

**PUBLIC ACCOUNTS COMMITTEE
(1963-64)**

**SEVENTEENTH REPORT
(THIRD LOK SABHA)**

**[Appropriation Accounts (Defence Services),
1961-62 and Audit Report, 1963]**

PART I—REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 1963/Agrahayana, 1885 (Saka)

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C O R R I G E N D A

to

THE SEVENTEENTH REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE

(THIRD LOK SABHA)

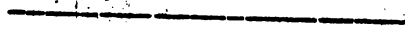
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PUBLIC ACCOUNTS COMMITTEE

(1963-64)

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Shri Y. P. Passi—Under Secretary.

*Declared elected on the 29th November, 1960 vice Shri Bhakt Darshan ceased to be a Member of the Committee on his appointment as Deputy Minister.

**Declared elected on the 29th August, 1963 vice Shri Nawab Singh Chauhan.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf, this Seventeenth Report on the Appropriation Accounts (Defence Services), 1961-62 and Audit Report (Defence Services), 1963.

2. The Appropriation Accounts (Defence Services), 1961-62 together with the Audit Report thereon were laid on the Table of the House on the 19th March, 1963. The Committee examined them at their sittings held on the 5th to 8th August, 1963. A brief record of the proceedings of each sitting of the Committee has been maintained and forms Part II* of the Report.

3. The Committee considered and finalised this Report at their sitting held on the 3rd November, 1963.

4. A statement showing the summary of the principal conclusions/recommendations of the Committee is appended to the Report (Appendix VII). For facility of reference, these have been printed in thick type in the body of the Report.

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

They would also like to express their thanks to the officers of the Ministry of Defence for the co-operation in giving detailed information asked for by the Committee during the course of their evidence.

NEW DELHI;
December 5, 1963.
Agrahayana 14, 1885 (Saka).

MAHAVIR TYAGI,
Chairman,
Public Accounts Committee.

*Not printed. (One cyclostyled copy laid on the Table and five copies placed in the Parliament Library).

AUDIT REPORT (DEFENCE SERVICES), 1963

Budgeting and Control over Expenditure

Page 1—para. 1—Review of expenditure against Grants and Appropriations,

The totals of the voted grants and charged appropriations for the Defence Services during the three years ending 1961-62 and the actual expenditure incurred against them are summarised below:

(In crores of rupees)

	1959-60	1960-61	1961-62
<i>(i) Voted Grants</i>			
1. Grants (including Supplementary Grants)	311·18	338·25	364·76
2. Actual expenditure	293·65	310·17	343·63
3. Savings	17·53	28·08	21·13
4. Percentage of 3 to 1	5·63	8·30	5·79
<i>(ii) Charged Appropriations</i>			
1. Appropriations (including Supplementary Appropriations)	0·99	0·96	0·17
2. Actual expenditure	0·92	0·86	0·15
3. Savings	0·07	0·10	0·02
4. Percentage of 3 to 1*	6·80	10·17	14·80

Page 1—Para. 2—Savings in Grants.

2. The savings amounting to Rs. 21·13 crores under voted grants were the result of (a) savings of Rs. 21·95 crores under three grants counterbalanced by (b) excesses totalling Rs. 0·82 crores under two others.

The savings in the three grants referred to were as follows.

(In crores of rupees)

Grant No.	Final Grant	Savings
9—Army	229·89	3·85
11—Air Force	62·93	8·86
111—Capital Outlay	32·97	9·24

*Percentages have been worked out on actual figures without rounding.

In evidence, the Secretary, Ministry of Defence, stated that with a view to narrowing the gap between the actuals and estimates, it was proposed to carry out a quarterly review of expenditure. In cases involving purchase of stores, where accurate estimation was usually difficult, it was proposed to keep a close watch at each important stage, in coordination with the Director-General, Supplies and Disposals. The same was proposed to be done in the case of works programme. He hoped that the adoption of these measures would result in improving the position.

While the Committee note that the over-all savings in Voted Grants during the year under review (5.79%) indicate an improvement over the previous year (8.30%), they feel that the amount unutilised (Rs. 21.13 crores) is still heavy. The Committee desire that, with a view to further improving the standard of budgeting and narrowing the gap between the actuals and estimates, the remedial measures, referred to in evidence, should be introduced at an early date.

3. Some instances where the budget provision proved excessive or unnecessary are mentioned below:

(In crores of rupees)

Nature of items	Budget provision	Actual expenditure	Unutilised budget provision
(i) Manufacture of trucks and tractors	5.67	4.23	1.44
(ii) Manufacture of Nissan Patrol Jeeps	1.00	..	1.00
(iii) Purchase of plant and machinery for factory projects	5.00	2.04	2.96
(iv) Construction of naval vessels—			
(a) abroad	2.34	0.21	2.13
(b) in India	2.00	0.52	1.48
(v) Purchase of plant and machinery for manufacture of aircraft	0.63	0.07	0.56
(vi) Purchase of airframes and engines including manufacture/assembly at Hindustan Aircraft Limited	18.06	12.63	5.43
(vii) Purchase of aviation and other stores for Air Force	24.01	19.05	4.96

The Committee desired to know why large sums obtained from Parliament for the implementation of manufacturing and other schemes, remained largely unutilised, resulting in short-falls in planned targets. The Secretary of the Ministry explained that most of the manufacturing projects involved outlay in foreign exchange.

As at the time the estimates were framed, or even much later, there was no definite indication regarding the extent of foreign exchange that would be available, accurate budgeting in matters like these was inherently difficult. He further stated that unless the requisite foreign exchange was made available in time, even the rupee part of the expenditure could not be incurred to the extent envisaged. The Comptroller and Auditor General suggested that, in such cases, the Ministry might, in the light of their experience as to the availability of foreign exchange and the progress of expenditure on Projects, impose a lump sum cut on the original estimates. The Secretary of the Ministry agreed that that would be the proper budgeting procedure.

The Committee desire the Ministry of Defence to examine, in consultation with the Ministry of Finance, the question of implementing the above-mentioned suggestion of the Comptroller and Auditor General at an early date.

4. The Committee were informed by Audit that in the following four items, provision was included in the budget, although no final decision had been taken: (i) Reserve for plant and machinery for factory projects under consideration (Rs. 1.25 lakhs); (ii) Nissan Patrol Jeeps (Rs. 100 lakhs); (iii) Motor Graders (Rs. 30 lakhs); and (iv) acquisition of land for Navy (Rs. 64 lakhs). The Secretary of the Ministry stated that the estimates were framed by the beginning of February at the latest. It was hoped that the decision would be taken before the close of the financial year. The Comptroller and Auditor General referred to the instructions issued by the Ministry of Finance in August, 1958, according to which in cases where a final decision had not been taken, only a token provision should be made. These instructions had not been made applicable by the Ministry of Defence to Defence Expenditure. The Secretary of the Ministry promised to look into the matter.

The Committee are unable to understand why the instructions issued by the Ministry of Finance in 1958, pursuant to the recommendation of this Committee made in their 8th Report (Second Lok Sabha), should not have been made applicable to the Defence Expenditure. The Committee desire that this should now be done without delay.

5. A sum of Rs. 19.66 crores was surrendered on the last day of the year. No amount was surrendered earlier although a saving of Rs. 8.64 crores (Rs. 1.98 crores under Air Force and Rs. 6.66 crores under Capital Outlay) was anticipated in December, 1961 when the Revised Estimates were finalised.

The Committee enquired why the above saving was not surrendered till the last day of the financial year. The Secretary of the Ministry admitted that there was no justification for this.

The Committee are not happy over the practice of surrendering funds year after year on the last day of the financial year (Rs. 19.06 crores in 1961-62). This betrays a sense of complacency on the part of the Ministry of Defence. They note that, in pursuance of the recommendation contained in para 4 of their 35th Report (Second Lok Sabha), the Ministry of Finance (Department of Economic Affairs) had already issued instructions to the administrative Ministries in October, 1962 for exercising strict budgetary control and surrendering savings immediately they were foreseen. The Committee desire that the above instructions of the Ministry of Finance should be strictly complied with.

Page 3—para 4— *Excesses over Grants.*

6. During the year under report, excesses occurred over two voted grants as shown below:

(In crores of rupees)			
No. and name of Grant	Final Grant	Actual expenditure	Excesses
10—Navy	20.05	20.67	0.62
12—Non-Effective	18.92	19.12	0.20

The circumstances leading to the excess under Grant No. 10—Navy are set forth in a Note submitted to the Committee by the Ministry of Defence (Appendix I). It would be seen from this Note that the net excess of Rs. 62 lakhs mainly occurred under Sub-Head E (Rs. 50 lakhs) and Sub-Head G (Rs. 14 lakhs). The excess expenditure under these Sub-Heads has been explained as due to:

(In lakhs of Rs.)		
<i>Sub-head E</i>		
(i) Larger adjustment than anticipated of customs duty late in the year. A sum of Rs. 31 lakhs approximately pertaining to the previous years— as far back as 1955—were booked to the 1961-62 years accounts.	21	
(ii) Larger expenditure than anticipated on 'provisions' mainly due to under-estimation of the cost of rations	17	
(iii) Larger materialisation of supplies of Armament Stores from Ordnance Factories than anticipated (Rs. 16 lakhs) partly set off by savings on account of lesser supplies through other sources (Rs. 4 lakhs)	12	
	50	

Sub-head G

Payment of certain advance in U. K. for supply of stores without adequate provision (Rs. 20 lakhs), partly set off by savings on other accounts (Rs. 26 lakhs). Necessary provision could not be made due to a delay of nearly two years in the issue of Govt. sanction. The Ministry have stated that the proposal was being subjected to minute scrutiny at every stage in view of the large expenditure of foreign exchange involved.

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In the opinion of the Committee, the excess under Sub-Head E indicates the need for a more realistic estimate of requirements and a closer watch over the progress of expenditure and liabilities to be liquidated. The Committee would, in this connection, draw attention to para 6 of their 23rd Report (Second Lok Sabha) where-in it was emphasised that the controlling officers should obtain information not only of what has actually been spent from an Appropriation/Grant but also of what commitments and liabilities have been or will be incurred against it during the financial year so that they have an idea of the progressive liabilities and commitments in respect of which payments have to be made.

“As regards the excess under Sub-Head G, while the Committee appreciate the need for minute scrutiny at every stage, they find that in this case the Admiralty had ‘progressively started placing contracts’ with the manufacturers, after the lists of spares had been scrutinised by the Indian Naval Adviser in U.K. during 1959 and 1960. The Committee are not, therefore, satisfied with the explanation for the delay of two years in the issue of Government sanction.”

The circumstances leading to excess under Grant No. 12, Defence Services—Non-effective are set forth in another Note furnished by the Ministry of Defence (Appendix II). It would appear from this Note, that the net excess of Rs. 20.32 lakhs broadly comprises:

- (i) A sum of Rs. 10 lakhs roughly on account of payment of Temporary Increase element of pension, in excess of Budget provision.
- (ii) Adjustment of a sum of Rs. 10 lakhs roughly on account of Government contribution on certain Contributory Provident Funds, in excess of Budget provision.

As regards (i) above, it has, *inter alia*, been stated in the Ministry's Note that with a view to accelerating the payment of arrears of ‘Temporary increase in pension’ in as many cases as possible before 31st March 1962 and utilising the funds to the optimum extent, the Controller of Defence Accounts (Pensions) took special steps to request the State Governments P. & T. authorities etc. on 20th November, 1961, to arrange for the payments quickly and pass on the debits for adjustment through the accounts for 1961-62.

As a result the progress of payment gathered tempo and heavy payments were arranged by the Civil authorities at the fag end of the financial year. Though the bulk of these payments were arranged by the Civil authorities through the accounts for the closing months of the financial year, the debits came to the notice of the Controller of Defence Accounts (Pensions) during the month of March, 1962 and subsequent months. This indicates the need for a closer coordination between the disbursing and accounting authorities.

7. Subject to the observations of the Committee in the preceding para, the Committee recommend that excesses under Grants Nos. 10—Navy and 12—Non-effective may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

BUDGET ESTIMATES, 1963-64

8. The Committee referred to the Budget Estimates for the year 1963-64, in which the whole of the estimated expenditure in respect of Defence Services (Effective) was shown under one Demand and there was no indication of detailed allocations under the various Heads and sub-Heads, as in previous year. The Committee enquired as to how, in the absence of such details, they were to have an idea as to the extent of savings or excesses under the various Heads or sub-Heads. The Secretary of the Ministry stated that the estimates for the year 1963-64 had been prepared in the same detailed manner as for any previous year. The details were, however, not furnished to Parliament. The witness promised that all the details would be made available to the Comptroller & Auditor General at the time of Audit. The Comptroller & Auditor General pointed out that the savings and excesses given in the Audit Report were with reference to the appropriations made by Parliament. As, in this case, the whole amount had been shown under four sub-Heads, the report to be made to Parliament would also be with reference to these Heads only. The variations between the estimates and actuals (though known to him), would not come to the notice of Parliament, unless the Ministry agreed to place the detailed estimates before Parliament by the time the Accounts for the year 1963-64 were taken up. The Secretary of the Ministry promised to place the matter before the Minister.

The Committee hope that Government would arrive at a decision, sufficiently in advance of the finalisation of the Appropriation Accounts (Defence Services), 1963-64, and that it would be possible for them to place the detailed Budget Estimates for 1963-64 before Parliament.

II

ARMY

Quarter Master General's Branch

Pages 7-8,—para 8(i) &(ii)—Financial Results of Military Farms

9. Some particulars bringing out the financial results of the working of Military Farms, are given below:

(In lakhs of rupees)

Capital Expenditure	..	..	..	251.44
Value of Fixed Assets (Lands, buildings, machinery and live-stock)	..	..	..	218.20
Net profit for 1961-62 (after allowing Rs. 8.85 lakhs as interest on Government capital)	..	..	..	12.99
Total return on Capital	..	..	..	21.84
Percentage of total return on Capital	..	..	..	8.7

(a) The net profit of Rs. 12.99 lakhs, as shown in the proforma accounts, was the result of a profit of Rs. 28.06 lakhs made by fifteen farms and a loss of Rs. 15.07 lakhs incurred by sixteen other farms. The Military Farm, Meerut, incurred the heaviest loss of Rs. 2.54 lakhs.

(b) The average cost of production of milk at the farms was Rs. 1.63 per litre. This was much higher than the average market rate of Rs. 0.77 per litre and the average purchase rate of Rs. 0.66 per litre.

A loss of Rs. 6.32 lakhs was incurred on issues of milk from the military farms which are paid for (i.e. issues to private consumers, messes, etc.); such issues constituted 7.7 per cent of the total quantity. The net profit of Rs. 12.99 lakhs took into account the entire quantity of milk produced and issued; for this purpose the milk issues had been priced as follows:

Payment issues	Re. 0.84 per litre
Free issues to units and formations	Re. 0.90 per litre.

The overall net profit was mainly due to the fact that free issues which constituted 92.3 per cent of the total and consisted largely of

blended/standard milk with a lower fat content than whole milk, had been priced at a rate higher than the sale rate fixed for issues of the whole milk to private consumers. If the entire quantity of milk issued free were priced at the average sale rate of Re. 0.84 per litre for whole milk, there would have been a loss of Rs. 4.58 lakhs instead of a profit of Rs. 12.99 lakhs.

(c) An expert committee appointed in June, 1961, for the purpose of reviewing the existing accounting and financial system of military farms, submitted its report in November, 1962, which was stated to be under consideration.

In evidence, the Committee desired to know the reasons for the average cost of production at the Military Farms being so much higher than the average purchase price. The representative of the Ministry of Defence stated that the figure of Rs. 1.63 per litre, mentioned in the Audit Report, had been arrived at by taking the average cost of milk supplied in each farm. Taking the average of total supply of all the farms, the cost of production at the Military Farms came to Rs. 1.43 per litre. The main reasons for the higher cost of production at the Military Farms were (i) Emphasis on punctual supply which necessitated larger number of vehicles being employed, (ii) Pasteurisation of milk and regulation of its quality, (iii) Payment to staff on the Central Government scales of pay, and (iv) rearing of unwanted calves for some periods. In reply to a question, the witness admitted that there might not have been the same extent of economy in the past as at present.

The Committee feel concerned to observe that the average cost of production of milk at the Military Farms, according to the Ministry's own calculation, comes to Rs. 1.43 per litre, which is more than twice the average purchase rate (0.66 per litre). During the course of evidence, the Committee desired to know the reaction of the Ministry to the idea of entrusting the supply of the milk requirements of units and formations to civil organisations which may be set up for the purpose. The representative of the Ministry stated that, if a punctual supply of milk of the requisite quality could be ensured, the matter would certainly be considered by Government. The Committee desire the Ministry of Defence to examine this suggestion at an early date, in consultation with the Ministries of Finance and Food and Agriculture, and apprise them of the decision taken in this behalf. In the meantime, every effort should be made by the Ministry to bring down the cost of production to the lowest extent possible.

10. Referring to the pricing of milk issues, the Committee enquired as to why 'free issues' which consisted largely of blended standard milk with a lower fat content than the whole milk, were

priced at a rate (90 nP per litre) higher than the sale price fixed for issues of whole milk to private consumers (84 nP per litre). The representative of the Ministry stated that the free issues were charged according to certain principles, and whatever was left over, was, instead of being allowed to be wasted, given to officers and other entitled personnel at lower rates.

The Committee are not convinced by this explanation. They feel that, the present system of pricing of milk issues, is unsatisfactory; it is obviously a camouflage to cover the deficits of Military Farms by pricing their free issues of blended milk, for purposes of accounting, at an abnormally high price and thereby showing an inflated income. They note in this regard that if the entire quantity of milk issued free were priced at the average sale rate of Re. 0.84 per litre for whole milk, there would have been a loss of Rs. 4.58 lakhs, instead of a profit of Rs. 12.99 lakhs (in other words, a difference of Rs. 17.57 lakhs).

11. The Committee were informed that the expert committee appointed in June, 1961, for the purpose of reviewing the existing accounting and financial system of military farms submitted its report in November, 1962. The recommendations of this Committee had been accepted both by the Army Headquarters and the Ministry of Defence. The point at present under examination was how to implement these recommendations which envisaged complete overhaul of the system and involved working out of considerable administrative details. The Committee desired to be furnished with a statement setting forth the main recommendations of the afore-said Committee, and the decisions taken thereon by the Ministry of Defence. This statement* has since been received and is enclosed as Appendix III. The Committee desire that the recommendations of this committee should be implemented expeditiously, with a view to putting the accounting system of Military Farm on a sound basis.

Page 8, para 8 (iii) (a)—Canteen Stores Department

12. (a) Mention was made in paragraph 17 of the Civil Audit Report, 1962 of the irregularity involved in keeping the financial transactions of the Canteen Stores Department outside the Consolidated Fund of India. No decision had been taken (till January, 1963), by the Government as to the manner in which the position would be regularised from 1963-64 onwards.

The Committee were informed during the course of evidence that the Canteen Stores Department earned a profit of about Rs. 30—40

*Not vetted by Audit.

lakhs per year, which was not subject to income-tax. The profit was allocated by the Management Board among the Army, Navy and Air Force Welfare Funds, and was wholly utilised for the welfare of Servicemen. While the Ministry agreed that keeping of the financial transactions of the Department outside the Consolidated Fund of India was unconstitutional, they were anxious that the position should be regularised in such a way as not to lessen in any way the benefits all along enjoyed by the Servicemen. The Comptroller & Auditor General of India had, in this regard, made the following two alternative suggestions in January, 1962:—

- (i) The business of the Department should be transferred to a statutory corporation to be created by an Act of Parliament. This Act would provide for all the concessions at present enjoyed by the Department. In such a case, the accounts and estimates of the Department would be excluded from the public account and Consolidated Fund of India.
- (ii) A Canteen Stores Fund should be created within the public account of India with the approval of Parliament, signified by a token Vote, and an appropriate omnibus entry for receipts and expenditure provided for in the Consolidated Fund Account of India.

The second suggestion of the Comptroller & Auditor General was accepted by the Ministry of Defence. This was not, however, agreed to by the Ministry of Finance who desired that the receipts and expenditure of the Department should be completely within the Consolidated Fund. As this would have subjected the entire expenditure of the Department (including the disposal of profits) to the Vote of Parliament, the Ministry of Defence could not agree. The Committee desired to know the reaction of the Ministry to the first suggestion of the Comptroller & Auditor General regarding the placing of the Department on a statutory footing. The Secretary of the Ministry stated that they would not mind working either way so long as the benefits accruing to the Servicemen, all along, were not curtailed. He, however, added that the commitment of the Ministry at present was for the second suggestion of the Comptroller & Auditor General, as there had been an apprehension that working of the first suggestion would make the profits liable to income-tax.

The Committee regret to observe that although more than 8 years have elapsed since the Public Accounts Committee first drew the attention of the Ministry to the irregularity involved in keeping the financial transactions of the Canteen Stores Department outside the Consolidated Fund of India, a final decision in the matter

is yet to be taken. While the Committee appreciate the Ministry's desire that the benefits all along enjoyed by the Servicemen should not be curtailed, they cannot reconcile themselves to the continuance of this irregularity any longer. The Committee desire the Ministry of Defence to further discuss the matter with the Comptroller and Auditor General and Finance, with a view to evolving a satisfactory solution of the matter.

Page 8—para 8(iii) (b)—Purchase of rum by Canteen Stores Department

13. Tenders for the supply of bottled rum during 1962-63 were invited in January, 1962, to be valid upto 1st March, 1962. Against this, one firm quoted the rate of Rs. 5 per gallon. The selection of tenders was, however, not completed by that date with the result that the firm revised its offer to Rs. 5·80 per gallon which, being still the cheapest, was accepted. On account of the delay in the acceptance of tenders, there was an avoidable expenditure of Rs. 1,20,000.

