March 1963. It is regrettable that the SPE also took 20 months to investigate the case and report in the matter (November, 1964). The MES authorities took further 5 months to serve charge sheets against the officers concerned (April, 1965). The cases have not yet been finalised. It is very unsatisfactory that even though about 4 years have elapsed, yet officers at fault have not been punished for the misappropriation detected in March, 1962.*

*The Committee desire that immediate steps should be taken to expedite the matter and remedial measures should be taken to prevent recurrence of such delays.*

[Serial No. 64 of Appendix IX to PAC's Forty-Eighth Report (1965-66)—(Third Lok Sabha).]

#### ACTION TAKEN

Noted. The disciplinary action against subordinates has since been finalised and it has been decided to impose the following penalties on the concerned subordinate\*: —

- (1) (i) "Penal recovery of Rs. 1,000.00" to be recovered monthly at the rate of 1/3 of the emoluments.  
(ii) Stoppage of increment for two years with cumulative effect.
- (2) (i) Stoppage of increment for two years with cumulative effect.  
(ii) Promotion to be with-held for five years.
- (3) (i) "Penal recovery of Rs. 500.00" to be recovered monthly at the rate of 1/3 of the emoluments.  
(ii) Stoppage of increment for two years with cumulative effect.
- (4) (i) "Penal recovery of Rs. 500.00" to be recovered monthly at the rate of 1/3 of the emoluments.  
(ii) Stoppage of increment for two years with cumulative effect.
- (5) Awarded punishment of Penal recovery of Rs. 700.00.

2. As regards disciplinary action against the officers concerned, inquiry under Rule 14 of the \*\*CCS (CC&A) Rules 1965, and under Art 351 A, (a) CSR has been ordered to be held to inquire into the charges against them and the Commissioner for Departmental Enquiries has been appointed on 27th July 1966 as Enquiry Officer by the Ministry of Defence. A further report on the disciplinary action taken against the officers concerned will be submitted to the Committee in due course.

3. Necessary remedial instructions have since been issued by the Army Headquarters vide their letter No. 93792/Org 4(Civ)(a) dated 5th September, 1966, (copy enclosed) for expeditious disposal of disciplinary cases.

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

[M. of D. u.o. No. 2(12)/64/400-S/D(Works-II), dated 4th April 1967.]

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\*Names not printed.

\*\*Central Civil Services, (Classification, Control & Appeal), Rules 1965.

@Civil Service Regulations.

## ANNEXURE

Delhi Telephone 31711

No. 93792/Org-4(Civ)(a)

ARMY HEADQUARTERS

ADJUTANT GENERAL'S BRANCH

DHQ PO New Delhi-11, 5 Sep. 1966

To

Headquarters  
 Southern Command (30)  
 Eastern Command (30)  
 Western Command (30)  
 Central Command (30)

SUBJECT:—*Expeditious disposal of disciplinary cases.*

Reference this HQ letter of even number dated 28th Feb. 1962.

1. Instructions were issued vide this HQ letter under reference that disciplinary cases pertaining to civilians serving in Army installations be finalised expeditiously. These instructions have not achieved the desired aim and delay in disposal of disciplinary cases continue to perpetuate, with the result that the Govt. is put to embarrassing position, especially in such cases which come to the notice of Public Accounts Committee. It is, therefore, reiterated that delays in disciplinary cases should be reduced to the minimum. It will go a long way to finalise disciplinary cases expeditiously if the following remedial measures are borne in mind while dealing with such cases:—

- (a) Civilians of Army installations are governed by Central Civil Services (CC and A) Rules 1965 with effect from 1 Dec. 1965. The rules (*ibid*) were forwarded to HQ Commands under this HQ letter of even number dated 28 Dec. 65 and reproduced in CPRO No. 34/66, for guidance and compliance of all concerned. The various forms to be used for the institution of disciplinary proceedings were forwarded to HQ Commands under this HQ letter of even number dated 16 Aug. 66 which are also being reproduced in CPROs. These rules should be thoroughly gone into and studied by the authorities empowered to take disciplinary action.
- (b) The Central Civil Services (CC & A) Rules 1965, indicate the specific period to be given to a delinquent Govt. servant for the submission of defence statement, which if strictly complied with would eliminate delays in the disposal of disciplinary cases.