In evidence, the representative of the Ministry of Defence ascribed the delay in accepting the lowest tender to non-availability of the Members of the Board in February, 1962. He, however, added in extenuation that a procedure had since been laid down to obviate such delays. It was also stated that although the lowest tenderer raised his quotation by 80 nP. per gallon on the ground that the cost of packing material had gone up, even then his rate was lower than the previous purchase price (*viz.*, Rs. 6 per gallon). No increase was effected in the price of rum charged from the consumers.

While the Committee note that, consequent upon delay in the acceptance of the tenders, no increase was effected in the price of rum charged from the consumers, they would like to point out that had the tenders been accepted in time, the additional amount of Rs. 1,20,000 paid to the contractor would have been saved. The Committee were surprised to learn that the delay in accepting the lowest tender was due only to the fact that the members of the Board could not be available in time. They are, however, now informed that a new procedure has since been laid down to obviate such delays. The Committee trust that the introduction of this procedure will have the intended effect.

Page 23—para 31 (a)—Delay in execution/commissioning of projects

14. In October, 1960, Government sanctioned a project, at an estimated cost of Rs. 1·51 crores, for providing covered accommodation for vehicles which had been lying in the open for some years. It was also expected that by the end of 1961-62, 27 per cent of the

work would be completed and that the entire project would be completed within four years.

In connection with this project, additional staff was sanctioned in January, 1961 and April, 1961. The work was, however, suspended by the Army Headquarters in May, 1961, resumed in July, 1961 and again stopped in September, 1961 for the reason that a final decision regarding readjustment of the ordnance establishments in that area had not till then been taken. In December, 1961, some minor items of work, estimated to cost about Rs. 5 lakhs, were released for execution but no progress had been made even on these items till March, 1962. In addition to the expenditure of Rs. 38,700 incurred on the pay and allowances of the establishment sanctioned for this work upto the end of September, 1962, freight charges of Rs. 36,000 were incurred on the collection of stores from outstations.

In evidence, the representative of the Ministry of Defence stated that the work on the Project had to be suspended as a question arose whether the Command Depot should remain at the original place, or should be shifted to some other place. A number of factors were involved, and a final decision had not yet been possible. The Committee enquired how, pending a final decision in the matter, the staff employed for the execution of the Project was being engaged. The representative of the Ministry stated that they had been put on other construction works which were taken up after declaration of the National Emergency. As regards the stores procured for the Project (valued at Rs. 10.53 lakhs as on 30th June, 1963), the witness assured the Committee that the whole quantity would be used up in the works locally sanctioned.

The Committee are not happy over the delay of over two years in taking decision about the location of the Command Depot, which resulted in un-necessary expenditure on staff and freight charges on collection of stores. They, however, note that the number of vehicles lying in the open had been reduced and that all serviceable vehicles were under cover.

Page 24—Para 31 (b).

15. A project for the installation of 12 bulk petrol storage tanks each of 10,000 gallon capacity at Jhansi was approved by the Government in June, 1955 at an estimated cost of Rs. 1.91 lakhs and completed in December, 1960 at a cost of Rs. 1.83 lakhs. The other necessary requirements, such as, proper fire fighting equipment, static water tanks and electrification were sanctioned only in February, 1961 at an estimated cost of Rs. 49,230 against which an expenditure of Rs. 13,268 had been incurred upto July, 1962.

The Fire Adviser to the Ministry of Defence, who visited the installation on 18th January, 1962 considered the site of the installation as unsatisfactory and ill-advised as it was very close to the two main and branch railway lines and loco shed and was consequently exposed to constant risk of fire from the engine sparks. On the other hand, a number of Service Officers, who examined the installation in March, 1962, did not consider its location as dangerous. The installation was commissioned only in October, 1962, after nearly two years of its completion.

In evidence, the Committee desired to know the reasons for delay in the fire fighting and electric arrangements. The representative of the Ministry of Defence stated that, according to old orders on the subject, trailer pumps and water tanks were not thought necessary for 1,20,000 gallons—the quantity involved in this case. Later on, however, the Fire Adviser suggested that trailer pumps and water tanks should be provided. In reply to a question, the witness stated that all the fire-fighting arrangements had since been made, according to regulations the sanction for the crew had issued towards the end of June, 1963.

The Committee regret to observe that the bulk storage tanks for petrol, which had taken five and a half years for completion, could not be commissioned for another two years due to delay in the issue of sanction for other necessary requirements, such as, proper fire-fighting equipment, static water tanks and electricity. The explanation offered by the representative of the Ministry of Defence in evidence is not acceptable to the Committee, for, the Fire Adviser to the Ministry could have been consulted much earlier—either before the project was sanctioned or at least in its earlier stages. The Committee also fail to see why the sanction for the electrification should not have been issued well ahead of the installation of the tanks. In the opinion of the Committee, this is another case of defective planning and lack of proper fore-thought.

Pages 28-29—Para 41—Purchase of buffaloes

16. In connection with the purchase of milch animals the standing orders issued by the Army Headquarters, which had been followed for a number of years prior to May, 1961, required that:—

- (a) the milk yield should be determined from three milking tests; and
- (b) the price to be paid should be calculated at a prescribed rate for every pound of milk. In addition, a maximum bonus of Rs. 50 may be paid for special animals.

In May and August, 1961, the Army Headquarters modified the orders to the effect that the prices of individual animals should be fixed with reference to milk yield, body conformation, age, breed and the period of lactation; no bonus was to be paid but "the rate per lb. of milk might be increased by about a rupee". On 14th March, 1962, in supersession of the existing standing orders, Army Headquarters issued instructions that the buffaloes should be purchased purely on the consideration of "body conformation and young age", preference being given to those characteristics which denote good milch type animals.

During the period from 29th December, 1961 to 29th March, 1962, 692 buffaloes were purchased. An examination of the record of 567 animals showed that while payments in respect of 190 cases had been made on the basis of milk yield at the rates per Kg. of milk fixed by the Eastern Command in November, 1961, payments amounting to Rs. 3.11 lakhs in respect of the remaining 377 buffaloes were stated to have been made on the basis of both milk yield and body conformation. This amount exceeded by Rs. 94,852 the sum that would have been payable on the basis of the milk yield and the rates fixed by the Eastern Command.

In respect of 133 animals out of 377, mentioned above, an examination of the records of milk yields for the fortnight after the fifteenth day of arrival at the farm showed that the average yield had registered a drop of 18 per cent compared to the yield recorded at the time of purchase. There was an average increase of 7.33 per cent in 36 cases and a decrease averaging 25 percent in the remaining 97 cases.

In the case of 88 other buffaloes purchased on the milk-yield basis, there was also a drop in the yield by 22 per cent on the average.

The Ministry of Defence stated that the animals were purchased at the prevailing market rates and that the decline in the milk yield was possibly due to fatigue, as a result of long journeys, change in environment, change in the nature and type of feeding scales and temporary illness. In their view, the animals required at least a fortnight to overcome this fatigue and show the normal yield. However, as mentioned above, even a fortnight after their arrival, the milk yield continued to be much less than that at the time of purchase.

In evidence, the representative of the Ministry of Defence stated that it was not possible to purchase the requisite number of buffaloes under the old system. Further, as the main criterion under this system was milk-yield, the animals purchased by Military Farms were about 7-8 years old—the age of maximum milk yield of buffaloes.

The result was that even though the Military Farms paid a higher price for such animals, they could not keep them long. The standing orders were, therefore, revised to provide, *inter alia*, for purchase of buffaloes of younger age.

The Committee enquired whether the Ministry were satisfied that the prices paid under the new system were reasonable. The representative of the Ministry stated that prices were fixed by a board of three officers who were considered to be experts on the subject. The witness added that average price of 193 animals purchased upto 28th December, 1961, under the old system was, Rs. 712, as against this, the average price of 499 animals purchased under the new system from January to March, 1962, was Rs. 860. The reason for higher price paid under the new system was that the prices of buffaloes were usually higher in February-March than in the preceding period; prices were said to be the lowest in August, September and October, being the months during which buffaloes mostly calved. As to the reason for not purchasing all the buffaloes during this period, the representative of the Ministry and the Deputy Director of Military Farms stated that as, with advance in lactation, there was a decrease in milk yield, buffaloes had to be purchased even at higher prices in February-March to ensure a steady supply of milk all the year round.

The Committee then desired to know the reason for a substantial drop in milk yield in the fortnight after the fifteenth day of the arrival of buffaloes in Military Farms. The representative of the Ministry stated that, according to expert opinion, it was possible to increase the milk-yield temporarily by artificial methods. The milk-yield was also affected by a change to a new place. The Comptroller & Auditor General, however, quoted two cases in which there had been a drop of about 30 per cent in milk-yield, although there had been no change of station. The Deputy Director, Military Farms, stated that environmental conditions like feed, handling, housing, care, etc., were different in Military Farms from those in villages from where the buffaloes had been purchased.

The Committee observe that for the 377 animals purchased under the new system, the price paid was Rs. 3.11 lakhs, as against Rs. 2.16 lakhs payable on the milk-yield basis at the rates approved by the Eastern Command in November, 1961. Even after making due allowance for variations in prices in different months, the difference in the two amounts appears to be quite substantial and indicates a need for examination whether the new system ensures the purchase of buffaloes at the most reasonable price.

17. While the Committee further note the Ministry's argument that there may be a temporary decline in milk-yield due to fatigue,

changes in environment and nature and type of feeding scales, the fact that in the case of 97 buffaloes out of the 133 purchased under the new system and examined in Audit, the drop in milk-yield averaged 25 per cent during the fortnight after the fifteenth day of their arrival in the Farms, (the period allowed to buffaloes to overcome the fatigue and show normal results) indicates that the milk yield recorded at the time of their purchase did not correctly represent their normal yield. The Committee note, in this connection, the expert opinion that the milk yield could be increased temporarily by artificial methods. The committee feel that proper precautions could have been taken to eliminate this extraneous factor. The Committee would like the Ministry to examine whether the existing tests applied to assess the normal milk-yield of buffaloes are adequate.

Pages 29-30—para 42(a)—Non-utilisation/non-release of lands and buildings

18. In U. P. and Madhya Pradesh Sectors, large areas of land were requisitioned/hired during the period of war in 1942-43 but were mostly re-occupied during 1945—48 by the original owners/tenants who also started cultivating the land. Subsequently, the land was acquired at a cost of Rs. 1.75 crores and steps were taken to pay full compensation therefor. The unauthorised occupants had, however, not been evicted till November, 1962, although it had been reported as early as 1955 that with the introduction of new high velocity weapons, it was necessary to get vacant possession of the areas in question at an early date. It was stated by the Ministry of Defence, in November, 1962 that the organised hostility of the encroachers had created insurmountable difficulties and a 'law and order' problem.

It was stated during the course of evidence that the lands in question were very extensive and had been used for firing practice during the Second War. There was a suspension in firing practice for about 2-3 years after the War, when a large number of people came and settled there. The local police did not prove effective for pushing them out. It was not possible for the Defence Ministry to evict these people, without positive action being also taken by the State Governments. As to the present position, it was stated that most of the land in Madhya Pradesh had been cleared of trespassers. In U. P., however, it had not been possible to do so. One of the trespassers there had obtained an interim injunction from the Allahabad High Court which had not yet been vacated. It was also stated that although the encroachments continued, firing practice had not stopped. There was, however, some occupants, before firing practice was carried out. To a question whether unauthorised

occupants could not have been prevented from entering the acquired lands, it was stated that for that purpose a large watch and ward establishment would have been required which would have been very expensive.

The Committee note that large areas of lands acquired by the Ministry of Defence, still remain under the unauthorised occupation of former owners, even though they had been paid compensation therefor. The Committee feel that at the time of paying compensation, the Ministry of Defence should have secured complete vacant possession of these lands, and, thereafter, taken adequate steps to prevent its encroachment by the former occupants and others. The Ministry failed to do this. The Committee desire that effective steps should now be taken by the Ministry of Defence, in close co-ordination with the State Governments, to ensure that the lands are got vacated at an early date, and utilised for the intended purpose, without any let and hindrance. The Committee would like to have a further report in the matter.

Pages 30-31—Para 42(b)

19. In January, 1956, Army Headquarters issued instructions for the immediate release of 19.75 acres of land out of the total of 23.95 acres taken on lease from the Bombay Port Trust. The release of the land had, however, not been effected by the local authorities, except for an area of 1.07 acres which was released in April, 1959.

In May, 1960, the Director, Military Lands and Cantonments, issued instructions that the land in question should not be treated as surplus in view of the orders issued by the Ministry of Defence in May, 1958 that no landed property, i.e., property owned, constructed, acquired or requisitioned should be declared surplus to requirements of Defence Services and released without the orders of the Defence Minister. In July, 1961, however, the Siting Board and the local authorities recommended the release of the land in question as it was lying vacant and it was still held on lease at a high rate of rent.

The Bombay Port Trust had been demanding rent at a rate of Rs. 5.00 per sq. yard from February, 1956. Against this demand, a provisional decision that payment should be made at Rs. 3.50 per sq. yard was taken by the Army Headquarters in March, 1962. On this basis, a sum of Rs. 18.05 lakhs had been paid for the period from February 1956 to October, 1960. The liability for the period from November, 1960 to June, 1962 was over Rs. 5 lakhs. The annual rental liability worked out Rs. 3.17 lakhs.

The Committee were informed that after the decision to release the land had been taken, the Bombay Port Trust declined to take

back the land unless they were given a passage, measuring 4.2 acres, through the land retained by the Army authorities. This was not accepted by the Army. In the meanwhile, the Navy indicated their interest in the land. In 1957, the Army Headquarters revived their proposal to re-commission the Jerrican Factory in Vadala which necessitated continued retention of this land. Later on, there was a general clamp-down on releases of land pending the finalisation of the overall land requirements of the Army. As to the latest position, it was stated that the land had since been released to the Port Trust.

In reply to a question, the Committee were informed that the total liability incurred by Government upto June, 1963, on the basis of old rates, amounted to about Rs. 24 lakhs. It was admitted that the expenditure had been infructuous.

The Committee are not happy over the manner in which this case had been handled. They observe that the initial failure of the Director, Land and Cantonments, to take prompt action on the instructions issued by the Army Headquarters in January, 1956 for the immediate release of the land and the subsequent indecision on the part of the Ministry had resulted in unnecessary retention of the land for a period of about 7 years, involving an infructuous expenditure of Rs. 24 lakhs. It was, *inter alia*, urged in extenuation that under the orders issued by the Ministry of Defence in May, 1958, no landed property could be released without the orders of the Defence Minister. If that is so, the matter should have been placed before the Defence Minister and his orders for release obtained. Even if errors had been made in the initial stages, the Ministry should have taken immediate steps for releasing the land in July, 1961, whom the Siting Board and the local authorities had recommended this action. Unfortunately, two more years elapsed before this was done.

20. The Committee further observe that the provisional rate of Rs. 3.50 per sq. yard, on the basis of which the said payment of Rs. 24 lakhs had been made to the Bombay Port Trust, had not yet been agreed to by the Port Trust who have been demanding rent at the rate of Rs. 5.00 per sq. yard. The matter was stated to be under consideration of the Ministry. The Committee would like to have a further report in the matter.

Page 31—Para 42(c).

21. In June, 1952, Government decided to dispose of the air field at Sookerating (Assam) which was found surplus to defence requirements. A part of the air field covered by runways, taxi tracks, etc. was transferred to the State Government in 1955. No action was, however, taken to dispose of the remaining portion of this air field

which measured 300 acres and was covered by full-grown tea bushes. It was only in January, 1962, that it was leased out to a tea company on a yearly basis for a rental of Rs. 6,300.

The delay in leasing out this portion of the air field had resulted in a loss of revenue of about Rs. 50,000.

It was also mentioned that Rs. 6,000 and Rs. 10,000 were collected for unauthorised plucking of tea leaves for the years 1948 and 1949 respectively.

In evidence, the representative of the Ministry of Defence stated that after 1948-49, the M.E.S. had tried to auction this land (measuring 769.20 acres). There were, however, no bidders. In July, 1951, the Government of Assam requested the Central Government for the transfer of the airfield, free of cost, for the rehabilitation of the earthquake and flood-affected people. The land remained under the temporary occupation of the State Government till November, 1954. After protracted correspondence, a portion of this land, measuring 469 acres was sold to the State Government in February, 1956. The remaining portion (300 acres), which was tea-bearing, had considerable assets (worth about Rs. 4.26 lakhs). The M.E.S. prepared a demolition statement, and gave out a 12 months' contract for demolition in 1958. In the meantime, a general embargo was placed on the disposal of surplus lands. In 1961, the land was leased out to a firm on a rental of Rs. 6,300 for one year. As to the latest position, it was stated that in 1962 the Air Force had indicated their interest in this land from March, 1963 onwards. Towards the end of March, 1963, the Air Headquarters expressed their continued interest in the land though they did not need it for the present. In reply to a question, it was stated that even during the period of embargo, lands could be declared surplus for a public purpose, under the orders of the Defence Minister.

This is another case of inordinate delay on the part of the authorities concerned in disposing of surplus land (300 acres). It was urged in extenuation that the matter could not be proceeded with after May, 1958, when a general embargo on the disposal of surplus lands was placed. The Committee can hardly accept this explanation; for the matter could have been placed before the Defence Minister, and his approval to the disposal of land taken. Even if a delay in the disposal of the land was apprehended, the question of leasing out the land on a year-to-year basis should have been considered, and an early decision taken in the matter. The delay on the part of the Ministry in doing this had deprived the exchequer of a

large amount of revenue. It is hardly necessary for the Committee to point out the need for prompt action in such cases.

22. The Committee referred to unauthorised plucking of tea leaves for which a sum of Rs. 6,000 was secured in the year 1948 and Rs. 10,000 in the year 1949. The Committee enquired whether there was no produce in the subsequent years to be disposed of. The Additional Secretary to the Ministry stated that, according to his information, it had neither been stolen nor taken by anybody. The Committee would like to be furnished with a report regarding the disposal of tea leaves, grown on this land, in the subsequent years.

Page 31—para 42(d)

23. A cinema building for the entertainment of troops in Ramgarh Cantonment, which had been constructed by a private party on land subsequently acquired by Government, was requisitioned in 1945 and its rent was fixed at Rs. 3,030 per annum. It ceased to be used after 31st July, 1957 as it was found to require extensive repairs which the owner was not willing to carry out. The building had not been de-requisitioned till October, 1962, even though a proposal to that effect was made by the local military authorities in July, 1961.

The expenditure incurred on watch and ward and the liability on account of rent for the period from August, 1957 to October, 1962 amounted to about Rs. 21,000.

The Committee were informed during the course of evidence that the owner had kept the building in good condition upto 1945, but failed to do so thereafter, in contravention of the lease terms. One of the legal difficulties involved in this case was that the Cinema building constructed by the owner was on the land belonging to Government. And so, if the building were released to the owner, it might be difficult for Government to make use of their own land. The Army Headquarters, therefore, considered the question whether to release the building or to acquire it. The case had since gone in for arbitration as to the amount of compensation to be paid to the owner. Further action in the matter had been held up, pending the disposal of arbitration proceedings.

The Committee feel that the period of six years taken by the Ministry in coming to a decision regarding the acquisition of the Cinema building was too long, involving Government in an avoidable expenditure of Rs. 21,000 on watch and ward and rent. Now that the question regarding the compensation to be paid has been referred to arbitration, they would like to be informed of its outcome.

Engineer-In-Chief's Branch

Page 5—Para 6(iv)—Arrears of rent recoveries.

24. Outstandings on account of rent due from Central Ministries, State Government, private bodies, messes, clubs and officers, etc., as at the end of March, 1962, amounted to Rs. 2.26 crores approximately, out of which a sum of Rs. 47 lakhs approximately was due from non-government parties. The corresponding figures at the end of March, 1961 and March, 1960 were Rs. 2.40 crores and Rs. 2.64 crores respectively. The break-up of outstanding as on 31-3-1962 was as follows:—

(Figures in lakhs of rupees)

(1) Dues from Ministry of Rehabilitation and Rehabilitation Department of State Governments	63.10
(2) Other Central Government Departments	54.64
(3) Other State Governments	47.50
(4) Officers in service	1.08
(5) Officers released or retired left India	2.08
(6) Messes/Clubs	8.86
(7) Private Parties	35.24
(8) Cantonment Boards/Municipalities etc.	13.37
Total :	Rs. 225.95

Dealing with outstandings amounting to Rs. 63.10 lakhs due from the Ministry of Rehabilitation and Rehabilitation Departments of State Governments, the representative of the Ministry of Defence stated that the Ministry of Rehabilitation had also certain claims against the Ministry of Defence in respect of which Rs. 25 lakhs had been paid by the Ministry of Defence on account. It appeared that on final adjustment, only a small amount would be payable by one party or the other. **The Committee desire that the final adjustment should be made at an early date.**

25. As regards outstandings amounting to Rs. 1.06 lakhs against the officers in service, the representative of the Ministry stated that these had accumulated over a number of years. In some cases, the original levy had been disputed and in others, representations had been made for concessions, decisions on which were pending. **While the Committee appreciate the need for concessions in deserving cases, they feel that, normally, recovery of rent should not be held up, pending decisions on representations; the whole amount should be recovered initially, and, if necessary, a refund allowed later on.**

26. As regards arrears amounting to Rs. 2.08 lakhs due from officers who had retired or left India, the Comptroller and Auditor General stated that some of these had been outstanding for the last 14 years. Rs. 1.56 lakhs pertained to one year alone, viz., 1954-55, when a large number of officers were allowed to retire, without recovery of rent. **The Committee feel that it was a lapse on the part of the Ministry to have allowed the officers to retire, without prior recovery of rent from them.** They were informed that efforts were now being made to contact these officers and to recover as much as possible, by persuasion. **The Committee would like to be informed of the outcome of the efforts made by the Ministry in this behalf.**

27. As regards outstandings against private parties (MES contractors, private clubs, etc.) the Committee wanted to know the reasons for heavy accumulation of arrears, when under the rules, rent had to be recovered in advance. The Controller General of Defence Accounts stated that large amounts were due from contractors in the Southern Command who had resorted to litigation. The representative of the Ministry added that at the time payments were made to MES contractors, amounts corresponding to dues claimed by the Department were held back, pending a final settlement in the matter. From a note furnished by the Ministry of Defence, the Committee observe that dues amounting to Rs. 1,25,820 were outstanding against 47 MES contractors. Only in case of 17 contractors out of these, the outstandings were covered by payments due to the contractors or deposits made by them with the MES. They further observe that the total amount of outstandings against private parties as on 31-3-1963 was about Rs. 28 lakhs, of which over Rs. 5½ lakhs related to the period 1947-48 to 1954-55.

The Committee are unhappy over the accumulation of heavy outstandings against private parties (Rs. 28 lakhs as on 31-3-1963). They are particularly perturbed over old outstandings, some of which date back to the year 1947-48. The Committee feel that such large outstandings would not have accumulated, had the rule regarding the recovery of rent in advance been strictly enforced. They desire the Ministry to effectively impress upon their officers the imperative need to follow the rules rigidly in future.

28. As regards measures proposed to be taken by the Ministry for the expeditious clearance of arrears, the Committee were informed during the course of evidence that special staff was being appointed both at the Headquarters and in the Commands. **The Committee trust that the special staff will address itself to the problem with the**

urgency it deserves. They would like to be informed of the progress made in the clearance of outstandings.

Page 6, Para 7(ii)—losses

29. Losses pertaining to the Military Engineer Services which were awaiting finalisation at the end of March, 1962 amounted to Rs. 1.76 crores. Similar figures for other losses are not available in the accounts.

In extenuation, the representative of the Ministry of Defence stated that the losses, referred to in the Audit para, were generally occasioned by factors not subject to the control of units, such as, damages by fire, floods, etc. Even in these cases, however, before losses were written off, facts and figures had to be collected and the enquiring authorities had to satisfy themselves that there had been no negligence on the part of officers concerned. All this took some time. As regards the progress made in the disposal of pending cases the representative of the Ministry stated that losses amounting to about Rs. 65 lakhs had since been disposed of, leaving a balance of about Rs. 111 lakhs. The witness further stated that, even by dealing with each case on a high priority basis, the disposal had not been satisfactory. It had, therefore, been decided to appoint an *ad hoc* committee, consisting of a representative each from the Ministry of Defence, Ministry of Finance and the Controller General of Defence Accounts to deal with these cases under delegated authority. If necessary, the Committee would go to the Commands and dispose of cases on the spot.

While the Committee note that cases of losses amounting to Rs. 65 lakhs have since been finalised, they feel that the position is still far from satisfactory. The Committee feel particularly concerned at old losses—more than five years old, which account for about three-fifths of the total losses to be finalised. The Committee trust that the appointment of the *ad hoc* committee (referred to in evidence) will result in accelerating the pace of finalisation. They would like to have a further report in the matter.

30. The Committee desired to be furnished with a statement regarding losses in the MES and Engineer Store Depots, which were still pending finalisation. They also desired to be furnished with detailed information about some typical cases, involving major losses. The representative of the Ministry promised to furnish the requisite information later. This is still awaited.

Page 24, Para 32—Payments for leads for earthwork not susceptible of audit check.

31. The approved drawing, attached to a contract for the provision of traverses to sheds in a certain station, specified the location of sheds and the area from which the earth required for the formation of embankments was to be excavated. As the borrow pits were to be located in this compact specified area, their lead from any one particular shed should have been more or less constant. It was, however, noticed from the final bill of the contractor that different leads had been paid for in respect of one and the same shed, implying that earth had also been moved in some cases from places not shown in the drawing. The payments for leads could not be correlated with the drawings; longer leads having been allowed in some cases where according to the drawings the leads ought to have been shorter. In a few cases, the original entries in the measurement books were scored through and longer leads entered involving an additional payment on this account alone of Rs. 8,176. The total payments for carriage of earth under the contract amounted to Rs. 3 lakhs.

The Ministry of Finance (Defence) who had been requested in January, 1961 to get the matter investigated by the Chief Technical Examiner, intimated in November, 1962 that the results of investigation were still awaited. The Chief Technical Examiner, in his report for the half year ended 30th June, 1962 (issued in November, 1962) had stated that the relevant records called for from the Chief Engineer in June, 1960 had not been made available to him till then.

In extenuation, the Engineer-in-Chief stated that even before the tender was accepted, the Engineer concerned had made it clear to the contractor that the earth was not to be taken from the *morram* area shown on the drawing, but from outside areas. The measurements had been fully recorded, illustrated by charts, tables, etc. The difference of opinion was regarding the method of recording measurements. The C.T.E. felt that a detailed sketch showing measurements should have been made. The alterations in measurements were also, on investigation, found to be reasonable. It was, however, a lapse on the part of the officer concerned not to have recorded full reasons for alterations. The Committee referred to the Report of the C.T.E. for the half year ended 30-6-1962, in which it had been remarked:

"This point/suggestion (regarding the preparation of a detailed sketch) was actually brought to the notice of Engineer-in-charge by the Technical Examiner when the work was

actually in progress. In spite of this, no minimum basic details were maintained to justify the huge payments of Rs. 3.09 lakhs on this account alone in a contract of Rs. 10.11 lakhs. with the result that the same is not now susceptible to any technical audit check at all. This is a serious lapse."

The Engineer-in-Chief stated that the work was done in 1957-58, whereas the C.T.E's remarks were made in 1959-60.

While the Committee are glad to be informed that the alterations in measurements were, on investigation, found to be reasonable, they feel that it was a grave lapse on the part of the officer concerned not to have recorded full reasons therefore. The Committee were given to understand in evidence that, for this omission, the explanation of the officer concerned had been called for. The Committee would like to be furnished with a further report in the matter.

They also desire that, with a view to obviate the recurrence of such lapses, the Ministry should issue directions that non-compliance with the existing instructions regarding recording of measurements and maintenance of measurement books would be viewed seriously. The officers who make any alterations in the measurement books should also be required to record full reasons therefor.

32. The Committee desired to know why the relevant records asked for by the C.T.E. in June, 1960 had not been made available for over two years. The Engineer-in-Chief stated that the Chief Engineer, Southern Command, who had these records, was, at that time, in correspondence with Audit in regard to some draft audit paragraphs. After he had finished the correspondence, he sent the records to the Headquarters for onward transmission to the C.T.E. Asked whether it had been ensured that the alterations, referred to in the Audit para, resulting in increased payment of Rs. 8,000 to the contractors, had not been made during this intervening period of two years, the Engineer-in-Chief stated that all the corrections were made before April, 1958, when the final bill was submitted. In reply to a question, the Additional Secretary to the Ministry admitted that the time taken by the authorities concerned to furnish the relevant records to the Chief Technical Examiner was long.

The Committee are not happy over the inordinate delay in the supply of relevant records to the C.T.E. It is hardly necessary for them to point out that if the purpose underlying the technical check by the C.T.E's Organisation is not to be undermined in any way, the

relevant records should be furnished to them promptly. The Committee trust that the Engineer-in-Chief's Branch will bear this in mind in future.

M.G.O. Branch

Page 17—para 20—Purchase of Vehicles

33. 1,968 numbers of 3-tons lorries with 234 spare engines were purchased in 1951-52 at a total cost of Rs. 4.65 crores. When some of the lorries were put to use during 1953 their cam-shafts were found to be defective. The suppliers ultimately agreed in March, 1956 to replace all the defective cam-shafts, free of cost. They supplied 400 kits by February, 1957, which were used up. Although the suppliers had also informed the authorities that arrangements had been made to ensure that Defence authorities would always have a floating stock of 100 kits with them, no replacements were obtained from the suppliers. A large number of the vehicles had to lie idle for varying periods from time to time.

The cost of replacement of the remaining defective cam-shafts was estimated to be about Rs. 8 lakhs.

The Committee were informed during the course of evidence that although the cam-shafts were defective from the very beginning, the defect could not be detected until the engine was opened up. It was first noticed when some of the vehicles came to workshops for repairs. The matter was taken up with the suppliers who admitted the defect, and agreed that a repair-pool of 100 cam-shafts would be maintained. They also agreed to supply cam-shafts for other vehicles, when these came to Workshops for repairs. Due, however, to some negligence, no repair-pool was maintained, and consequently, no demands were made on the suppliers for 4-5 years. Later, on, when the suppliers were again approached, they indicated their willingness to supply the cam-shafts, if an import licence were issued to them. Subsequently, the firm stated that they would be prepared to supply 500 cam-shafts provided that was accepted as the final settlement. According to an assessment made by technical advisers to the Ministry, about 1,200—1,300 more cam-shafts would be required. Negotiations were being conducted with the suppliers to obtain this number. In reply to a question, it was admitted that the vehicles purchased in this case were not considered to be efficient.

In reply to another question, it was stated that prototype of these vehicles was tried for about 20,000 miles, but no defect was noticed. The Comptroller and Auditor-General, however, pointed out that inspection reports of the prototype were issued in December, 1954, long after the purchase had been made. In a note* furnished by the Ministry of Defence, it has been stated that the report submitted in December, 1954 was the final report. However, an interim trial report was also submitted by the Chief Superintendent of Development (Vehicles) on 15th June, 1951.

It has since been brought to the notice of the Committee by Audit based on a communication from the Ministry dated the 14th October, 1963 that the interim report issued on the 15th June, 1951 had been based on tests covering a run of only 700 miles and that even before this report was received, deliveries had commenced on 17th May, 1951 against the first batch of 264 vehicles which had been ordered on the basis of tests carried out in 1949 on a different model.

The Committee are unhappy over the manner in which the authorities concerned had acted in this case. They observe that, according to the Ministry's own admission, the vehicles purchased were not considered to be efficient. While the Committee grant that the defect in cam-shafts couldnot be detected until the engine was opened up, they feel that it was wrong on the part of the authorities concerned to have purchased vehicles, costing over Rs. 4 crores, long before the final inspection report on the trial of the prototype had been issued. The Committee further observe that though the suppliers had agreed to the maintenance of a repair-pool and to the gradual supply of cam-shafts for other vehicles, no demands were made on the suppliers for 4-5 years, due to negligence. It passes the comprehension of the Committee that the authorities concerned should have been so oblivious of the interests of the Exchequer. The Committee recommend that a thorough inquiry should be held in this matter with a view to fixing responsibility for the negligence. They would also like to be informed of the final settlement arrived at with the suppliers.

Page 17—para 21—Avoidable expenditure on procurement of Stores

34. 270 numbers of four types of signal equipment, lying in a central ordnance depot, were reported to the Army Headquarters for disposal instructions in March, 1954, as there was no demand and only eight numbers had been issued during a period of ten years. The Army Headquarters, however, directed in September, 1954 that

*Advance copy furnished by the Ministry. Not printed.

the equipment should not be disposed of as they were current standard items.

On being approached by the depot authorities in 1960, the Electronic Equipment Inspectorate advised early in 1961 that these equipment could be assembled to make another type of equipment for which 4 purchase orders for 50 numbers in all had been placed on the Indian Telephone Industries, Limited, in August, 1957 at Rs. 24,000 each.

In April, 1960, the Indian Telephone Industries agreed to the proposal of the Army Headquarters for the cancellation of 20 numbers valued at Rs. 4.8 lakhs. However, in November, 1960, Army Headquarters revived the order but again in June, 1961 suggested its cancellation. The Company agreed to the cancellation subject to Army Headquarters taking over purchased components valued at Rs. 82,500. The order has, however, been reinstated in January, 1963.

Out of the remaining 30 numbers, Army Headquarters proposed cancellation of 24 numbers, valued at Rs. 5.76 lakhs, in June, 1961. This was not agreed to by the company as the components had been purchased in full.

In extenuation of frequent changes in decisions, the Deputy Master General of Ordnance stated that the order was first suspended in April, 1960, as, consequent on an alteration in the scale of provisioning, a surplus was anticipated. Later on, one of the equipments was declared obsolete. The MGO Branch was advised that, while considering the suspension of the order, this equipment should not be treated as asset for the purpose of provisioning. At the same time, it was brought to the notice of the Army Headquarters that certain sub-assemblies were available in a particular Depot which could be assembled to make the current equipment. The order was reinstated in November, 1960, pending the advice of the technical authorities. In February, 1961, the technical authorities opined that the sub-assemblies held in the Depot could be used to make the current equipment. The I.T.I. were, therefore, approached in June, 1961, for the cancellation of the order. After the declaration of the Emergency, there was a great increase in the demand for the equipment, and a deficiency was felt, even after taking into account the sub-assemblies in the Depot. The order on the I.T.I. was, therefore, again revived.

The Committee note that the demand for the equipment placed on the I.T.I. was twice cancelled and twice revived within a span of less than three years. Such frequent revisions, the Committee would like to point out, not only generate an all-round sense of uncertainty but are also fraught with the risk of disturbing the production-schedules of suppliers—a public undertaking in the present case. The Committee need hardly emphasise that provisioning decisions should be reasonably firm, and should be arrived at, after taking all the relevant factors into account. The Committee would also like to have a report about the final disposal of the 270 numbers of four types of signal equipment referred to herein.

Page 17—Para 22 (a)— Unnecessary purchase and over-provisioning of Stores

35. 14,000 numbers of sashes worsted (an item of clothing), purchased in 1956 at a cost of Rs. 96,250 against an indent placed in 1954, were lying unutilised in a central ordnance depot (September, 1962). The use of this item was given up during the last war and did not appear in the authorised scales of clothing published in 1952.

The Committee were informed during the course of evidence that sashes were used by orderly officers on duty for the purpose of easy identification. During the Second World War the use of sashes was suspended. After the War, although sashes were used by some units, most of the units stopped indenting for the item. The Army Order issued in 1952 did not include this item in the list of prescribed clothing. It did not, however, specifically lay down that sashes would not be used in units. The provisioning authorities did not pay full heed to this order, and placed indents for the item. As to the latest position, it was stated that since the declaration of Emergency, the use of sashes was considered essential for the intended purpose in view of a very large number of recruits. There was also a demand for the item from the NCC Units. On the 4th May, 1963, orders were issued re-introducing the use of sashes in units. The sashes, referred to in the Audit para., were in good condition and would all be used up.

In reply to a question, it was stated that although the orders re-introducing the use of sashes were issued after the matter had been included in the Audit Report, it had all along been presumed that sashes would remain in use.

While the Committee are glad to be informed that, consequent on the re-introduction of the use of sashes with effect from May, 1963, the sashes procured in this case will all be used up, they cannot help observing that, in placing the indent for the item in 1954, in utter disregard of the orders then in force, the authorities concerned had gravely erred. They also feel that the period of 11 years taken by the Ministry in coming to a final decision in the matter was too long. They desire the Ministry to show greater promptness in taking decisions.

Page 18—para 22 (b)

36. As a result of an erroneous computation of requirements in the provision reviews carried out by a central ordnance depot, in June, 1955 and Jun, 1956, two indents for 600 and 770 units of an item were placed on the Director-General, India Store Department, London in May and July, 1956. A contract for the supply of the stores at a cost of a little over Rs. 1 lakh was concluded in April, 1958 and these were received by November, 1959.

The provision review carried out in October, 1958, showed a surplus of 1,694 units of this item and an attempt was made by the depot authorities after four months, in February, 1959, to cancel the supplies, already ordered, but this could not be done since the bulk of the quantity had already been manufactured and the balance was in an advanced stage of manufacture. In September, 1962, 1,296 numbers of this store of the value of Rs. 95,425 (approximately) were still in stock.

The Committee were informed that over-provisioning was partly due to a mistake in orders. Action was taken to assemble wireless sets complete (which included the item in question), instead of wireless Sets Kit I (which did not include the item). This accounted for 485 Nos. Further, the item in question, being a Class B store (in case of which the indent was to cancel automatically if the supply did not materialise within six months), 'dues-outs' to the units were shown to have come down to a very small figure by the year 1958, whereas the 'dues-in' were shown at the indented figure. When the stores arrived in 1959, the units again started progressing the indents. As to the present position, the witness stated that only 61 numbers had been left in stock, and there were still large demands from the units.

The Committee were informed that the officer responsible for the erroneous provisioning had retired from service. (From a note* furnished by the Ministry of Defence, the Committee observe that

*Advance furnished by the Ministry. Not printed.

the mistake was detected by the C.O.D. concerned early in 1959, and the officer who signed the letter dated the 26th July, 1964, authorising the provisioning action, retired from service on 8th December, 1957).

It is hardly necessary for the Committee to emphasise the need for extreme care in provisioning, for procurement of surplus stores not only results in blocking much-needed capital and storage accommodation but also entails avoidable expenditure on their care and custody. The Committee would, therefore, like the Ministry to take suitable steps to avoid over-provisioning.

Page 6, para 6 (vi) and pages 27-28, para 39—Inactive Stores in Central Ordnance Depots

37. (a) The holdings of an ordnance depot in April, 1962, were 1,40,000 items valued at Rs. 82 crores approximately. Not more than 25,000 items could be considered as "live" items. The majority of stores were slow-moving items and in a large number of cases there had been no issues at all during the preceding three years.

(b) In four central ordnance depots the total holdings in May, 1962 were about 2,17,000 tons, the stock in each depot varying from 3 to 6 times the quantity fixed as the authorised holding.

It was also observed that there were many non-current items for which no provisioning had been made during the last five years. The holding of non-current items has to be considered in the light of the overall shortage of storage accommodation which has necessitated serviceable stores being kept in the open in certain depots.

The Inter-Services Technical Team, constituted in November, 1958, examined only the stores which had been declared surplus and as such these non-current items, which had not been declared for disposal, were not examined. The necessity for arranging expeditiously a phased programme of technical survey of these stocks was, therefore, pointed out by Audit to Government in May, 1962. The Ministry of Defence expressed the view (October, 1962) that the existing procedure for determining the retention or disposal of surplus stores was adequate and that the setting up of a team of experts for examining stores in the stock-holding depots would not be worthwhile.

The Committee were informed during the course of evidence that as a result of a review carried out in 1958, a number of items

were recommended for disposal. The recommendations were not, however, accepted by Government, with the result that the rate of disposal came down. There had again been a change in Government policy since 7th February, 1963, when it was decided to constitute four committees, one each for engineering, vehicle, signal and general stores, with whole-time secretaries. These Committees would go to each depot and prepare lists for disposal. According to the direction given to these Committees, only such stores were to be declared for disposal, as were not likely to be required at all. Even when an item was declared surplus, it would be offered to other Defence users, before being declared surplus for disposal. The progress made in the work done by these committees would be watched through Quarterly Progress Reports. In reply to a question, it was stated that, keeping in view the shortage of foreign exchange, disposal had to be done with care, and old stocks utilised in building up new items. The witness added in this connection that stores of the book value of about Rs. 2 crores, which would have been disposed of but for the freezing order, had been subsequently utilised. As to the latest position, it was stated that the said committees had so far functioned for about 1-2 months.

While the Committee appreciate the need for extreme care in the disposal of surplus stores, they see little justification for retaining unwanted and obsolete stores for unduly long periods. The Committee note in this connection that despite their repeated exhortation for the early screening of old stocks and disposal of unwanted and obsolete stores, much progress has not yet been made in the matter. The Committee desire the Ministry to impress upon the Depot authorities and (the surplus stores) committees, referred to in evidence, the need to address themselves to the matter with the attention it deserves. They would like to watch the progress made in the disposal of surplus stores in Depots referred to in this para, through future Audit Reports.

38. The Committee desired to know the position regarding the disposal of pre-1948 vehicles. The representative of the Ministry stated that a vehicle was declared surplus when the cost of repairing it was estimated to exceed a given percentage of its price. This would necessitate an assessment of the cost of repairing each vehicle. He further stated that vehicles had to be disposed of in sizable lots. Disposal of too small a number might be very expensive and the disposal of too big a number might not fetch a good price. A proper balance had, therefore, to be struck by the Ministry.

From a note* furnished by the Ministry, the Committee observe that holdings of unserviceable (Class VI) 'B' vehicles of pre-1948 vintage as held on 31st July, 1963 by salvage Depots were 691 (including 564 cars|trucks|lorries and 29 tractors). The Committee desire that early steps should be taken to dispose of these vehicles.

Page 28—para 40—Non-utilization of a band saw shop in an ordnance depot to full capacity.

39. In an ordnance depot, a band saw shop was installed in January, 1957 for sawing timber. During the period January, 1957, to October, 1961, 25,216 c.ft. of timber was sawn in this shop against the available capacity of 80,370 cft. While the full installed sawing capacity of this depot was not utilised, one engineer unit located in the same station entered into a contract for the sawing of 40,930 c.ft. of timber during the period April 1961 to September, 1961, involving an expenditure of Rs. 22,920 approximately.

On the basis of the sawing rate of Rs. 0.56 per c.ft. paid by the unit for sawing timber, the cost of sawing work done by the sawing shop in the ordnance depot, during the period January, 1957 to October, 1961, worked out to Rs. 14,121 against which the actual expenditure incurred on account of pay and allowances alone of the personnel directly employed on this sawing work was Rs. 71,514. Closer co-ordination would have resulted in a better utilisation of the band saw shop with resultant saving in expenditure.

In evidence, the representative of the Ministry of Defence confirmed that the Engineer unit was not aware of the existence of spare sawing capacity in the Depot, situate at a distance of 1-2 miles. This was due to the fact that there was then no system of exchange of such information among the various units stationed at the same place. This, the witness admitted, was a mistake and to obviate which specific instructions had already been issued. The question of issuing general instructions to avoid non-utilisation of other capacities, in similar circumstances, was under examination. The Committee are glad to note that suitable instructions have since been issued in October 1963.