- (c) Delay in finalisation of Staff/Departmental Court of Inquiry should be avoided. The convening authority should be apprised of the delay and requested to have these enquiries finalised expeditiously within a reasonable period. If necessary, intervention of the next higher departmental authority in chain of Command, may be solicited in cases of abnormal delay.
- (d) Delay in institution of disciplinary proceedings should be avoided. The responsibility for instituting disciplinary proceedings rests with the "disciplinary authority" as defined in Central Civil Services (CC & A) Rules 1965. Once the preliminary investigations are over, there is no reason for delaying the initiation of disciplinary proceedings and to follow them to a logical conclusion.
- (e) Delay in finalisation of "Inquiry" under Rule 14 of Central Civil Services (CC & A) Rules, 1965 should be avoided. As a preliminary to such an inquiry, the accused, after being furnished the relevant data, is required to submit, within a specified time, a written statement of defence. The rule also provides that if no written statement of defence is submitted by Govt. servant, the disciplinary authority may itself inquire into the articles of charge or appoint an enquiry authority for the purpose. Similar time schedule is to be provided for during the course of the Inquiry.  
Thus if the time scheduled is strictly followed, there need be no delay on the grounds of non-cooperation by the accused. In fact Rule 14(20) of Central Civil Services (CC & A) Rules 1965 authorises the Inquiring Authority to hold such inquiry ex-parte if the accused adopts an intransigent attitude.
- f) Delay due to submission of incomplete proceedings to higher authorities should be avoided. Normally the reasons for such delays are as under:
  - (i) Not endorsing all documents referred to in the statement of imputations, inquiry, defence and so on. This can be avoided by neatly putting all the papers in a folder, duly indexed. The order of arranging the enclosures should be the order in which these are cited.
  - (ii) Recommendations of intermediate authority being incomplete the authority recording recommendations should, when it disagrees with the lower authority, record reasons for disagreement. It should be checked up if the penalty recommended is capable of being enforced. For example the penalty of stoppage of increment may not be recommended to a person who has reached the maximum of the grade or scale of pay.

5. Please ensure that all concerned are fully conscious of the importance of progressing and finalising the disciplinary proceedings with the sense of utmost urgency.

Sd.  
for Adjutant General

**NOT ON ORIGINAL**

Copy to:—

SD-1	(52)	
Q-1	(9)	
MG-C	(20)	
E-1	(35)	
Org-1 (Pers)(a)	(5)	
Org-2 (MP)(c)	(2)	
Rtg-5 (OR)(b)	(13)	—With reference to their note No. 61162/65 EID, dated 9th Aug. 66.
Rtg-5 (OR)(b)	(5)	
Rgt-6 (SP)(b)	(6)	
Rtg-8 (IofR)(b)	(5)	
PS-4	(2)	
AG/PM	(5)	
DMS-3	(8)	
JAJ	(5)	
AG/PS-1		With the request to issue a similar directive in regard to the expeditious finalisation of Staff Courts of Inquiries, convened under the Army Act.

Ministry of Defence  
D(Lab)

for information.

**Recommendation**

*The Committee are sorry to note that 460 tonnes of cement costing Rs. 66,118.00 was damaged and rendered unserviceable due to negligence on the part of an individual officer by exposure to rain in July 1963. They feel that the loss could have been avoided if timely action had been taken by the officer either to suspend the supplies or to provide suitable covered accommodation during the period of monsoon.*

*The Committee find that the staff Court of Inquiry held the Garrison Engineer responsible for gross negligence. The Committee are not convinced with the reasons given by the G.O.C. of the area in disagreeing with the findings of the staff Court of Inquiry. The Committee, however, understand that the matter was still under examination of the Ministry. They would like to know the final decision taken by the Ministry on the findings of the staff Court of Inquiry.*

[Serial No. 65 of Appendix IX to Forty-Eighth Report (1965-66)  
(13th Lok Sabha).]

## ACTION TAKEN

The Chief of the Army Staff has examined the case and has directed that:—

- (a) disciplinary action be initiated against the Garrison Engineer for negligence; and
- (b) the statements of the Commander Works Engineer and the Chief Engineer be recorded with a view to examine whether there were adequate reasons for the Commander Works Engineer and the Office of the Chief Engineer eventually agreeing to continue the supply of cement at the same rate, as also whether there was any negligence on the part of either of these two officers.

Accordingly AG's Branch have directed Headquarters, Western Command on 3rd May, 1966 to take necessary action.

A further report will be submitted to the Committee indicating the final decision taken by the Government.

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

[M. of D. u.o. No. 15(2)/66/7323/D(W-II), dated the 18th August, 1966.]

## Recommendation

This indicates that the first test conducted by the officers at Panagarh was perfunctory. The Committee are sorry that officers concerned should have been so casual in testing the set repaired at the cost of Rs. 40,950. They would like to know whether any action has been taken against them.