*Not printed.

III

AIR FORCE

Pages 20-21—para 27—Procurement of a Flight Simulator without inviting tenders

40. Under directions issued by Government in March, 1958, a contract was entered into with a firm in July, 1958, without inviting quotations, for the supply of a Canberra Simulator at a cost of Rs. 27·24 lakhs. Another firm, which had manufactured simulators for other types of aircraft, made an offer in May, 1958 to build the simulator in question but the Air Adviser attached to the High Commissioner for India in the United Kingdom informed the firm on 28th May, 1958 that there was no requirement for a Canberra simulator.

According to Audit, the requirement was known before April, 1957 and the local representative of the firm with whom the order was placed had been informed accordingly. In August, 1957, the Air Adviser informed the firm that the Air Headquarters had agreed to release all detailed information necessary to enable them to submit their quotation. The firm submitted their quotation in October, 1957.

The flight simulator was shipped in October, 1960 and installed only in October, 1961.

It was urged during the course of evidence that the firm in question had, on its own, approached the Air Headquarters for details necessary to complete the design-study which it had initiated at its own expense. Had any other firm asked for similar details, these would have been furnished to them also. It was also stated that although the idea regarding the purchase of a Simulator for training purpose had been mooted in the Air Headquarters by 1957, no firm decision in the matter had been taken till then. Government approval to the purchase was accorded much later, by which time, the firm in question had completed the design-study of the Simulator. It was, therefore, decided to place the order on this firm, and not to invite tenders, as any other firm would have taken 12—18 months in design-study. The Committee enquired why the second firm was told by the Air Adviser in May, 1958, that there was no demand for the Simulator. The representatives of the Ministry stated that a firm order on the first firm had really been placed in March, 1958. Also, the second firm was yet to make a design-study of the simulator. Asked

whether it would not have been of advantage, if the Air Headquarters were to get other* firms interested in the offer even at the tentative stage so that there was competition not only in prices but also delivery-schedules, the witness replied that it was difficult at that stage to ask other firms to make a design-study of an equipment, the purchase of which might or might not be sanctioned.

Referring to the explanation given to Audit that the Simulator was an urgent requirement, the Committee enquired whether the fact, that the supply did not materialise until October, 1960 and that the equipment could be installed only in October, 1961, was in conformity with this explanation. The representative of the Ministry stated that the equipment was being manufactured for the first time, and that, as expected in such cases, the equipment was produced in about 18 months. During its inspection, however, certain defects were pointed out and certain modifications suggested. The firm took about six months to effect the necessary changes. In regard to the delay in installation, the witness stated that the air-conditioning arrangements for the installation could not be completed till 30th June, 1961. Although, administrative approval to the construction of the air-conditioned building was accorded as early as 1958, it could not be started as the lowest tender exceeded the amount of administrative approval and this necessitated re-tendering.

The Committee regret to observe that even though the Ministry chose to forego the benefits of competitive tendering in the interest of urgency, the supply did not materialise till October, 1960, i.e., two and a quarter years after the placement of the order, whereafter another year elapsed before the simulator could be installed. The Committee feel that if the requirement of the simulator was so urgent, the various phases of the Project should have been so planned that the simulator could be installed immediately after receipt in India. The Ministry, however, failed to ensure this. The plea offered by the Ministry for their failure to make timely arrangements for the installation is not convincing. The Committee trust that care will be taken by the Ministry to ensure that cases of this type do not recur.

Page 21—para 28—Loss in purchase of batteries

41. 240 numbers of batteries required for a particular type of aircraft were procured from abroad in 1957-58, through the Director General, India Store Department, London, at a cost of Rs. 4,183 each. Although the average expected life of these batteries was stated to be

*According to a note (advance copy) submitted by the Ministry of Defence (Appendix IV), there was only other firm in the field (viz., the second firm).

160 to 170 flying hours, 100 numbers became repairable|dead after having been in service for less than 90 hours each—44 were in service for less than 7 hours each on the average and 56 for less than 72 hours each. The firm attributed the premature failure to faulty maintenance. Ultimately the firm agreed to repair ten of these free; the remaining 90 were got repaired from the same firm at a cost of Rs. 2:68 lakhs.

It was urged in evidence that this was a newly-introduced, special type of battery highly sophisticated, in the practical handling of which the I.A.F. personnel had no previous experience. As such, there could have been mistakes in the initial stages. Further, the conditions of dust, humidity and heat, in which the batteries had to operate for the first time in India, did not exist in the country of its origin.

The Committee were informed by Audit that there was no warranty clause in the original agreement for the purchase of batteries. The representative of the Air Headquarters ascribed it to inadvertent omission but added in extenuation that the batteries formed part of the equipment supplied by the aircraft manufacturers, and had not been purchased separately from the original producers of battery. Subsequently, when some of these batteries were sent to their manufacturers for repairs, they did give warranty for these (repaired) batteries. The warranty was operative for six months or 90 flying hours from the date on which the batteries were put into service.

As regards the performance of the batteries, it was stated that in case of 140 batteries, out of a total of 240, purchased under the initial contract, no defects were reported by the I.A.F. Units. Out of the remaining hundred, only 34 failed, before giving a service for six months or 90 flying hours. Fifteen of the batteries gave a service between 45 to 85 flying hours, which could be treated a reasonable performance, taking into account the initial difficulties of maintenance and different climatic conditions in this country. The witness further stated that there had been an improvement since 1959 when as many as 36 defects were reported. The number of defects had come down to 4 in 1960, but had again gone up to 12 in 1961. In 1962, some changes were effected, but there had again been a recurrence of defects, directly related to maintenance. **While the Committee note that the battery manufacturers gave a free replacement of 10 batteries (each costing Rs. 4,183), for the 18 batteries that failed before giving a service of 45 flying hours, they cannot help observing that it was a grave omission on the part of the authorities concerned not to have included a warranty clause in respect of these batteries in the initial contract. The Committee trust that care will, in future,**

be taken by the authorities concerned to ensure that omissions of this nature do not recur.

The Committee would also like the Ministry to examine whether, in case of newly-introduced, highly sophisticated equipment, like the one in question, imported from foreign countries at a heavy cost, it would not be worthwhile to make some arrangement, before-hand, for the training of nucleus staff in its handling and maintenance.

Page 21—para 29(a)—Non-utilisation of imported machinery and stores

42. An 'Operational Immediate' indent, on behalf of an aircraft manufacturing depot, was placed in March, 1960 on the Director General, India Store Department, London for the supply of a Jig Boring machine, with accessories considered essential for the manufacture of an aircraft. A contract was concluded by the Director General, India Store Department, London with a Swiss firm in May, 1960, at a cost of £ 30,830 (Rs. 4.11 lakhs), with a stipulation that the machine was urgently required and that the supply should be completed by November, 1960. The machine was, however, received during March, 1961 to December, 1961 and brought on charge in May, 1962.

The air-conditioned accommodation required for its utilisation had not been constructed. The administrative approval was accorded in June, 1961, but its construction could not be taken up by the Military Engineer Services, who approached the Government in January, 1962 for a revised sanction to meet the increased demand for accommodation made by the aircraft manufacturing depot. The sanction was accorded on 21st September, 1962 and envisages a period of two years for the completion of the work from the date of order to commence it.

In evidence, the representative of the Ministry of Economic and Defence Co-ordination stated that although there was some change in the specification of the machine, it was offered for inspection within the grace period of 21 days. The inspection, packing and despatch of the machine, however, took about three months, as against the usual period of about 1-2 months taken in these processes. The witness admitted the delay in despatch, and added that the attention of the India Store Department, London had been drawn to it. As regards minor accessories, the representative of the Ministry of Defence stated that there was a delay of about 4-5 months in supply. This did not, however, affect the installation of the machine, and, therefore, no action was considered necessary against the suppliers.

As regards the delay in the construction of the building, the representative of the Ministry of Defence stated that the entire programme was connected with the civil works of A.M.D., Kanpur. The delay in the sanction of the air-conditioned building was occasioned by factors beyond the control of the Ministry. In reply to a question, the witness stated that although the plant could not be utilised to more than 20—30% of its full capacity, steps were taken to ensure that no damage was caused to it in the absence of air-conditioning facilities. In reply to another question, the witness admitted that to some extent, there was a lack of proper planning in this case. There was also shortfall in the over-all production programme at Kanpur, but as to how much of it could be attributed to the under-utilisation of the machine in question, he could not say.

This is another case of bad planning and inordinate delay. It is deplorable that in the case of a machine ordered against an 'Operational Immediate' Indent, stipulating the completion of supply by November, 1960, the final sanction to the construction of an air-conditioned building, required for its utilisation, should not have been accorded till September, 1962. As this building (in the absence of which the machine could not be utilised to more than 20—30% of its capacity), was estimated to take two years for completion from the date of order of commencement, it would not be before September, 1964, that the machine could be expected to work to full capacity. The Committee desire the Ministry to give serious thought as to how to obviate the recurrence of such cases. They would, in particular, like the Ministry to examine, in consultation with Finance, whether the existing procedure, for the issue of sanction/administrative approval, did not require to be stream-lined in the case of urgent Defence works which brook no delay.

43. The India Store Department, London, are also not free from blame in this case. As against the normal period of 1-2 months taken in inspection, packing and despatch, they had taken about three months, although the Indent was an 'Operational Immediate' one. The Committee are informed that the attention of India Store Department has been drawn to the delay in the present case. They trust that the said Department will scrupulously avoid such delays in future.

Page 22—Para 29(b)—Non-utilisation of imported machinery and Stores

44. Another 'Operational Immediate' indent for the supply of a 8,000-ton Rubber Die Press with spares, etc., at an estimated cost of £ 82,080, was placed by the same depot on the Director General, India Store Department, London on 11th July, 1960.

Against this indent, an old unused machine, which was readily available with the United Kingdom Government, was purchased at a cost of £ 53,000. A contract for checking its completeness, over-haul, packing and delivery F.O.B. as well as erection of the equipment in India at a cost of £ 12,319, was concluded with a British firm on 7th September, 1961. All components of the Press had not, however, been received in India till September, 1962, although, according to the contract, the Press was to be delivered duly serviced by the end of December, 1961.

Even if all the components were received, there was no possibility of the machine being utilised in the near future as the connected works services, mainly electrification, remained to be executed and its erection and commissioning would take about 16 weeks. In September, 1962, the Garrison Engineer expressed his inability to indicate when the work would be taken in hand.

The Ministry of Defence intimated (January, 1963) that the delay in completion of the works services had been due to revision of original estimates and that interim arrangements would be made to run the Press during the night when the aircraft manufacturing depot was not working to full capacity.

In extenuation, the representative of the Ministry of Economic and Defence Coordination stated that the new machine was expected to cost about £ 115,000. As against this, an old but unused machine was available with the U.K. War Office which was offered for £ 53,000. Keeping in view the considerable saving in foreign exchange, it was decided to purchase the old machine. An additional expenditure of about £ 8,000 was incurred on re-conditioning of the machine. The cost of erection would be about £ 4,000. There had thus been a saving of about £ 50,000. The Committee desired to be furnished with a note stating the year of manufacture of machine, the original expected life of the machine and the period for which it was expected to work. The representative of the Ministry of Defence promised to furnish the requisite information later. **This is still awaited.**

As regards the latest position, the Committee were informed that all the components of the machine had since been received. The machine was not, however, working for want of electricity.

The Committee regret to observe that although the indent in this case also was an 'Operational Immediate' one, the matter had not been handled with the urgency it required. The contract for checking the completeness, overhaul, packing and delivery of the machine

and its erection was concluded 14 months after the placing of the indent. Further, although more than three years have elapsed since the indent was placed, the necessary works services and electric arrangements are yet to be made. The revision of estimates is hardly a satisfactory ground for this delay. The Committee would like to be informed of the date from which the machine is put to use. The Committee would like the Ministry to issue suitable instructions to all concerned that 'Operational Immediate' indent should be placed only after careful scrutiny and that the subsequent consequential action should be such as to justify the classification of the indent in this category.

Page 22, para 29(c)—Non-utilisation of imported machinery and Stores

45. 340 sets, costing Rs. 5.90 lakhs, of a certain modification, indented for by Air Headquarters in June, 1958, for immediate incorporation in a particular type of aircraft, were imported from abroad during 1951—61. From March, 1960 onwards, 122 numbers of these sets were issued to various Air Force units which had been directed to raise priority demands for them. In September, 1960, the Air Headquarters, however, decided that these modifications need be incorporated only during major inspections of aircraft along with another modification ordered from Hindustan Aircraft Limited. 223 sets of the other modification were delivered by Hindustan Aircraft Limited during April, 1961 to September, 1962, but they were deficient in certain parts. Up to September, 1962, only 43 imported sets had been incorporated, leaving a balance of 297 sets costing Rs. 5.16 lakhs approximately still in stock, although it had been stated in 1958 that they were required for immediate incorporation in the aircraft.

The Ministry of Defence stated that these sets along with the other modification would be incorporated after receipt of the deficient parts which had been ordered from abroad (January, 1963).

The Committee were informed during the course of evidence that in order to improve the safety factor of the particular type of aircraft, two modifications were necessary—one to be imported from abroad and the other to be supplied by the H.A.L. When the imported modification was received, it was found that the time required to incorporate it would be more than twice the original estimate. It was, therefore, decided not to install it in the forward airfields, as originally proposed, but to do it when the aircraft came to the repair depot for overhaul or major repairs. As regards the second modification, the supplies from the H.A.L. were not according to schedule. The reason for this was that the H.A.L. had to import a number of components, for which they had to rely on foreign suppliers.

The Committee note that 297 of the 340 imported sets (costing Rs. 5.90 lakhs), stated to be required for immediate incorporation as far back as in 1958, are still lying in stock. While the Committee appreciate the difficulties in the immediate incorporation of the modification in the forward areas, they cannot help observing that the Air Force authorities had been highly unrealistic in their assessment of the time required for the incorporation of the modifications.

46. As regards the second modification, it was stated that 223 units had so far been supplied by the H.A.L. The Committee were informed by Audit that in the case of this modification, the supplies were deficient by 45 items per kit. In a note* furnished by the Ministry of Defence at the instance of the Committee, it has been stated that Messrs. H.A.L. were capable of fabricating 21 parts out of a total of 66 parts required for the modification set. These 21 parts were the major components. The other 45 parts were required for fitment of these 21 parts and were aircraft general stores and chemicals (like bolts, nuts, wire, cellulose finish etc.). Messrs. H.A.L., however, actually supplied only 20 parts as the remaining part (21st) was not required. Out of the 45 items which were not supplied by Messrs. H.A.L. 14 were/are available in I.A.F. stock. The possibility for local purchase of the 31 items was explored. Attempts were also made to obtain these items from within the resources of the overhaul line at No. I-BRD. Ultimately when it was established that these items were not available through indigenous sources, an indent was sent to the U.K. in July, 1963.

While the Committee appreciate the need to tap indigenous sources to the maximum possible extent, they feel that the time taken to do so should be reasonable so that the purpose for which the materials are required is not undermined in any way. In the present case, the authorities concerned had taken about three years to find the materials indigenously at the end of which period they had to place orders abroad for as many as 31 parts, with the result that 223 sets of the parts, supplied by the H.A.L., could not be used. The Committee desire that vigorous efforts should now be made for the expeditious procurement of the remaining parts so that the modification can be incorporated in the aircraft as early as possible.

Pages 32-33—para 45—Inactive stores in Air Force Depots.

47. In paragraphs 52 and 53 of the Sixth Report of the Public Accounts Committee (Second Lok Sabha) reference was made to large stocks of stores taken over from the Royal/American Air Force

*Advance copy furnished by the Ministry. Not printed.

which had remained in the original packages without having been identified or sorted out.

In August, 1957, Government authorised a scheme on a priority basis for the segregation of Air Force equipment into active and inactive. In December, 1957, the Ministry of Defence stated that all possible efforts were being made to complete the review as early as possible. In the Ministry's reply to the recommendations against serial No. 40 of Seventeenth Report of the Public Accounts Committee (Second Lok Sabha), it was stated that Air Force had already decided on the quantities of items to be retained for use.

It, however, came to notice that in one depot alone, out of 6,450 unopened packages reported to contain valuable items such as transformers, transmitters, receivers, generating sets, etc., 1,307 packages were to be opened, examined, sorted out and their contents brought on charge (October, 1962).

In evidence, the slow progress in categorisation of packages was ascribed to shortage of technical personnel who could identify the stores. Although posts had been sanctioned for the task, these could not be filled up. As regards the latest position, it was stated that the whole work had been completed. The Committee are glad to learn this. They, however, cannot help observing that the period of 16 years taken by the authorities concerned to do this was inordinately long, even after making due allowance for the shortage of technical staff.

48. The Committee desired to know in evidence whether orders for any of the stores contained in the packages were placed abroad, and if so, of what value. The representative of the Air Headquarters stated that orders for these stores would not have been placed, as the contents of the packages were known. In a note* furnished by the Ministry of Defence, it has been stated: "In order to give an accurate picture, it will be necessary to go through a large number of Provision Control Record Cards for which a considerable number of man-hours will have to be devoted to this particular task. However, to give a general idea, it may be stated that although there is a possibility of Air Headquarters having ordered such stores, the quantity ordered would have been in accordance with the Authorised Maximum Potential Establishment for the particular period....".

During the course of evidence, the Comptroller and Auditor General had referred to a letter in which the officer-in-charge of a depot had written that in spite of repeated representations, his request for despatch of stores to the appropriate depots had not been

*Advance copy furnished by the Ministry. Not printed.

agreed to so far, with the result that although the stores were available, the same could not be issued to the consuming units. It was also stated in this letter that no one was aware of the existence of these stores, except the Headquarters. In the aforesaid Note furnished by the Ministry, it has been stated in this regard that as far as signals equipment is concerned, whatever stores could be absorbed at No. 2 Equipment Depot, have been transferred to that Depot. The balance is now at No. 3 Equipment Depot for want of storage accommodation at the appropriate stock-holding Depot.

The Committee feel concerned to observe that due to delay in categorisation and transfer to appropriate depots, valuable electrical and signal equipment, such as transformers, transmitters, receivers, generating sets, although available with the Air Force authorities could not be issued to the consuming units. For the same reasons orders for such equipment might have been placed abroad, although, as stated by the Ministry, within the limits of the authorised Maximum Potential Establishment for the period. This is indicative of a lack of coordination and a certain amount of negligence. The matter requires proper investigation with a view to fixing responsibility. The Committee also desire that no further time should be lost in transferring the categorised stores to the appropriate stock-holding depots. Expeditious steps should also be taken to declare the surplus stores for disposal. The Committee would like to have a further report in the matter.

49. The Committee were informed by the Comptroller & Auditor General during the course of evidence that upto January, 1963, the packages opened upto November, 1961 had only been categorised. Till then, deficiencies worth Rs. 2.9 lakhs had been disclosed. It has been stated in the Ministry's note, referred to above, that so far as No. 2 Equipment Depot is concerned, this information is not available. The cases were opened and the contents merged with the Depot stocks. Discrepancies, if any, cannot be ascertained now since a number of stock-takings have already been carried out and stocks have been duly adjusted. As proceedings of the Board of Survey convened for disposal of ex-4 B.S.D. stocks are still awaited by the Air Headquarters from the Headquarters Maintenance Command, they presume that the information in respect of No. 3 Equipment Depot may be available in these proceedings. The Committee desire that the requisite information in respect of No. 3 Equipment Depot should be collected by the Ministry and made available to the Committee at an early date.

IV

NAVY

Page 18—para 23 (a)—Non-utilisation of imported equipment

50. Two items of certain training equipment worth approximately Rs. 14 lakhs, the purchase of which was sanctioned by Government in January, 1955, were received in a naval training establishment in 1959 and 1960. The plans for the installation of this equipment had yet to be finalised. While in respect of one item of equipment, the design for the foundations and the procurement of a heavy duty crane for lifting and installing were still under consideration, the position in respect of the other was that the construction of a platform sanctioned by Government in November, 1961 was yet to be taken up (November, 1962). In January, 1962, the naval authorities expressed the view that it would take another two years before the installation of the equipment could be undertaken.

In evidence, the representative of the Naval Headquarters admitted that there had been a long delay in finalising the drawings for foundations, but added in extenuation that this was a special type of equipment (imported in the country for the first time), and the engineers had no experience of setting up its foundations. The Engineer-in-Chief and his officers, who were dealing with the matter, had carried out various soil tests and seismic and blast trials, but could not arrive at any satisfactory conclusions. Even the U.K. Admiralty, to whom the matter was referred, took some time to advise. As to the latest position, the witness stated that the drawings had since been prepared and the contract action taken. The Comptroller & Auditor General pointed out that even after the foundations were ready, there was likely to be a further delay, as there was no crane in the country to lift the equipment and place it on the foundations. The representative of the Naval Headquarters stated that either a crane or a gantry would be required to do this. Due to lack of foreign exchange and pressing need for other equipment, the order for the crane could not be placed. Efforts were now being made to improvise something to get the equipment on the foundations.

The Committee regret to observe that the construction of foundations for the installation of the equipment (costing Rs. 14 lakhs), ordered in 1955 and received in 1959-60, is yet to be started. This

Indicates bad planning. It was urged in extenuation that the equipment in question was of a special type (imported in the country for the first time), and the Engineers had no experience of setting up its foundations. Even so, the Committee feel that 8 years is too long a period for the preparation of foundation designs. They regret to observe that the authorities concerned had failed to act in the matter with due forethought and promptness, with the result that the utilisation of the equipment, for the purpose of training, had been inordinately delayed. The Committee desire that all-out efforts should now be made by the Ministry for the installation of the equipment at the earliest possible date. They further desire that, with a view to obviating the recurrence of such cases, the Ministry should impress upon the officers and formations under their control the need for more careful planning and timely action.

Page 18—para 23 (b)

51. Four machines of different types costing Rs. 1.03 lakhs were received during the period from July, 1956 to June, 1957 for installation in a ship.

When the lay-out of workshop machinery in the ship was finalised, it was found that the installation of the machinery would not leave adequate space for normal operations and that major alterations would be necessary to the hull of the ship.

Three of the four machines were lying unutilised in stock till October, 1962. The fourth machine was damaged during installation in the Naval Dockyard, Bombay in 1960 and was stated to have been brought into use in July, 1962.

In evidence, the representative of the Ministry of Defence stated that three of the four machines, referred to in the Audit para, had since been installed, one at Cochin in March, 1963, another at Vizag in June, 1963 and third in the Naval Dockyard, Bombay, in July, 1963. The Machine installed at Cochin had been in operation since 20th March, 1963. The C. & A. G. referred to a letter dated the 18th April, 1963 from the Naval Base Cochin, to the Deputy Director of Audit (Defence Services), in which it was stated that though the machine had been installed on 15th March, 1963 it could not be put to any use because of certain technical difficulties experienced after the installation. Literature/guide regarding the working, servicing/maintenance of the machine were still awaited. It was also stated in this letter that the Naval Headquarters had been approached to obtain Government sanction for the tools, all of a permanent nature, without which the machine could not be used.

In a note* furnished by the Ministry of Defence at the instance of the Committee, it has been stated that the literature in question had actually been received along with the machine but had been misplaced. A spare set of literature has since been despatched by the Spare Parts Distributing Centre to the Base Repairs Organisation, Cochin, early in September, 1963. As regards the tools, it has been stated that these were common user items for the Smithy and were held on board the Ship in question. As such, no special sanction for these was necessary at the time of placing the order for the machine. Subsequently, however, on transfer of the machine to Cochin, the tools could not be transferred as these were required by the Blacksmith Shop of the Ship. The necessary tools have now been issued on loan from the Naval Stores Depot. It has further been stated, that the machine is fully operational now and is being utilised upto its capacity since early September, 1963.

While the Committee note that three of the four machines have now been installed, they cannot help deprecating the manner in which this case had been handled. They observe that, before placing the order, authorities concerned had even failed to see that the ship in which the machines were proposed to be installed, would not have sufficient space to accommodate the machines, without detriment to its normal operations; and later on, the literature/guide regarding the working, servicing/maintenance of the machine was misplaced. In the opinion of the Committee, this is a case of neglect on the part of the officers concerned for which disciplinary action is called for. The Committee would like to be informed of the action taken in this regard. They also desire that every effort should be made for the utilisation of the remaining (fourth) machine at the earliest possible date.

Pages 18-19—para 24—Delay in testing an imported equipment

52. In April, 1957, Government sanctioned the purchase, from a foreign country, of certain equipment costing Rs. 12 lakhs approximately (inclusive of the cost of spares). Its efficacy had been demonstrated to a naval officer earlier in August, 1956.

The equipment was received in India in September, 1958, but some defects were noticed in it when trials were carried out in December, 1958. The defective parts were changed by the supplier, but the performance of the equipment was still not considered satisfactory by the naval authorities. In August, 1960, the firm offered to send a technician to carry out fresh trials but more than a year thereafter, in December, 1961, the Naval Headquarters intimated that arrangements for further trials were in hand and the firm was being approached to keep their offer open. In June, 1962, it was reported that,

*Not vetted by Audit.

after a careful study of all the literature forwarded by the firm, it had been found that the technical resources of the Dockyard were adequate to carry out the necessary adjustments, etc. to rectify the defects.

The trials, which were originally proposed to be conducted in October, 1962, were first postponed to December, 1962, due to the sudden development of defects in the vessel on which the equipment was to be fitted and again to the end of January, 1963. It had not even passed the stage of trials till January, 1963.

In evidence, the representative of the Naval Headquarters stated that although there was delay in carrying out trials at sea, the equipment was tested after receipt, and one of the panels was found to be defective. The panel was replaced by the firm. The Navy, however, held that they would not be satisfied unless the test data sheets were supplied to them. After these became available, trials were carried out by the Navy who found that the equipment could be put into use after certain adjustments. No extra expenditure had been entailed in effecting those adjustments, and the equipment was now lying for use in emergencies, the purpose for which it was procured. As regards the delay in accepting the firm's offer made in 1960, to carry out fresh trials, the witness stated that the requisite Boat to test the equipment was not available then. The C. & A.G. pointed out that the Navy waited for the Boat for about 18 months, at the end of which period the Boat was still not available. The representative of the Ministry stated that the Boat had to be repaired before it could be used for the trial of the equipment.

While the Committee note that the equipment in question had been found suitable for use, without entailing additional expenditure, they are unable to appreciate the inordinate delay (of about 4½ years) in carrying out trials to establish the efficacy of the equipment. The Committee would like the Naval Headquarters to impress upon the establishments under their control the imperative need to carry out speedy trials so that the utilisation of the equipment, imported from foreign countries at a heavy cost, is not unduly held up on this account.

Pages 19-20—para 25—Defective operation of a contract

53. An extra expenditure amounting to Rs. 1.33 lakhs was incurred by the naval authorities as a result of an arbitration award given in December, 1959, in the circumstances explained below:—

In December, 1955, the Director General, Supplies and Disposals, concluded a contract with a firm for the supply of 60,000 c.ft. of timber by the end of June, 1956 at a cost of Rs. 2.67 lakhs to the Naval

Dockyard, Bombay. Timber was to be tendered for inspection by the naval authorities at certain specified stations in lots of not less than 500 c.ft. each.

When the supplies were made, the following delays occurred in carrying out inspections:

- (i) 5,000 c.ft. of timber offered by the firm at Nangal in one lot on 5th January, 1956 was not inspected, despite repeated requests from the firm, on the ground that the quantity offered was very small.
- (ii) Another 45,500 c.ft. offered for inspection at Srinagar on 15th May, 1956 was inspected between 18th and 27th June, 1956, i.e., after a delay of more than one month. Military credit notes for the transport of accepted timber (40,180 c.ft.) by rail from Pathankot to Bombay were issued in July, 1956, but as the firm could not despatch the accepted timber from Srinagar to Pathankot in time, due to the non-availability of private transport, the delivery date was extended upto 16th October, 1956.
- (iii) A further lot containing 25,000 c.ft. of timber was offered for inspection at Srinagar on 2nd October, 1956, but the firm was informed by the Naval authorities on the 30th October, 1956 that an inspector would be deputed on the 10th November, 1956.

On the 22nd October, 1956, the Director General, Supplies and Disposals, cancelled all outstanding quantities not already passed in inspection, for non-supply of timber within the extended date.

The contract was foreclosed on 28th February, 1957 and the outstanding quantity of 45,167 c.ft. was purchased from the Chief Conservator of Forests, Jammu and Kashmir State, in December, 1957, at an extra cost of Rs. 83,544 at the risk and expense of the firm.

The firm referred the case to arbitration claiming Rs. 1.02 lakhs for the loss suffered on 30,000 c.ft. of timber which had to be withdrawn by them as a result of delay in inspection, and on 25,347 c.ft. of timber which though inspected could not be despatched before the contract was foreclosed in February, 1957, Government put in a counter-claim for Rs. 83,544 for the extra expenditure incurred in the repurchase.

The Umpire, in his award dated the 11th December, 1959, disallowed wholly Government's claim for extra cost and directed that the sum of Rs. 33,175 withheld from the firm's bills should be paid back to them. He also awarded Rs. 49,000 to the contractor as damages.

In extenuation, the representative of the Ministry of Defence stated that the contract did not lay down any time-limit within which inspection was to be carried out. The Naval Dockyard, which were to arrange for inspection in this case, had indicated that they would require about three weeks' notice for this purpose. They had, however, actually taken 2-3 weeks more. The reason for this was that timber was needed for special use and to ensure quality and minimise wastage the duty of inspecting timber was entrusted to the Officer-in-Charge of the Saw Mills, who could not be spared at short notice to do this, in addition to his regular duties. Further, as this Officer was not entitled to air journey, he had to go from Bombay to Pathankot by train. While the witness admitted some delay on the part of naval authorities in carrying out inspection, he felt that this could not be considered a decisive factor for the failure of the contract; for, out of over 40,000 c.ft. of timber, referred to in sub-para (ii) of the Audit para, which had been inspected in June, 1956, not even one c.ft. had been moved by the contractor till November, 1956. The Comptroller & Auditor General pointed out that after the inspection had been carried out, there was a further delay of about a month in the issue of Military Credit Notes, and that, while presenting his case before the arbitrator the contractor had argued that at the time these Notes were received, fruit season had set in, and the lorries were all engaged in transport of fruit from Kashmir to Pathankot. The representative of the Ministry stated that M.C. Notes were required for transporting timber from Pathankot to Bombay, whereas the contractor was himself to arrange for its transport from Srinagar to Pathankot. The witness further stated that although in terms of the contract, transport of timber from Srinagar to Pathankot was the obligation of the contractor, they had, on receipt of the contractor's letter, approached the Jammu and Kashmir Government for assistance in arranging transport. The State Government made 50 trucks available. Even then, the contractor failed to adhere to the target date.

The Committee referred to sub-para (i) of the Audit para, and enquired why the minimum lot of 500 c.ft. had been stipulated in the contract, especially when the inspecting Officer had to go from Bombay to Nangal. The reason given by the Director General Supplies and Disposals, for doing this was that 500 c.ft. represented one wagon-load. He added, however, that before the contract was placed, no indication had been given by the Naval authorities that they could not send an officer for inspection unless substantial quantities were offered. Had they done so, the D.G.S. & D. would have made a provision in the contract accordingly. In reply to a question, the witness stated that the first lot was not inspected for about

two months after it had been offered whereafter the contractor withdrew it on the ground that it had deteriorated due to exposure.

The Committee are unhappy over the manner in which this case had been handled by the Dockyard authorities, resulting in an avoidable expenditure of Rs. 1.3 lakhs. It appears surprising to them that, having failed to indicate to the D.G.S. & D. the minimum quantity of timber which they could conveniently inspect, the Dockyard authorities should have declined to inspect a lot ten times the minimum stipulated in the contract, on the ground that it was too small. The Committee feel that, after the contract had been entered into, the Dockyard authorities, instead of advancing such pleas, should have made every possible effort to inspect the lots offered by the contractor, as per the terms of the contract, within a reasonable time. This the Dockyard authorities failed to do.

It was, *inter alia*, urged in extenuation of delay that the officer-in-charge of the saw mills, who was considered to be the most suitable person for inspection, not being entitled to air journey, had to go all the way from Bombay to Pathankot by train. The Committee can hardly accept this argument. If that was the only difficulty, the condition regarding air journey could have been relaxed by the competent authority. The Committee are clear that the authorities concerned had failed to pay due regard to the interests of the exchequer. They desire the Ministry to take effective steps to prevent recurrence of such cases.

Page 20—para 26 (a)—over-provisioning of stores

54. 4,000 yards of cables electric, procured through the Director General, Supplies and Disposals, during January, 1960 to March, 1960, at a cost of Rs. 41,381, were lying unused in stock till July, 1962 though these were expected to be utilised by the end of March, 1961.

In evidence, the representative of the Ministry of Defence admitted that it was a case of mistaken provisioning, and ascribed it to misinterpretation of orders. The degaussing cable, which should have been provisioned as a non-recurring store, had been provisioned, on the basis of past consumption, as a recurring store. The witness, however, expected that the whole of the procured material would be used up within its shelf life.

Page 20—para 26 (b)

55. 535 numbers of cups screw, procured through the Director General, Supplies and Disposals, during November, 1954 to April 1955 at Rs. 30,718, were lying in stock till July, 1962 in addition to 626 numbers procured previously in 1952 though all these were expected to be utilised by June, 1956.

The representative of the Ministry of Defence admitted that this was also a case of mistaken provisioning. He hoped that the procured cups screw would also be used up, though over several years.

As regards remedial measures in these cases, the witness stated that special instructions would issue. Steps had also been taken to improve the provisioning procedure so that such cases of mis-interpretation of orders did not recur. **The Committee trust that these steps will have the intended effect.**

Page 25—para 34—Avoidable expenditure in connection with a work

56. In connection with the development of Naval Dockyard at Bombay, a contract for the construction of graving dock, wharves and ancillary works was concluded with a foreign firm on 15th August, 1955 at a cost of Rs. 277 lakhs. The work was scheduled to be completed within 39 months. The main work in connection with the construction of the graving dock was suspended between 12th November, 1959 and 27th January, 1960, with a view mainly to lengthen the dockhead by about 20 feet, to accommodate a fleet carrier for the purchase of which a firm order on the U.K. admiralty had been placed as early as 1956.

As a result, the foreign firm entrusted with the construction of the graving dock had to be paid Rs. 6.35 lakhs as compensation for overhead and general expenses, cost of idle labour, etc. for the period of suspension of the main work. In addition, a portion of the work already completed had to be demolished resulting in an infructuous expenditure of about Rs. 24,000.

The compensation of Rs. 6.35 lakhs was provisionally admitted by Government in 1962 on the recommendations of the Consulting Engineers but the reasonableness of the amount paid was stated to be under verification by the Director General, Naval Dockyard Expansion Scheme.

It was urged on behalf of the Ministry that the decision to lengthen the dockhead by 20 feet for accommodating the fleet carrier was commendable, resulting in a lot of saving. It was stated in this regard that the graving dock contract was signed in August, 1955, whereas the order for the fleet carrier had been placed in 1956. So, whenever the decision to lengthen the dockhead had been taken, it would have disturbed the graving dock contract. The reason why this was not done earlier was that the design of the fleet carrier was changed from year to year, to suit the requirements of the Navy, and, therefore, it was difficult to visualise in 1956 what the length and final shape of the fleet carrier was to be. In 1959, when the designs

for the docking of the carrier were received, the Navy examined them and found that it would be possible to fit the carrier in the existing dock if it were extended by about 20 feet. The Navy, accordingly, suspended work on closing in of the dock, and started lengthening it. By this arrangement, the fleet carrier had been fitted in the dock, although it was a close fit (the clearance at certain places being only six inches). As regards the benefits accruing from this arrangement, it was stated that had this not been done, a commercial dock in Bombay would have been needed. Even if such a dock were available, the cost on one examination and refit, stretching over 5-6 months, would approximate to Rs. 8-9 lakhs.

The Committee were informed by Audit that, according to the Ministry, during the period of suspension of work for $2\frac{1}{2}$ months, the contractors were able to execute other works on the rest of the graving dock which was not affected by the work undertaken for accommodating the carrier. The Ministry of Law held that out of compensation amounting to Rs. 6.35 lakhs claimed by the contractor, the claim for Rs. 4.50 lakhs relating to overhead charges was inadmissible. The representatives of the Ministry of Defence and Naval Headquarters stated that although the Navy agreed with the views of the Ministry of Law in this regard, they were, in terms of the contract, bound to pay the amount, as certified by the consultants. The payment had, however, been made under protest, without prejudice to Government's rights and contentions under the contract, and the matter could be referred to arbitration. Government's views in the matter had also been conveyed to the consultants.

While the Committee appreciate the decision to lengthen the Dockhead to accommodate the fleet carrier, they are unable to see the wisdom of that provision of the Navy's contract with the contractors, in terms of which payment had to be made to the contractors in respect of any claim, certified by the consultants, even though it was considered to be patently inadmissible. It was argued in evidence that the payment in question (Rs. 4.50 lakhs in respect of overhead charges, held by the Ministry of Law as inadmissible) was made under protest, and that the matter could be referred to arbitration. The Committee are not satisfied with this explanation. They consider it wrong in principle to make payment in respect of any disputed claim before the matter has been settled. The Committee trust that the Ministry will bear this in mind, while entering into contracts in future. As regards the payment of Rs. 4.50 lakhs, in respect of overhead charges, already made to the contractors, the Committee desire

that vigorous efforts should be made to recover the amount from the contractors at an early date.

Pages 25-26—para 35—Infructuous expenditure due to defective planning

57. Mention was made in paragraph 51 of the Audit Report, 1960 of the abnormal delay in the erection and commissioning of a steel foundry in the Naval Dockyard, Bombay, which had been sanctioned in 1950. In a note submitted to the Public Accounts Committee in July, 1961, the Ministry of Defence had stated that the foundry was expected to be commissioned by December, 1961. A contract for an annealing furnace on which the commissioning of the foundry depended was, however, concluded only in January, 1962.

Due to inability of the Naval Dockyard to put the furnace into commission and the urgent need to expand the foundry facilities in the ordnance factories, Government decided in September, 1962, to transfer it to an ordnance factory.

Thus, a sum of about Rs. 3.30 lakhs spent on (i) the installation of the furnace at the Naval Dockyard, (ii) additions and alterations to the buildings in connection therewith, and (iii) dismantling, repacking, etc. has turned out to be infructuous.

In evidence, the representative of the Ministry of Defence admitted that there had not only been bad planning but also delay in execution in this case, and ascribed these to inexperience on the part of naval officers in dealing with furnaces. Referring to the statement made before the P.A.C. that the foundry would be commissioned by December, 1961, the witness stated that this could not be done as the firm's representative who had to check up the requirements, did not arrive in time. In the meantime, it was decided to transfer the foundry to the Ordnance Factory, Moradnagar, as their requirement was considered to be of a higher priority. As to the latest position, the witness stated that the foundry was expected to be commissioned in August, 1963. Referring to a letter dated the 20th June, 1963 from the Ordnance Factory, Moradnagar, to the DGOF, the C. & A.G. stated that even after the erection, the furnace would remain idle as it could not be operated without an overhead crane. In a note* submitted by the Ministry of Defence, it has been stated that an incident for the supply of a 5-ton crane was placed on the D. G. S. & D.

*Not vetted by Audit.

by the D.G.O.F. on 2nd November, 1962. The D.G. S. & D. is stated to have finalised a contract for the supply of this crane with Messrs Jessops, Calcutta and the promised date of delivery is December, 1963. It has also been stated that the Steel Foundry has been utilised to a certain extent from August, 1963 and that full utilisation will be possible by December, 1963, when the overhead crane is expected to be made available to the factory.

The Committee are pained to observe that the steel foundry had not been installed in the Naval Dockyard, Bombay (for which it was ordered) even 12 years after it was sanctioned (in 1950). It was, however, transferred to an Ordnance Factory in 1962, involving an infructuous expenditure of Rs. 3.30 lakhs. Another year elapsed before the foundry could be even partially utilised in the Ordnance Factory, where it was transferred to meet urgent requirements. While the Committee note the Ministry's admission that there was not only bad planning but also delay in execution, it appears to them incomprehensible that after sanctioning the Foundry, the authorities concerned should have taken 12 years to place an order for the annealing furnace on which depended the commissioning of the Foundry. The Committee would like the Ministry and the Naval Headquarters to give serious thought as to how to obviate the recurrence of such cases. The Committee would also like to be informed of the date of receipt of the crane in question and the date of full utilisation of the Steel Foundry.

Pages 31-32—para 43—Contract for the acquisition of a survey ship for the Indian Navy.

58. In September, 1954, the Government of India concluded a contract with Hindustan Shipyard Limited for the construction of a 5,000-ton survey ship for the Indian Navy at an estimated cost of Rs. 160 lakhs. The vessel was to be delivered in September, 1957. Subsequently, Government decided on the construction of a smaller vessel of about 2,500 tons at an estimated cost of Rs. 168.50 lakhs to be delivered by September, 1959. The contract was amended accordingly in February, 1957 and a sum of Rs. 134.80 lakhs was paid to the Shipyard in four instalments between October, 1954 and January, 1960. The position as intimated by the Shipyard in August, 1962 was that they were not in a position to say exactly when the ship would be ready for commissioning.

It was, *inter alia*, explained that the agreement with the foreign technical consultants by the Shipyard was terminated in July, 1958 and that this had an adverse effect on the preparation of drawings for this vessel.

The report submitted by a committee appointed by the Hindustan Shipyard to look into the causes of delay in the construction of the ship was stated to be under examination by the Board of Directors of the Shipyard (January, 1963).

In evidence, the Managing Director, Hindustan Shipyard, stated that the difficulties of the Shipyard lay in insufficiency of its Drawing and Designs Office, technical personnel and supply of materials. In 1954, when the contract for the first ship was entered into, the Shipyard was not in a position to design and complete a complicated naval vessel like the one in question, and would not have undertaken to do so, but for an express understanding given by the Consultants (Messrs ACL) to design the ship in all its features, and to prepare detailed construction plans (including all coordinated plans). Early in 1962, it was noticed that the agreement with the Consultants in respect of this ship did not serve the desired purpose, and so, the Shipyard could not indicate a definite date for the delivery of the ship. In September, 1962, however, certain recommendations were made by the Enquiry Committee earlier appointed by the Board of Directors which envisaged the completion of the ship by October, 1964. The recommendations of the Enquiry Committee in this regard had been accepted by the Board of Directors and were being meticulously followed by the Shipyard. It was hoped that the ship would be completed by the new target date of October, 1964, if not earlier.

In reply to a question, the representative of the Naval Headquarters stated that the Navy's requirement for the survey ship was urgent. In reply to another question, the representative of the Ministry of Defence stated that the contract awarded to the Shipyard for the construction of this ship was in pursuance of Government policy to promote indigenous manufacture of ships.

According to the Report of the Enquiry Committee appointed by the Hindustan Shipyard Ltd., the following are the principal causes for delay:

- (a) The failure of ACL to discharge their obligations. In this connection, it may be noted that the design fee was increased from Rs. 6.5 lakhs to Rs. 9 lakhs.