The Committee would also like to know as to when and where the three generating sets were put to use after repairs and whether they gave satisfactory service.

[Sl. No. 68 of Appendix IX to Forty-Eighth Report (1965-66)—  
(Third Lok Sabha).]

## ACTION TAKEN

1. Disciplinary action against the members of the Board of Officers who conducted the first test at Panagarh has been taken as indicated in para 1(a) above.

2. Out of the three generating sets, one has been installed in December 1965. Another has been installed in April 1966. These two generating sets are giving satisfactory service. With regard to the third generating set, the same is being installed and the installation will be completed by May 1967. The report about its satisfactory service would be available only after its installation and performance. A further note would be submitted to the PAC in due course.

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

[M. of D. u.o. No. 15(10)/66/536-S/D(W-II), dated 4-5-67.]

## APPENDIX VI

### SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

S. No.	Para No. of Report	Ministry/ Department concerned	Conclusions/Recommendations
1	2	3	4
1	2-2	Defence	The Committee are unhappy at the slow progress made in regard to the recovery of the amounts outstanding against contractors for a very long period. The Committee once again emphasise the necessity of early settlement of these cases, particularly those which are not in courts of law or under arbitration.
2	2-5	Do.	The Committee are constrained to note that decisions taken by Government in some cases could not be conveyed to officers suspected of default because they had already retired from service.
3	2-6	Do.	The Committee would like to be informed of terms and conditions under which this property has been passed on to the State Government.
4	2-8	Do.	The Committee would emphasise the necessity of early realisation of this huge amount of Rs. 6.35 lakhs from a private individual and hope that the Ministry of Defence would take appropriate steps for the same.
5	2-11	Do.	If the pre-requisites (viz., power-driven machines etc.) mentioned in the Ministry's note were available with the firm, the Committee are unable to understand why the supply of the Mazri Garments could not be completed by the stipulated date. There appears to have been a failure in taking follow up action as it has not been made clear whether the firm in question actually employed more man-power or worked on three shift basis to complete the order for Mazri Garments in the specifically stipulated time. The Committee also do not agree with the views of the Ministry of Defence that "the estimated savings of Rs. 4 lakhs is a matter of conjecture". Time being of the essence of the contract in this case, Government have been deprived of the benefit of competitive rates, to the extent the limited period given in the contract deprived the other suppliers of an opportunity to compete in this case. This is also borne out by the fact that when orders for stitching of the garments were placed during February, 1963 after limited tender enquiries at different stations, the rates for stitching these were lower than those entered into with this firm in December, 1962.



## APPENDIX VI—contd.

1	2	3	4
6	2·15 2·16	Defence	<p>The Committee regret to note that the Ministry of Defence in their reference to the Ministry of Law did not state whether any loss, actual or potential, was in fact sustained by Government by the extension of the delivery date and the consequent belated supplies of stitched garments. It is all the more regrettable that the letters granting extension of time did not specifically reserve the right of the Government to recover liquidated damages for breach of the contract, though they vaguely referred to the penalty clause being invoked in the matter. The Committee feel that the Ministry of Defence should have clearly brought out in their note the loss suffered by them as a result of the delay in the supply of these garments. This delay on the part of the contracting firm resulted in the consequent delay in supply of the garments to the recruits. The fact that the intake of the recruits was less than that originally anticipated was only fortuitous and does not in any way mitigate the delay in supply of the garments by the contracting firm.</p> <p>The Committee are also unable to understand why Government did not exercise their option in this case to make the contract void when the time was of the essence of the contract. The Committee feel that in the case of a contract, where the time is of the essence of contract, the Government should take appropriate action well in time so that their interests do not suffer. The Committee hope that the Ministry of Defence will be more careful while entering into such contracts in future.</p>
7	2·17	Law	<p>The Committee feel that the Ministry of Law should also have called for the information regarding actual or potential loss suffered by the Ministry of Defence by belated supplies before giving their opinion in this case. The Committee hope that the Ministry of Law will take suitable measures to ensure that legal advice is given by taking into consideration all aspects of the case in question.</p>
8	2·20	Defence	<p>The Committee hope that the instructions now issued for the preparation of Approximate Estimates and Costed Schedule of Works (Technical Sanctions) on a realistic basis taking into account market trend will be strictly adhered to and that the MES Schedule of Rates will be kept reasonably current and will be revised at intervals of not more than five years.</p>

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4 Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66		MANIPUR	
29.	Oxford Book & Stationery Company, Semdia House, Connaught Place, New Delhi-1.	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76		AGENTS IN FOREIGN COUNTRIES	
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

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