- (b) The failure of the ACL personnel in HSL to keep HSL personnel informed of progress of design, etc., upto July, 1958 (when the general collaboration agreement was terminated), and to hand over properly prior to their departure.
- (c) The lack of understanding in HSL of how a ship of this type ought to be built.
- (d) The failure of HSL to take advantage of Naval Headquarters' offer to train a squad of electricians in the Naval Dockyard.
- (e) The failure of HSL to accept any of the suggestions made by ACL or AEG (Electrical contractors) regarding the expeditious completion of the ship.
- (f) The unnecessary insistence on the preparation of detailed coordinated drawings for all electrical and other installations.

The Committee observe that the ship in question, scheduled to be delivered by September, 1959, is now expected to be completed by October, 1964. The Committee take a serious note of the delay, particularly as the ship is stated to have been urgently required for meeting the Navy's requirements. While the Committee grant that the delay was primarily caused by the failure of the Consultants (Messrs ACL) to discharge their obligations in regard to the supply of detailed construction plans (including coordinated plans), they observe from the aforesaid conclusions of the Enquiry Committee that the Hindustan Shipyard are in no way less to blame in the matter. It is inexplicable why the Shipyard should have failed to take advantage of the Naval Headquarters' offer to train a squad of electricians in the Naval Dockyard. Nor are they able to understand why the Shipyard should have failed to accept any of the suggestions made by Messrs ACL or AEG (Electrical contractors) regarding the expeditious completion of the ship. The Committee desire that every effort should now be made to complete the ship by the new target date (October, 1964).

59. The Committee also observe that although the requirement of the survey ship was stated to be urgent, contract for the construction of the ship was awarded to the Hindustan Shipyard (in 1954) which, according to the admission of their own representative, was not then

in a position to design and complete a complicated vessel like the one in question. It was urged in extenuation that the contract awarded to the Shipyard was in pursuance of Government policy of promoting indigenous manufacture of ships. While the Committee fully endorse Government policy of promoting indigenous manufacture, they feel that, in case of urgently-need Defence equipment, the Ministry should, before taking a decision in the matter, give some thought whether, by doing so, the end in view would not be undermined.

60. In evidence, the Committee desired to know what action had been taken on that part of the aforesaid Report of the Enquiry Committee which dealt with causes for delay. The representative of the Ministry of Transport and Communications (Department of Transport) stated that the Board of Directors had decided to defer its consideration till the ship had been completed, for they feared the consideration of the matter at this stage might hamper expeditious completion of the ship.

The Committee are a little surprised at this explanation. They desire that necessary action in the matter should be taken without any further delay.

61. The Committee were informed that heavy damage was caused to the electrical and propulsion machinery due to long storage in the Shipyard and that it had been sent back to Germany for re-conditioning at a cost of Rs. 8·80 lakhs. Commenting upon this, the aforesaid Enquiry Committee have observed as follows:

“The main propulsion motors and generators are heavy and weigh nearly 30 tons each. The packages measures about 10' X 10' X 10'. It was, therefore, impracticable to move them to covered accommodation. However, it should not have been impossible to erect a housing over them to shield them from the rain and the sun. This was not done, and due to exposure to weather, the 2 main Propulsion Motors and 2 Generators have been badly damaged. The ancillary generators have also suffered damage. The responsibility for the damage to this equipment, therefore, must be that of H.S.L. Since the Controllers of Stores for the relative periods have left the Yard it was not possible for the Committee to determine which of the officers in the Yard is to be held blameworthy.”

During the course of evidence, the Committee enquired whether responsibility for the above damage had since been fixed. The Managing Director, HSL, stated that the matter was due to be considered at the next sitting of the Board.

The Committee deprecate the negligence shown in this case which resulted in an avoidable expenditure of Rs. 8.80 lakhs in re-conditioning the electrical and propulsion machinery even before it could be installed in the ship. They also regret to note that the Controllers of Stores for the relevant periods had left the Yard, before responsibility for the damage could be fixed. The Committee would like to know the date on which the damage came to light and the dates on which the Controllers of Stores left the Yard. They now desire that further action in the matter should be taken to fix responsibility without any waste of time and a report made to them.

The Enquiry Committee had also recommended that the legal and other formalities for breaking away from M/s. A.C.L. should be examined by the Management and the Board of Directors. The Committee hope that this aspect had been examined. They would like to be informed of the financial implications of the termination of the contract with the Consultants.

The Committee also understand from Audit that the Consultants have already been paid Rs. 5 lakhs against the total sum of Rs. 9.5 lakhs due to them under the agreement. They would like to know whether the Ministry have satisfied themselves that the payment made to the Consultants was commensurate with the services actually rendered by them under the contract.

Page 32—para 44—Delay in the recovery of dues

62. On behalf of the civil departments, a naval ship carried out survey work for 229 days during the period December, 1958 to May, 1961. No recovery of charges for service rendered were made on the ground that rates of recovery had not yet been fixed by the Government (June, 1962). On the basis of a daily rate fixed by Government in May, 1959 for a similar survey ship, the amount recoverable would be about Rs. 22 lakhs.

The Committee were informed that the naval vessel had been converted into a survey vessel in 1957. In August, 1962, the Ministry had provisionally fixed the hire charges at Rs. 10,960 per diem. The question of fixing the final rate was under discussion with Audit

and Finance. As regards the progress made in recovery, it was stated that out of Rs. 26.77 lakhs levied on a provisional basis, Rs. 8.91 lakhs had so far been realised. The major parties from whom the dues were to be recovered were State Governments of Mysore, Kerala, Andhra and Maharashtra, Central Ministries of Food and Agriculture, Home Affairs and Transport and Communications and the Bombay Port Trust.

As regards delay in the fixation of the final rate, it was stated that one of the complicating factors was change in pay and allowances of officers and staff. another factor which had contributed to delay was that a part of the cost of the re-fit of the vessel had been borne by the Ministry of Transport and Communications.

The Committee are hardly convinced by this explanation. They feel that the delay in the fixation of the final rate of hire charges was inordinate. The Committee also note that the bulk of the outstandings (Rs. 17.86 lakhs), computed on the basis of provisional hire charges, are still to be recovered. They desire that effective steps should be taken by the Ministry for the speedy recovery of this amount. They further desire that the final rate should be fixed at an early date, and necessary adjustments made.

V

DEFENCE FACTORIES

Page 9—para 9 (ii)—Value of Production

63. The following table compares the value of completed stores manufactured in the ordnance factories during the three years 1959-60, 1960-61 and 1961-62 :—

(In crores of rupees)					
Year	Stores	Labour	Super- visory and adminis- trative charges	Other Indi'ect charges	Total value of production
1959-60	17.75	3.20	4.07	5.90	30.92
1960-61	22.69	3.93	4.57	7.02	38.21
1961-62	27.56	5.49	4.82	9.79	47.66

The figure of Rs. 47.66 crores includes Rs. 1.81 crores for tractors and trucks imported in 'ready for road' condition and Rs. 4.30 crores in respect of their imported components.

In evidence, the Committee desired to know what action had been taken by the Ministry on para 5 of their 4th Report (3rd Lok Sabha) wherein it had been suggested that the existing accounting system should be suitably changed, as the practice of including the value of imported equipment in the figures of production did not convey a correct picture of the output. The D.G.O.F. stated that in the Accounts for the year 1961-62, the figures for Trucks and Tractors, which accounted for the bulk of the imported equipment, had been shown separately.

From a statement furnished by the Ministry of Defence enclosed as Appendix V, the Committee observe that the value of production of Ordnance Factories (excluding trucks and tractors) was Rs. 27.95 crores in 1959-60, Rs. 28.97 crores in 1960-61 and Rs. 38.68 crores in 1961-62. They, however, find that while the percentage of the imported material to the total cost showed a steady upward trend (7% in 1959-60, 11 per cent in 1960-61 and 15 per cent in 1961-62), the percentage of indigenous material to the total cost showed a downward trend (46 per cent in 1959-60, 36 per cent in 1960-61 and 34%

in 1961-62). Thus, while the value of total production (excluding trucks and tractors) in 1960-61 exceeded that in 1959-60 by about Rs. 1.02 crores, the value of indigenous material consumed in the latter year was lower than that in the former year by about Rs. 2.54 crores. Further, though the total value in 1961-62 exceeded that in 1959-60 by about Rs. 10.74 crores, the corresponding increase in the indigenous material was only Rs. 12.27 lakhs.

The present method of exhibition of accounts does not meet the requirements of the Public Accounts Committee's recommendation made in para 5 of their Fourth Report (1962-63). They, therefore, desire that early steps should be taken to give effect to the aforesaid recommendation of the P.A.C. (1962-63), with a view to conveying a correct picture of the output of Ordnance Factories, which should exclude the cost of all finished items of imported equipment and components.

Pages 9-10—para 9(iii)—Issues

64. The value of manufactured stores issued to the Services and the civil trade during the three years is given below:

(In crores of rupees)			
Year	Services	Civil Trade	Total
1959-60	21.69	3.40	25.09
1960-61	25.89	7.14	33.03
1961-62	35.62	5.81	41.43

The drop in the issues of civil trade items, as compared with the previous year, was due to a drop in the sale of tractors and trucks from Rs. 4.42 crores to Rs. 3.08 crores.

The sale price to civil indentors is fixed with reference to the latest estimated maximum and minimum cost of manufacture, after taking into account the market conditions. The maximum cost includes cost of materials, labour, variable overheads and fixed overheads worked out on the basis of 'stabilized on cost', while the minimum cost covers the cost of materials, labour and 75 per cent of the variable overheads, where the current market price is higher than the maximum estimated costs, such market price is charged.

The fixed overheads are charged to production on the basis of 'stabilized on cost' system under which the full absorption of fixed overheads will be secured if the factory works two shifts of ten hours each. The Committee are glad to learn that, as the factories worked

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for longer hours during 1961-62, as compared with the previous year, the 'unabsorbed' overheads, which amounted to Rs. 15.28 lakhs in 1960-61, were only Rs. 15.21 lakhs in 1961-62.

The profit made and loss incurred on civil trade orders during the year were Rs. 50.50 lakhs and Rs. 7.94 lakhs respectively. The former included a profit of Rs. 26.47 lakhs on the sale of tractors and trucks. Broadly speaking, items such as steel billets, brass sheets, tractors, trucks, where the cost of material formed the major portion of the total cost, yielded profits whereas losses were incurred mainly on scientific instruments and machine tools.

In evidence, the D.G.O.F. stated that the losses, referred to in the Audit para, were not losses in the real sense of the term. These were losses only with reference to the 'maximum cost'. The profits, mentioned in the Audit para, were also with reference to the 'maximum cost'. As to the pricing of goods produced for civil trade, the witness stated that he was authorised to quote anywhere between the 'maximum' and 'minimum' costs, taking into account the market prices.

The Committee enquired how the cost of vehicles produced by Ordnance Factories compared with the prices of similar vehicles. The DGOF stated that the cost of the jeep produced by Ordnance Factories, although having an engine of higher Horse Power and a heavier body, was lower than the price of a Jeep produced by an Indian manufacturer in the private sector. He added that the cost of 1-ton Nissan Truck produced by Ordnance Factories compared favourably with the imported cost of the same Truck (including customs duty). In reply to a question, the DGOF, however, admitted that their cost was about 40 per cent over the Japanese cost, although the imported components received in C.K.D. packs, were subject to a lower rate of duty. The witness, however, added in extenuation that the Japanese export prices were lower even than their internal prices. In reply to a question, the DGOF stated that the prices of most of the articles produced by the Ordnance Factories were quite competitive.

The Committee are glad to be informed that the prices of most of the articles produced by Ordnance Factories compare favourably with those produced by civil trade. They, however, note that the cost of a particular type of vehicle (viz., 1-ton Nissan Truck) produced by Ordnance Factories is about 40 per cent over the Japanese cost, although the imported components, received in C.K.D. packs,

were subject to a lower rate of duty. While the Committee grant that it may not always be possible to bring down the cost of production of an article to a level obtaining in the country of origin, they feel that the constant endeavour of the Ordnance Factories should be to narrow down the gap as much as possible. The Committee would like to be informed of the action taken in the matter.

Page 10—para 9 (iv)—Delay in regularisation of excessive rejections

65. Unavoidable rejections, which are inherent in the manufacture of an article, are taken into account while working out the estimates of cost of manufacture. All rejections beyond those provided for in the estimates, and which are, therefore, regarded as avoidable, are required to be written off after necessary investigation. A sum of Rs. 36·57 lakhs, representing rejections in excess of the provision in the estimates for the period from 1956-57 to 1961-62, was awaiting regularisation on 1st October, 1962. Of this, Rs. 25·39 lakhs pertain to the period prior to 1st April, 1961.

In evidence, the DGOF stated that losses to the extent of Rs. 5·21 lakhs had been written off since 1st October, 1962; and losses amounting to Rs. 8·77 lakhs would not have to be written off. The delay in regularisation of outstanding losses was mainly occasioned by confusion in the accounts establishments attached to the Factories in regard to the implementation of the new procedure according to which unavoidable losses were to be included in the standard estimates. This necessitated revision of thousands of estimates. To improve the position, instructions had been issued to General Managers of all Ordnance Factories to deal with the matter promptly, and to finish the work within six months. The Committee would like to be furnished with a further report in the matter at the end of this period.

Page 10—para. 9 (v)—Stock Accounts

66. The closing balances of stocks in the store-yards attached to the factories at the end of each of the three years 1959-60, 1960-61 and 1961-62 are given below:

(In crores of rupees)	
Year	Value of closing stock.
1959-60.	30·27
1960-61.	30·89
1961-62.	31·02

In paragraph 71 of their Nineteenth Report, the Public Accounts Committee recommended that the stock limits should be fixed by Government. The Committee were subsequently informed, in

December, 1958, that it would take some time before the work of laying down definite limits for the articles involved could be completed. These limits had not fixed till December, 1962.

The Comptroller & Auditor General stated that he felt that for orders of the value of Rs. 60 crores, the over-all stock-limits should be to the tune of Rs. 25 crores. The D.G.O.F. stated that the matter had been carefully considered, and it was felt that the provisioning procedure in force served the purpose in view. The procedure stipulated that provisioning of materials was to be based on firm orders placed on the factories for manufacture of stores and the provisioning should not exceed the quantities required for certain defined periods (18 months in the case of imported materials and 12 months in the case of indigenous materials), subject to the production capacity of ordnance factories.

The Financial Adviser to the Defence Services stated that, in his view, the recommendation of the Public Accounts Committee envisaged fixation of stock-limits, item by item, and not only a total monetary limit. According to the view expressed by the D.G.O.F., it would be difficult to lay down stock-limit in respect of each item. One of the difficulties experienced in this regard was that the pattern of orders, on which the raw material and components stocks depended, varied from year to year.

The representative of the Ministry of Defence added, that as a safeguard against overstocking, periodical checks were exercised in respect of stores to be provisioned. Orders were placed only to the extent necessary, taking into account the existing stocks. The witness further stated that during the last few days the Ministry had been considering whether, in addition to the existing provisioning procedure, stock-limits should not also be fixed in respect of important items.

In reply to a question, the DGOF regretted the delay in communicating the final decision of Government to the Committee. He promised to do so within a period of six weeks. This is still awaited.

The Committee observe that though more than seven years have elapsed since the P.A.C. (1955-56) desired that stock-limits for ordnance factories should be fixed, a decision is yet to be taken by Government in the matter. The Committee deplore the delay and urge that necessary steps should be taken to give immediate effect to the long-standing recommendation of the P.A.C.

Page 11—para 9 (vii)—Planning and progressing of orders

67. The Public Accounts Committee were informed in 1958 that, with a view to avoiding delay and lack of coordination in the progressing of orders, a proposal for the mechanised system of provisioning and production control was under consideration. This proposal was estimated to cost about Rs. 10 lakhs initially and Rs. 1.25 lakhs annually with resultant reduction in staff. The mechanised system had not yet been introduced.

The representative of the Ministry of Defence informed the Committee that an agreement had been entered into with Messrs. I. B.M. for the installation of a data-processing machine at a cost of Rs. 14 lakhs. The equipment had already arrived and was expected to be installed within the next 18 months. In reply to a question, the witness admitted that the delay in the consideration of the proposal was abnormal and that delay occurred in the giving of Government sanction.

The Committee deprecate the abnormal delay on the part of Government in according sanction to the scheme. They desire, that the sanctioning authorities should scrupulously avoid such delays. The Committee note that, according to the Ministry, the machine was expected to be installed within the next 18 months. They trust that every effort will be made by the authorities concerned to ensure that the machine is commissioned as per schedule.

Page 11—para 10—Machine Tool Prototype Factory, Ambarnath

68. This factory was planned for designing prototypes and to manufacture tools but due to its capacity being booked for other Service stores the production of machines and machine tools was restricted during the year 1961-62. Against the target of 110 machines and machine tools, only 28 numbers were produced during the year as compared to 166 numbers in 1959-60 and 188 in 1960-61. The value of machine tools produced during 1961-62 (Rs. 6.85 lakhs) accounted for only 13 per cent of the total production of completed articles during the year (Rs. 54.78 lakhs); the components and sub-assemblies of Shaktiman trucks and other miscellaneous items accounted for the rest of the production.

The value of machine tools and other items sold to Defence Department and civil trade upto 31st March, 1962 was Rs. 174.59 lakhs and Rs. 49.72 lakhs respectively. While the Defence indentors were charged at cost, there was a loss of Rs. 15.43 lakhs on

machine tools sold to the civil trade. In a note submitted to the Public Accounts Committee in July, 1962, the Ministry of Defence stated that with a view to pricing the machine tools on a more realistic basis the present procedure was being reviewed.

The value of 106 numbers of machine tools lying in stock on 31st March, 1962, many of which were manufactured during 1959-60 and earlier years, is Rs. 29.84 lakhs.

In evidence, the D.G.O.F. stated that the Machine Tool Prototype Factory, Ambernath, was set up primarily for designing armament prototypes and machine tool manufacture was only a subsidiary function taken up to keep the skill alive. The capacity of the Factory was also utilised for manufacturing certain tractor and truck components. Since the declaration of the Emergency, however, the Factory had again switched back to the rebuilding of old machine tools and other specialised requirements. In order that the Factory could be free to devote itself to this work, alternative arrangements for the manufacture of tractor and truck components were under consideration.

The Study Group of the Committee, which visited the Factory in October, 1963, were informed that orders had since been issued by the D.G.O.F. for earmarking 50 per cent of the capacity of the Factory for machine tool purposes. They were also informed that the implementation of this order would require some additional balancing plant. **The Committee desire that the requirements may be examined and suitable action taken expeditiously.**

The Committee enquired whether the switch-over to the manufacture of truck components had rendered idle some of the machine installed for the production of machine tools. The DGOF stated that the machinery installed at Ambernath did not lie idle, and the machine tool production still continued. There, was, however, one shift in 1957-58, as against two shifts from early last year (1962-63). The C&AG pointed out that the number of machines actually produced at Ambernath during 1961-62 was 28, as against the target of 110. In the case of one of the machines, as against the target of 10, nothing was produced, and in the case of another, as against the revised programme of 45, only five were produced. The DGOF stated that the total value of production, rather than the number of machines produced, would be a correct index of the activity of the Factory.

The Committee dealt with the loss of Rs. 15.43 lakhs incurred by the Factory on that machine-tools sold to civil trade. The representative of the Ministry of Defence stated that the Ambernath Factory, having been originally designed as a prototype factory, had a large number of machines designed for high precision work. So as to have an adequate load for the factory, such machines were also used to produce machine tools. The tools thus produced were costlier than those produced elsewhere by general production machines. A suggestion was, therefore, made that while determining the cost of machine tools produced by the Factory, the overheads to be charged should be similar to those at the H.M.T. The view of the Ministry of Finance was that this would not present the cost correctly. Another proposal was that after taking all the relevant factors into account, a certain percentage of total cost should be worked out to represent the actual cost. The above suggestions were under discussion.

69. In para 39 of their 43rd Report (Second Lok Sabha), the P.A.C. (1961-62) had observed that the performance of the Factory had been disappointing. The Committee regret to observe that the position is still far from satisfactory. (The number of machines actually produced during the year under review was 28, as against the target of 110 even though this target was substantially lower than the actual production during the preceding two years. In the case of one of the machines, as against the target of 10, nothing was produced, and in the case of another, as against the revised programme of 45, only five were produced.)

70. In extenuation of heavy loss suffered by the Factory on the manufacture of machine tools sold to civil trade, it was urged that the Factory was designed primarily for the development of armament prototypes and the machine tool production was only a subsidiary function taken up to keep the skill alive. The Committee observe that this very argument was also advanced before the P.A.C. (1961-62) who deplored that the production in the Factory had continued to be uncertain since its inception. They had felt that if the Factory was to run as an economic unit, it was time that Government took a firm policy decision regarding the precise role of the Factory in the manufacture of machine tools required by the country. The Committee regret to note the abnormal delay that has occurred in taking this decision.

71. The Committee also desire that a rational basis for pricing should be evolved at an early date, in consultation with the Ministry of Finance, lest high over-heads should stifle production.

72. In reply to a question, the Committee were informed that as on 30th June, 1963, only 17 machines valued at Rs. 4 lakhs, were lying in stock at Ambernath. **The Committee desire that steps should be taken for the early utilisation|sale of these machines also. They would like to be furnished with a further report in the matter.**

73. One of the reasons for shortfall in production of machine-tools was stated to be the defection of the skilled personnel trained in the Artisan Training School. The Public Accounts Committee, (1961-62) were informed that the Factory had been able to retain only 25% of the trained personnel because of two factors, viz., (i) heavy demand for skilled personnel, and (ii) comparatively higher scales of pay in the private sector. The P.A.C. (1961-62) hoped that the matter would be kept under constant review to ensure that the production did not suffer for lack of trained personnel.

During the course of their on-the-spot-study-visit to the Factory, the Study-Group of the Committee were informed by the Principal of the Artisan Training School that the Scheme had been modified to some extent. Under the revised scheme, the trained personnel were permitted to join any of the Ordnance Factories in India. Further, the amount of security deposit had also been increased to Rs. 2,000. Despite this, the percentage of defection of trained craftsmen was about 50.

While the Committee note that the measures taken by the Factory have resulted in improving the position, they find that the defect or trained personnel is still as large as 50%. The Committee desire the Ministry to give further thought to the matter and initiate other suitable measures to ensure that production is not hampered in any way on account of shortage of the trained personnel.

Page 11-12—para 11—Manufacture of Tractors

74. In the Audit Report, 1961, mention was made of the progress achieved in the assembly|manufacture of Romatsu tractors in the ordnance factories.

When the scheme for the indigenous manufacture of these tractors was sanctioned in March, 1959, it was envisaged that:

- (a) 750 tractors of different classes—290 of Class I, 280 of Class II and 180 of Class IV would be manufactured upto 31st December, 1962, resulting in a saving of Rs. 3.20 crores in foreign exchange;
- (b) by 31st December, 1962 the indigenous content will be increased to 70 per cent in the case of all the three classes of tractors; and

- (c) after 1962, the tractor industry would be entirely indigenous.

The actual results achieved to the end of December, 1962 were as follows:—

- (i) Against the target of 750 tractors only 459 tractors—200 of Class I, 148 of Class II and 111 of Class IV—were assembled/manufactured.
- (ii) The percentage of the indigenous content achieved was 31·16, 33·31 and 34·35 in case of Class I, Class II and Class IV tractors respectively. There had been no increase in the indigenous content of the tractors manufactured during 1962 over that achieved during 1961.
- (iii) 106 tractors were assembled/manufactured during 1962 against the target of 190. This works out to about 9 tractors a month against 16 per month assembled/manufactured during 1961.

For 641 tractors for which supply orders had been placed upto the end of 1962, the saving in foreign exchange had been worked out as Rs. 112·50 lakhs. On this basis, the expectation that there would be a saving of foreign exchange to the extent of Rs. 3·20 crores on 750 tractors was not likely to be realised.

In evidence, the representative of the Ministry of Defence stated that the target dates mentioned in the Audit para, were based on the assumption that the production of tractors commenced from the beginning of 1959. This was, however, not correct. The production of tractors actually started in October, 1959. On this basis, the production during the four years October, 1959—October, 1963 was expected to be 520—530, as against the original target of 750. As regards the reasons for the shortfall, the witness stated that for improving the performance of D-120 and D-80 tractors some model changes had to be introduced in the second year of manufacture, which necessitated re-tooling to some extent. Also, in view of higher priority assigned to other Ordnance Stores, after the declaration of Emergency, the production of tractor components had to be cut down.

The indigenous content was stated to be 31·80 per cent at present in D-120 tractors and it was expected to rise to 45·5 per cent in the next phase. The percentage of such content in D-80, in the next phase, was expected to be 50. Referring to a proposal to incorporate Cummins Engines in these tractors, instead of Komatsu Engines, as at present, the witness stated that this would increase the indigenous content by about 30%. An agreement to manufacture these Engines

had been entered into by Messrs Kirloskar with Messrs Cummings; and a D-80 tractor with a Cummings Engine had already been successfully tried in Japan. It was now proposed to carry out trials in India.

The Committee regret to note serious shortfalls in the production of tractors, both as regards numbers and indigenous content. (As against the target of 750 tractors for the first four years, the actual production was estimated at 520—530 and as against the anticipated indigenous content of 70%, the actual achievement was about 32%). The Public Accounts Committee have repeatedly emphasised the need for laying down realistic targets, and their due fulfilment. The Committee would like the Ministry to make special efforts to improve their performance in the matter.

75. The Committee note the proposal to incorporate Cummins Engines in Komatsu Tractors, which was expected to increase the indigenous content by about 30%. While the Committee appreciate the idea underlying the proposal, they desire that, before giving effect to the proposal, intensive tests should be carried out in the various parts of the country having different soil conditions, where the tractors are required to be operated, so that modifications, if any, found necessary, as result of these tests, may be carried out without loss of time.

Page 12—para 12(a)—Manufacture of Shaktiman Trucks

76. Mention was made in the Audit Report, 1961, of the scheme for the manufacture of 3-Ton trucks in the ordnance factories in collaboration with Messrs. M.A.N. of Germany. The manufacture was commenced in July, 1959. The production during the first three years as compared with the target aimed at is indicated below:

Year	Number of trucks to be manufactured as per plan.	Number of trucks manufactured.	Indigenous percentage as per plan	Indigenous percentage achieved.
1st year (1-7-59 to 30-6-60)	1200	739	30	30
2nd year (1-7-60 to 30-6-61)	1200	1201	50	42
3rd year (1-7-61 to 30-6-62)	2000	803	70	46

The items manufactured in the ordnance factories at the end of the third year accounted for about 37 per cent of the total value of the trucks, the balance of the indigenous content being made up of items, such as tyres, tubes, batteries purchased from firms in India.

The Committee were informed by the representative of the Ministry of Defence during the course of evidence that the original production programme had been drawn up in 1959, before the licence agreement was concluded. As the actual production fell much short of targets in the initial years, the DGOF was asked to take a realistic view of the matter. A revised programme was, accordingly, drawn up, and put up to the Defence Committee of the Cabinet. This programme had been adhered to in so far as the targets for indigenous content were concerned, but instead of 1,500 trucks, originally planned to be produced during 1961-62, 803 were produced in 1961-62 and the remaining in 1962-63. While the witness admitted that there had been a shortfall in regard to numbers, he did not think that there had been a shortfall in regard to indigenous content. The indigenous content, according to him, was to be related to serial number of trucks to be produced and not to the years in which these were expected to be produced. The actual indigenous content of 48·8 per cent during 1961-62 was, thus, in accordance with the revised target.*

In reply to a question, it was stated that out of 13,500 D.M. as the value of indigenous content, about 6,500 D.M. represented the value of tyres, tubes and body and about 7,000 D.M. as the value of components actually manufactured.

This is another case in which the actual production had considerably lagged behind the planned targets. The Committee note that in the light of actual performance, a revised programme had been drawn up by the D.G.O.F. The Committee desire that every effort should be made to adhere to this programme. They would like to be furnished with a further report in the matter.

Page 13—para 12 (b)—Nissan Trucks

77. In February, 1960, Government concluded a collaboration agreement with Messrs Nissan Motor Company, Japan, for the progressive indigenous manufacture of one-ton trucks in the ordnance factories under which the firm agreed to supply components and parts for an annual programme upto 3000 trucks.

*The revised target, according to Audit, was 57·4 per cent.

It was planned that beginning from 1960-61, 1200 trucks would be manufactured annually for the first five years and that the indigenous content would be progressively increased as follows:

Year	Percentage of indigenous content
1960-61	30
1961-62	50
1962-63	70
1963-64	80
1964-65	90

The manufacture of the trucks commenced in August, 1960. During the two years upto July, 1962, 1192 trucks were assembled and issued against 2400 originally envisaged. Orders for the components required for further manufacture of 1200 trucks were placed in two batches only in January and June, 1962. The production programme had been correspondingly delayed.

The maximum indigenous content in these trucks was only 28.15 per cent which included 23.28 per cent on account of tyres, tubes, battery, etc. which were already available with private manufacturers in the country.

With a view to achieving an improvement in the indigenous content to 50 per cent by 1964 and to 90 per cent by the end of 1966, Government had sanctioned in November, 1962, the purchase and installation of additional plant and machinery at a cost of Rs. 2.11 crores (involving expenditure of foreign exchange to the extent of Rs. 1.25 crores.)

It was urged in extenuation that the production programme, given in the Audit para, was based on an estimated expenditure of about Rs. 2 crores, including Rs. 1 crore in foreign exchange. The Ministry of Finance did not, however, release foreign exchange to the extent envisaged in the programme, and agreed to release it only to the extent of actual saving in foreign exchange resulting from the indigenous manufacture of components to be undertaken.

within the existing capacity of Ordnance Factories. On this basis, the first sanction for the release of Rs. 19.5 lakhs was issued in January, 1962. It was contended that, as the foreign exchange required for the purchase of plant and machinery for the implementation of the original programme, had not been released by the Ministry of Finance, that programme should be treated to be no longer valid.

As regards indigenous content, the representative of the Ministry stated that out of indigenous content of 28.15 per cent, mentioned in the Audit para, 12.99 per cent represented rear body, and 5 per cent other components, manufactured at Ordnance Factories. On this basis, the contribution of Ordnance Factories in indigenous content worked out to about 18 per cent, instead of 5 per cent, mentioned in the Audit para.

The Committee note that the performance of Ordnance Factories in regard to the production of Nissan Trucks was as unsatisfactory as in the case of Shaktiman Trucks. The number of trucks assembled during the first two years of manufacture was less than half of that originally envisaged (target 2400, produced 1192) and the indigenous content achieved at Ordnance Factories was barely 18%, including 13 per cent on account of construction of body. The Committee note the Ministry's explanation that the shortfalls were primarily caused by non-release of the requisite foreign exchange by the Ministry of Finance.

78. The Committee were given to understand by Audit that an indent for 1200 trucks was placed by the Army headquarters on 5th March 1960 for delivery 'as early as possible', but in respect of 600 of these, the DGOF placed the supply-order on the Japanese firm only as late as March, 1961. A second indent from the Army Headquarters for 1100 trucks was received in July 1961, but the DGOF placed supply-orders for the components to be imported only in January and July, 1962. The Committee had desired to know the reasons for delay in placing the supply-orders. A copy of the note received from the Ministry in this regard is given in Appendix VI. The Committee would in this connection, like to know whether the delay of nearly one year in the placement of the supply order for 600 vehicles, pursuant to the first indent, had hampered the continuity of production, and, if so, to what extent.

79. As regards the latest position, it was stated that due to urgent requirements of the Army for vehicles, project sanction had

been accorded in November, 1962 for the whole amount. The Committee trust that all-out efforts will be made by the Ordnance Factories to achieve the planned targets, both in respect of numbers and indigenous content.

Pages 13-14—para 13—Delay in establishment of production of a weapon and connected ammunition.

80. In April, 1959, Government sanctioned a project for the expansion of facilities in the ordnance factories for the progressive manufacture of a certain type of weapon and connected ammunition. Agreements were entered into in the same month with a foreign firm for the supply of parts and components and for their progressive manufacture.

The components were to be supplied by the foreign collaborator during the period from May, 1960 to July, 1961. The supply was, however, deferred by about six months, at the request of the Director General, Ordnance Factories, with the object of synchronising the manufacture of indigenous parts with the arrivals from abroad.

By the end of March 1962, an expenditure of Rs. 166.72 lakhs had been incurred on the project (inclusive of Rs. 127.89 lakhs on imported components and Rs. 30.47 lakhs on plant, machinery, jigs, tools and gauges).

By 30th April, 1962, only one unit was assembled and 11 per cent of the components were manufactured indigenously, as against the original expectation that 60 units would be assembled and 31 per cent of the components indigenously manufactured by that date. The bulk production of the ammunition had also not commenced till August, 1962 due mainly to non-receipt of machinery from abroad.

It was urged in extenuation that the foreign collaborators who, in terms of the contract, were to supply drawings, tooling particulars and manufacturing schedules of the parts to be produced indigenously, were behind schedule by about 10—12 months. The delay was explained by the collaborators as due to difficulties in translating the drawings, getting adequate information and preparing schedules. There was also a delay of 12—15 months in the supply of toolings, orders for which had been placed immediately after the signing of the contract. Difficulty was also experienced in training the workmen to get used to metric dimensions. This was, however, not a very material reason for the delay.

As regards the latest position, it was stated that 6 units of the weapon had been produced by July, 1963. 35 units were expected to be produced by March, 1964, whereafter production would be maintained at the rate of six units per month. While the representative of the Ministry admitted that there had been shortfall in regard to numbers of the weapon produced, he did not agree that there had been any shortfall in regard to indigenous content, which, according to him, was 33.4 per cent as per original schedule. As regards the production of the connected ammunition, it was stated that the target of 10,000 rounds had been achieved; and the bulk production was going on, as planned.

The Committee are glad to note that the planned target in regard to the manufacture of the connected ammunition has been achieved, and the production is proceeding, according to schedule. They however, regret to note that the production of the first 60 units of the weapon was behind schedule by about 2½ years. While the Committee appreciate that the shortfall in production was principally caused by delay in the receipt of drawings, manufacturing schedules and toolings from the suppliers, they feel that the Ordnance Factories are not wholly free from blame. As against the delay of 10 to 15 months in supply, the delay in the achievement of the target for the first 60 units of the weapon was about two and a quarter years. This indicates that responsibility for a part of the delay also lay on the Ordnance Factories. Further, one of the reasons for delay in the supply of the drawings was stated to be lack of adequate information. The Committee feel that had a close liaison been maintained with the collaborators during the pendency of the contract, the delay in supplies might have been reduced.

81. It was stated in evidence that 35 units were expected to be produced by March, 1964, whereafter production would be maintained at the rate of six units per month. The Committee trust that every effort will be made by the Ordnance Factories to achieve this.

Pages 14-15—para 15—Erection of an Electric Arc Furnace at an ordnance factory

82. In October, 1951, Government sanctioned the provision and installation of a 10—12 ton Electric Arc Steel Furnace at an ordnance factory, at an estimated cost of Rs. 15 lakhs. This estimate was subsequently increased to Rs. 19.17 lakhs in June, 1956 and to 23.09 lakhs in April, 1958.

Two contracts were entered into by the India Store Department, London, on 3rd May, 1952 and 10th June, 1954, for the supply of the furnace and of the bricks and refractories respectively. The furnace was received in the factory towards the end of 1955 and the bricks refractories etc. in May-June, 1955.

The furnace, however, could not be erected soon after its receipt as the construction of the buildings required in this connection had not even started till taken. Administrative approval for the construction of the buildings was issued only in June, 1955 although the lay-out drawings had become available in December, 1953. The construction of the buildings was completed in October, 1959 and the furnace was installed and commissioned in February, 1960.

The average annual output of the furnace during the last two years from April, 1960 to March, 1962 had been only 7,700 tons of steel as against the anticipated output of 22,000 tons per year. The shortfall had been attributed to the non-availability of an additional crane, a control laboratory and a ferro-alloys godown.

In extenuation of the delay in the construction of the building, the D.G. works (Army Headquarters) stated that the work was of a specialised nature. After the administrative approval for the construction of the building had been given in June, 1955, tenders were invited twice. No suitable contractor to do the job, however, came forward. The contract was awarded, after negotiations, to a contractor in 1957 who finished the main building after 13 months. In reply to a question, the witness admitted that the work could have been done departmentally, but as to why an attempt was not made that way, he could not say.

The Committee are not happy over the manner in which this case has been handled. They observe that the administrative approval for the construction of the building was accorded a year and a half after the lay-out drawings had become available, whereafter another two and a half years elapsed before the work could commence. The result was that the commissioning of the furnace was delayed by more than four years. It was urged in extenuation that the tenders were invited twice, but no suitable contractor came forward to do the job. The Committee can hardly accept this explanation, for the work could have been done departmentally by the M.E.S. The Com-

mittee trust that the Ministry of Defence will benefit from their experience in this case, and ensure that such delays do not recur.

83. As regards the shortfall in production, the representative of the Ministry stated that the rated capacity of 22,000 tons was worked out on the basis that the Furnace would run continuously for 24 hours all the year round. The rated capacity had now been taken at 18,000 tons a year or 1,500 tons a month. As against this, the actual production during the period January-March, 1963 was 1,150 tons per month. The DGOF added that the capacity of the plant varied according to the type of steel produced. The rated capacity of 22,000 tons a year was possible in the case of mild steel. The capacity was, however, less in the case of alloy steel—the type produced by the Furnace.

From a statement* furnished by the Ministry of Defence, the Committee observe that the quantity of steel produced by the Furnace during the years 1960-61, 1961-62 and 1962-63 was 7894.49, 7934.48 and 11463.50 metric tons respectively. While the Committee note that the position has considerably improved during the year 1962-63, they find that the production is still well below the rated capacity. The Committee desire that efforts should be made to attain the rated capacity at an early date.

Page 15—para 16—Construction of Scrap preparation bay

84. In December, 1957, Government accorded administrative approval to the construction of a scrap preparation bay, in an ordnance factory, at an estimated cost of Rs. 4.99 lakhs. The scheme envisaged the replacement of the existing manual system of handling scrap by a mechanical system involving the use of a crane and electromagnet. The purchase of necessary equipment for Rs. 3.6 lakhs was, however, sanctioned only in August, 1961, i.e., after a lapse of nearly 4 years, against which indents were placed on the Director General, Supplies and Disposals in September, 1961. The building for the bay, the construction of which was administratively approved in December, 1957, was completed and handed over to the factory authorities in February, 1962. The complete equipment had not, however, been received and one of the main items was expected to be delivered only in early 1964. In the meantime, the building had remained unutilised.

*Not printed.

In evidence the DGOF stated that this was 'admittedly a bad case' and regretted the delay in the commissioning of the bay. In view of the frank admission of the DGOF and his regret over delay, any further comment is unnecessary. As to the present position, they were informed that action had been taken to expedite the matter. The scheme was now expected to be put into operation within the next six months. The Committee would like to have a report at the end of this period.

Page 16—para 18—Infructuous expenditure due to change in specifications.

85. An ordnance factory completed the manufacture of 6,000 numbers of an ammunition item in April, 1960. On inspection, the ammunition was declared defective as it had failed in proof and could not be put to any use. The failure was attributed to the use of an alternative material, other than the one specified in the drawings for the manufacture of a particular component. After further trials it was established that the alternative material could be used provided certain changes were made in specifications, although the results were still not full satisfactory. But the 6,000 numbers already manufactured at a cost of Rs. 7.14 lakhs had to be dismembered. After making allowance for the parts subsequently utilised, the net infructuous expenditure in the manufacture of this defective ammunition amounted to Rs. 2.72 lakhs.

It was stated by the Ministry of Defence (October, 1962) that the use of the alternative material was authorised as the requirements of this ammunition were urgent and the specified material was not indigenously available.

In evidence, the DGOF urged that in urgent cases, when a particular material in the manufacture of ammunition ran short, authorised alternative materials could be used. In the present case, the material specified in drawing was an imported one. Another indigenous materials, was, therefore, used, with the permission of the authority concerned. Before undertaking bulk manufacture, trials were carried out which gave satisfactory results. The bulk filling of the ammunition, however, gave non-uniform results on proof. The containers were, therefore, recovered from the shells and, after a number of experiments, modified and re-utilised. The amount of Rs. 2.72 lakhs mentioned in the Audit para as a loss, was not occasioned by rejections, but was incurred on experiments conducted at the Factory to

establish an alternative material for the particular ammunition. This amount might, therefore, be termed as 'development expenditure'. The Comptroller & Auditor General pointed out that Rs. 2.72 lakhs represented the difference between the cost of production of the original end-product and the value of the material re-used and was, therefore, to be treated as a loss. The Financial Adviser, Defence Services, stated that the DGOF's view had not, so far, been accepted by the Ministry of Finance. The committee are inclined to agree with the view expressed by the C. & A. G. in this regard.

In reply to a question, it was admitted that dismembering of the originally-produced ammunition had upset the Army's programme.

The Committee observe that, according to the Ministry's own admission, the dismemberment of the originally produced ammunition had upset the Army's programme. While the Committee note the Ministry's argument that the use of the material in question had to be resorted to for meeting the urgent requirements of the Army, they are not a little surprised that the unsuitability of the material could not be detected till 6,000 numbers, costing Rs. 7.14 lakhs, had been produced. With greater caution and alertness on the part of the authorities concerned, a substantial part of the infructuous expenditure of Rs. 2.72 lakhs incurred in this case could have been saved. The Committee trust that the Ministry will impress upon the authorities concerned the need to exercise greater caution in such cases.

VI

MISCELLANEOUS

Certificate of Controller General of Defence Accounts—page 4—para 6 (i)—Stock verification.

86. The surpluses and deficiencies, which came to light during stock verification in 1961-62, along with the corresponding figures for the previous year are indicated below:

	Surpluses		Deficiencies	
	1960-61	1961-62	1960-61	1961-62
Army	1·92	4·45	1·62	1·84
Navy	0·57	0·70	0·52	1·19
Air Force	17·76	6·31	17·56	7·18
Factories	22·06	12·33	13·20	7·99

Of the total surpluses and deficiencies noticed in the Air Force during 1961-62 (*viz.* Rs. 6·31 lakhs and Rs. 7·18 lakhs), one Depot alone accounted for Rs. 6 lakhs and Rs. 7 lakhs respectively. During the previous biennial stock verification carried out in 1960—61, this depot showed surpluses and deficiencies valued at Rs. 15·49 lakhs and Rs. 14·52 lakhs respectively.

In evidence, the representative of the Ministry of Defence stated that the surplus and deficiencies, mentioned in the Audit para, were the result of wrong initial entries, delayed postings, etc. Considerable progress had since been made in the regularisation of the surpluses and deficiencies in the case of the Depot in question, and, at present, discrepancies of the value of only Rs. 4,74,000 needed to be regularised.

The Committee observe that although the figures of discrepancies revealed during the year under review were appreciably lower than those in the preceding year, the position was still far from satisfactory. The Committee desire that effective steps should be taken by the Ministry for the expeditious reconciliation of these discrepancies. They would also like to be informed whether stock verification had since been carried out in the 10 Army, 1 Navy, 1 Air Force formations and one factory, in which such verification could not be carried out during the year under review, and if so, with what results.

Page 4—para 6 (ii)—Store Accounting

87. Cases occurred in which credits for stores received could not be verified in the ledgers of the consignees. The number of such

cases, at the end of each of the three years ending 1961-62, is shown below:

	1959-60	1960-61	1961-62
Army	1200	1497	3221
Navy . . . . .	..	430	988
Air Force	3800	4370	4774

In evidence, the representative of the Ministry stated, that, in a number of cases, the stores were not taken into account, unless these had been received in the units. For reconciling discrepancies between the items brought on charge and those appearing in vouchers, correspondence ensued between the despatching and receiving agencies, which involved quite a lot of time. As to the increase in the number of cases in which credit for stores could not be verified in the ledgers of the consignee, the witness could not indicate exact reasons. He stated in extenuation that the despatching and receiving agencies were scattered all over the country.

As regards the Air Force (in which the number of items to be verified was the highest), the representative of the Ministry stated that a large number of units had been raised in the forward areas during the year under review and that there was also shortage of trained manpower. He added that the position had, however, considered improved, and the number of items requiring to be verified from the ledgers of the consignees had come down from 4774 as on 31st March, 1962 to 1899 on 23rd July, 1963.

The Committee have, from time to time, adversely commented upon the state of store accounting in the Defence formations and urged upon the Ministry to effect improvements. Despite this, the Committee regret to observe, the position further deteriorated during the year under review, particularly in the Army and Navy, where the number of cases in which credits for stores received could not be verified in the ledgers of the consignees, was more than twice the number during the preceding year. Although some improvement is stated to have been effected in the Air Force, the position is still far from satisfactory. The Committee would urge upon the Ministry to undertake a special drive to bring the store accounts to a satisfactory level. The Committee would like to have a further report in the matter.

Pages 4-5, para 6(iii)—Supplies and Services.

88. Outstanding dues on account of stores supplied and services rendered to outside parties including central civil departments and

State Governments as at the end of the March, 1962 and pending recovery at the end of June, 1962 were as follows:

(a) dues to Ordnance Factories—Rs. 3·34 crores.

(b) dues to other Defence Services—Rs. 2·57 crores.

The corresponding figures at the end of June, 1961 were Rs. 3·19 crores and Rs. 1·76 crores respectively.

The following is an analysis of the sum of Rs. 3·34 lakhs due to the ordnance factories:

	Amount (in lakhs of rupees)	Remarks
Central ministries	2,55	Includes Rs. 112 lakhs due from the Iron and Steel Controller and Rs. 37 lakhs from the Dandakaranya Development Authority.
Railways	21	Includes Rs. 13 lakhs for the period from 1949-50 to 1960-61.
State Governments	3	
Private Bodies	55	Includes Rs. 48 lakhs pertaining to the period prior to 1st April, 1958. A sum of Rs. 7 lakhs pertaining to the period 1958-59 onwards also remained unrealised despite the Standing Sales Procedure, which was issued in October, 1957 with a view to avoiding heavy out-standings.

The dues from the Central Ministries, Railways and State Governments are mainly on account of non-return of the receipted copies of issue vouchers.

In evidence, the representative of the Ministry of Defence stated that dues to Ordnance Factories had come down from Rs. 3·34 crores to Rs. 2·25 crores (as on 31st March, 1963) and dues to other Defence Services from Rs. 2·57 crores to Rs. 96 lakhs (as on 30th April, 1963).

The Committee referred to outstandings amounting to Rs. 21 lakhs due from the Railways, which included Rs. 13 lakhs for the period 1949-50 to 1960-61. The representative of the Ministry stated that bulk of the dues (Rs. 18·8 lakhs) pertained to the period 1958-59 to 1961-62, the last-mentioned year alone accounting for Rs. 8 lakhs. The dues were mainly the result of disputes between the Railways and the suppliers regarding the prices of certain articles supplied by the latter.

As regards the outstandings against private bodies, the representative of the Ministry stated that Rs. 32 lakhs were due from TELCO and Rs. 4·5 lakhs from HMT. Both the Companies held that they

had made payment in respect of some claims, but had not got the treasury receipts in time. The HMT further argued that the prices charged for certain articles were not reasonable. The Committee enquired why Rs. 7 lakhs pertaining to the period 1958-59 onwards remained unrealised, when according to the Standing Sales Procedure introduced with effect from October, 1957, payments had to be received in advance. The witness stated that the officer accepting the order had the power to waive the condition of the pre-payment of the estimated cost (in respect of Government Departments and recognised firms of known financial stability).

While the Committee note that considerable progress has been made in the recovery of outstandings, they find that the amount, still due to be recovered, is very large (Rs. 3.21 crores). The Committee feel particularly concerned at old outstandings, some of which have been due for recovery since 1949. They desire that vigorous efforts should be made for expeditious recovery of these outstandings. In cases where recoveries could not be effected due to differences regarding the extent of outstandings or rates charged, the Committee would like the Ministry to get the matter settled with the parties concerned at a higher level. As regards goods supplied or services rendered to private parties, the Committee would like the officers accepting the orders to allow waiver of the condition of pre-payment of dues only in exceptional cases where it is absolutely necessary to do so, for, otherwise, the object underlying the introduction of the Standing Sales Procedure would be defeated. The Committee would like to be informed of the progress made in the recovery of outstandings, before they take up Accounts for the next year.

Pages 5-6 para 6(v)—Irregular use of Government transport

89. Cases of unauthorised use of Government transport, involving heavy mileage, are reported to have occurred in all the three services during 1961-62 as in previous years, for example:—

- (a) Provision of amenity transport to Officers/Other Ranks between stations connected by rail and in the Navy, far in excess of entitlement, as a matter of course.
- (b) Use of transport between residence and office by Junior Commissioned Officers/Other Ranks/Airmen.
- (c) Provision of transport for conveyance of school-going children of Junior Commissioned Officers/Other Ranks between different stations.

It was urged during the course of evidence that there were inherent difficulties in stopping irregular use of Government transport, as at many places, all the necessary facilities had not been provided

by Government to the personnel. The question, therefore, before the Ministry was whether, in some cases, particularly those involving conveyance of school-going children of J.C.O's and Other Ranks, the conditions should not be liberalised.

The Committee feel that, whenever any facility in regard to use of Government transport, not contemplated by the existing orders, is proposed to be allowed to Service personnel, it should be done by the revision of the existing orders, rather than in contravention thereof.

Page 6—para 6(vii)—Maintenance of Accounts

90. It has been stated that cases of (i) incomplete maintenance, (ii) non-maintenance/non-production of accounts and connected documents continued to be reported during 1961-62. The number of cases reported in 1960-61 and 1961-62 were as follows:

	1960-61	1961-62
(a) Incomplete maintenance	20	10
(b) Non-maintenance	21	28
(c) Non-production of accounts and documents	84	31

It will be seen from Appendix I to the Appropriation Accounts that 10 such cases of non-maintenance, loss and improper maintenance of accounts were condoned by the Government during 1961-62. In 5 of these cases the irregularities extended over a period of 2 to 7 years and the condonation had been sanctioned after a long interval ranging from 2 to 8 years. Unless such delays are minimised, the continuance of irregularities of this nature cannot be effectively checked and might give scope for losses and frauds.

The Committee were informed in evidence that out of the cases of non-maintenance of Accounts, mentioned in the Audit para, 16 related to units in the Jammu and Kashmir Area which did not maintain the POL Accounts. These units were alleged not to be aware of the fact that POL Accounts had to be maintained. Of the cases of non-production of accounts, two were under investigation by the Special Police Establishment, three had been destroyed by fire, and 14 were still under investigation (by the Ministry).

The Committee need hardly emphasise the importance of proper maintenance of accounts as a check against losses and frauds. They trust that further efforts will be made by the Ministry to improve the position in this behalf. They also desire that the cases, at present under investigation, should be expedited.

Page 6—para 7(i)—Losses

91. 55 important cases of losses of cash and stores finalised during 1961-62 have been mentioned in Appendices A and B to the

Appropriation Accounts. There has been abnormal delay in the investigation and final settlement of these cases; 13 of them pertain to losses which occurred earlier than 1950-51 and 26 to losses which occurred between 1950-51 and 1955-56.

In evidence, the representative of the Ministry of Defence stated that the existing procedure for the investigation and disposal of cases of losses was dilatory. To improve the position, it was proposed to follow a new procedure, according to which convening of Courts of Inquiry would be dispensed with in cases where the cash loss was estimated to be less than Rs. 500, except in cases where the circumstances were such as to make the appointment of such a court necessary. In case of store losses not due to theft, fraud or neglect, courts of inquiry would normally not be held. In case of losses caused by theft, fraud or neglect, where the amount was less Rs. 5,000, convening of such courts would be in the discretion of the competent authorities. The witness further stated that for the expeditious settlement of cases of losses, *ad hoc* committees were constituted, sometime back, both at the Central and Command levels. The experience had been very satisfactory, and it was now proposed to revive such committees.

The Committee feel concerned over the delay in the investigation and finalisation of cases of losses, particularly the old ones, some of which date back to the year 1950-51. It is hardly necessary for them to point out that, with the efflux of time, it becomes increasingly difficult to fix responsibility. They trust that with the introduction of the remedial measures, referred to in evidence (*viz.* simplification of the existing procedure for the disposal of cases of losses and constitution of *ad hoc* committees), the finalisation of cases of losses will be expedited. They would like to watch the position through future Audit Reports.

Pages 26-27, para 37—Outstanding objections

92. Compared to the previous year, the number of outstanding objections raised by the statutory audit and internal check authorities had increased, as would appear from the statement given below:

	Number of outstanding objection as on—	
	30-6-61	30-6-62
Army	29,566	30,417
Navy	1,831	1,822
Air Force	9,721	12,803
Ordnance Factories	11,496	10,146
TOTAL	52,614	55,188

In compliance with the recommendations of the Public Accounts Committee, as contained in paragraph 42 of their Fourteenth Report, (1st Lok Sabha) orders delegating higher powers for the settlement of audit objections arising out of breaches of rules and regulations, were issued by the Ministry of Defence in February, 1959. Enhanced powers to waive audit objections and write off irrecoverable amounts were also delegated to officers of the Defence Accounts Department in January and March, 1959. Discretion to waive technical and non-financial objections, without reference to the administrative authorities, had also been given to the Controllers of Defence Accounts.

The anticipation that these measures would lead to speedy settlement of objections had not fructified.

In evidence, the increase in the number of Outstanding Objections under 'Air Force' was ascribed to raising of new units. There had, however, since been an improvement in the position; and the number of such objections had come down from over 12,000 to about 8,000. It was also stated that, with a view to speedy settlement of audit objections, it had been decided recently, in consultation with the Ministry of Finance, to constitute a small committee at each Command Headquarters with which would be associated as an observer, a representative of the Director of Audit, Defence Services. Such of the Objections, as cannot be settled by these committees, would be referred to another committee to be set up at the Centre. It was added that similar committees, set up in the past, had reduced the number of Objections by about 90 per cent. It was hoped that the number of Objections would be brought down substantially by the end of the year. The Committee would like to watch the position through future Audit Reports.

Appropriation Accounts

Page 15, Annexure II to Controller-General of Defence Accounts Certificate—S. No. 4

93. In Cantonment Board, Jullundur, the amount of Rs. 17,171 outstanding on account of various taxes as well as certain discrepancies in tax accounts were noticed in audit of accounts for the period April, 1960 to March, 1961. It was revealed that certain Tax Collector misappropriated house tax collections by manipulating the receipts and connected documents. The extent of misappropriation and the period involved would only be known after the special audit of accounts from 1st April 1956, which was being

undertaken by the Controller of Defence Accounts on the recommendation of the General Officer Commanding-in-Chief, Western Command. The case was under investigation by the Civil Police.

Explaining the circumstances in which the misappropriation had taken place, the representative of the Ministry of Defence stated that the clerk concerned had been placed in charge of not only maintaining the Demand Register but also preparing and realising the bills. This clerk used to give correct figure on the receipt, but wrong figure on the counter-foil, and when the next bill was prepared, he did not mention the arrears therein. The irregularity could not be detected till 1st December, 1961, when the work assigned to this clerk was split up and another person posted to take up a part of his work. As to the remedial measures, the witness stated that detailed instructions to prevent the recurrence of such cases had been issued. The system of outside collections, started for the convenience of tax-payers, had also been discontinued, as it facilitated embezzlements.

As regards the latest position of the case, the representative of the Ministry stated that the police investigations were completed in April, 1962, and criminal proceedings instituted in May, 1962. The case was now pending in the court of law. As regards departmental action against the supervisory staff, it was stated that the Tax-Superintendent had been reduced to the post of a clerk. Further action in the matter would be taken after the court case had been finished, and the internal audit concluded.

In reply to a question, it was stated that the maximum possible amount, which might have been mis-appropriated by the clerk in question, would be of the order of Rs. 40,000.

The Committee would like to be informed of the result of the criminal proceedings and further action taken in the matter.

General

Delays in the completion of projects

94. The Committee have come across some cases of serious delay in the completion of important projects and non-utilisation of imported machinery as a result of defective planning, lack of coordination and slow progress in the execution of connected works services. A few instances are given below:

Para 15.—Bulk storage tanks for petrol which had taken 5½ years for completion could not be commissioned for another two years

due to delay in the issue of sanction for fire fighting equipment, static water tanks and electricity.

Para 33.—Though the suppliers had agreed to replace the defective camshafts, no demands were made on them for 4 to 5 years due to negligence.

Para 42.—In the case of a machine ordered against an 'operational immediate' indent, stipulating the completion of supply by November, 1960, sanction to the construction of air-conditioned building required for its utilisation had not been accorded till September, 1962.

Para 44.—A machine indented as 'operational immediate' in July, 1960 and received in 1962 has not so far been put to use for want of power and necessary Works Services.

Para 57.—A steel foundry was sanctioned in 1950 but the authorities took 12 years to place an indent for the annealing furnace on which depended the commissioning of the foundry.

Para 82.—The commissioning of a furnace received in 1955 was delayed by more than four years due to delay in sanctioning and constructing the building.

Para 84.—While the works services were sanctioned in December, 1957 and completed in February, 1962, the purchase of equipment was sanctioned only in August, 1961. The complete equipment is not expected to be delivered before 1964.

Such inordinate delays are bound to have adverse effects on the indigenous production of vital stores and the training programme in connection with which the equipment was ordered. The Committee desire that the Ministry should give serious consideration to the remedial measures necessary for obviating the recurrence of such cases.

NEW DELHI;
The 5th December, 1963.
Agrahayana 14, 1885 (Saka).

MAHAVIR TYAGI,
Chairman,
Public Accounts Committee.

APPENDICES

APPENDIX I

Note regarding Excess over Voted Grant disclosed in the Appropriation Accounts of the Defence Services for the year 1961-62 under Grant No. 10—Defence Services, Effective—Navy.

(See para 6 of the Report)

Grant No. 10—Defence Services, Effective—Navy:

	Rs.
Voted Grant	20,04,65,000
Actual Expenditure	20,66,44,516
Net Excess	61,79,516

2. The details of the net excess by various Sub-Heads of Accounts of the Grant are indicated below:—

(In lakhs of Rs.)

Sub-Heads of Account	Original Grant	Final Grant	Actual Expenditure.	Variation between cols. 3 & 4
1	2	3	4	5
A—Pay & Allowances of the Navy	493.03	486.03	485.81	(—)1.12
B—Pay & Allowances of Reservists.	3.45	2.50	2.48	(—)0.02
C—Pay & Allowances of Civilians	364.25	365.62	360.29	(—)5.33
D—Transportation & Miscellaneous	93.35	119.55	120.64	(+)1.09
E—Expenditure on Stores	467.38	400.84	451.19	(+)50.35
F—Expenditure on Works (other than Capital Projects) Maintenance etc.	107.62	109.67	111.74	(+)2.07
G—Charges in England	475.57	518.64	333.37	(+)14.73
H—Loss or Gain by Exchange . . . . .	..	0.90	0.93	(+)0.03
TOTAL	2004.65	2004.65	2066.45	(+)61.80

3. It would be seen from the above that the net excess of Rs. 62 lakhs has mainly occurred under Sub-Head E (Rs. 50 lakhs) and Sub-Head G (Rs. 14 lakhs). The important factors responsible for the excess expenditure under these sub-heads and the circumstances leading to the excess are briefly indicated below:—

(In Lakhs of Rs.)

Sub-head E

- (i) Larger adjustment than anticipated of customs duty late in the year. 21
- (ii) Larger expenditure than anticipated on 'provisions' mainly due to under-estimation of the cost of rations. 17

(iii) Larger materialisation of supplies of Armament Stores from Ordnance Factories than anticipated (Rs. 16 lakhs) partly set off by savings on account of lesser supplies through other sources (Rs. 4 lakhs).

12

 50

Sub-head G

Payment of certain advance in the U.K. for supply of stores without adequate provision (Rs. 40 lakhs), partly set off by savings on other accounts (Rs. 26 lakhs).

14

4. Sub-Head E

(i) *Excess in respect of customs duty on stores (Rs. 21 lakhs):*

Against a provision of Rs. 33 lakhs made in the Final Grant on account of customs duty, the actual expenditure was Rs. 54 lakhs during 1961-62. The excess expenditure was mainly due to adjustment of arrear charges of customs duty through the closing accounts of the year which could not be anticipated earlier. The expenditure on this account was quite normal during the major portion of the year and upto January 1962 when a provision of Rs. 32.89 lakhs which was considered the maximum expenditure that would be incurred, was made in the Modified Appropriation Report. The compilation during February and March was also normal but suddenly in March (Final) Accounts, a sum of Rs. 25.61 lakhs was compiled raising the total compilation to Rs. 53.90 lakhs. On investigation it came to light that a sum of Rs. 31 lakhs approximately pertaining to the previous years—as far back as 1955—were booked to the 1961-62 year's accounts.

(ii) *Excess in respect of 'Provisions' (Rs. 17 lakhs):*

The excess was mainly due to under-estimation of the cost of rations. During the course of the year, the cost of rations increased but this came to light very late in March (Final/Supplementary) accounts received in July/August of the following year.

(iii) *Excess in respect of supplies from Ordnance Factories (Rs. 12 lakhs):*

A provision of Rs. 73.26 lakhs had been made in the Budget Estimates 1961-62 on account of supply of Armament stores from Ordnance Factories. This was increased to Rs. 81.16 lakhs in the Final Grant in March 1962. The value of supplies that actually materialised during the year however came to Rs. 97.62 lakhs resulting in excess of Rs. 16.46 lakhs over the provision of Rs. 81.16 lakhs made in the Final Grant. The reasons for this excess were that:—

- (1) Certain hold ups on production anticipated earlier were cleared during the later part of the year and produc-

tion was stepped up with the result that more supplies than envisaged, materialised;

- (2) Increase in cost of production as a result of adjustment of benefit accruing from the recommendations of Pay Commission; and
- (3) Increase in cost of production as a result of certain adjustments in the cost of raw materials etc.

This excess also came to notice only when the major portion of the expenditure was booked in March (Final) and March (Supplementary) Accounts. The excess expenditure caused on this account was however partially set off by savings to the extent of Rs. 4.10 lakhs in respect of supplies through other sources.

Sub-Head G

- (iv) *Excess in respect of advance payment in the U.K. (Rs. 14 lakhs):*

The High Commissioner of India in the U.K. made an advance payment of Rs. 40 lakhs on 29/30th March 1962 to the U.K. Admiralty for the supply of certain stores during the year. No provision was, however, made on this account in the Final Grant as Government sanction authorising the payment did not issue during the financial year. The excess caused on this account was covered to the extent of Rs. 26 lakhs by the unutilised portion of the total provision under the Sub-Head, resulting in a net excess of Rs. 14 lakhs.

The reasons for the payment of Rs. 40 lakhs to Admiralty are explained below :—

I.N.S. VIKRANT was commissioned in the United Kingdom in March 1961. After her post-commissioning trials and work up, which were carried out in U.K. and in Mediterranean waters, the ship arrived in India in November 1961.

It was considered absolutely essential that adequate Base and Depot Spares (maintenance spares) should be provided for the Carrier on commissioning in order to ensure that the ship remained fully operational.

With this object in view the Admiralty were asked towards the end of 1959 to indicate broadly the expenditure likely to be incurred for Base and Depot Spares. On the basis of information obtained, Naval Headquarters

sought the sanction of Government in May 1960 for obtaining Base and Depot Spares for I.N.S. VIKRANT at an estimated cost of Rs. 85.00 lakhs.

In the meantime lists of Base and Depot Spares which were drawn up by the Admiralty were scrutinised by the Indian Naval Adviser in the U.K. during 1959 and 1960 and returned to them. The Admiralty on receipt of these lists progressively started placing contracts with the various manufacturers for the supply of the spares without waiting for formal indents.

On 9th March 1962, the Indian Naval Adviser in U.K. informed Naval Headquarters that the Admiralty had submitted a claim on account of Base and Depot Spares already supplied and services rendered during 1961-62 and requested authority to make a payment for a sum of Rs. 40.00 lakhs on that account. On 29th March, 1962, the Indian Naval Adviser was informed that no payment for Base and Depot Spares should be made to the Admiralty as formal Government sanction had not been issued at that time. Sanction was accorded only on 10th May 1962 in the Government of India, Ministry of Defence letter No. EG|1228|NHQ|529-S|D(N-I) dated 10th May, 1962. The Admiralty, however, pressed their claim for payment because, according to their accounting system, money spent for the supply of stores and services rendered must be recovered and credited in their books in the same financial year. Since it was a legitimate claim against the Government of India, the High Commissioner for India in the U.K. authorised the payment of the amount involved resulting in the excess in question.

In this connection it may be explained that the delay of nearly two years which occurred in the issue of the Government sanction for the procurement of Base and Depot spares for the Aircraft Carrier VIKRANT at an estimated cost of Rs. 85 lakhs was due to the proposal being subjected to minute scrutiny at every stage in view of the large expenditure of foreign exchange which was involved. Various important points came up for consideration from time to time and they had to be carefully examined and adequately clarified. The experience gained earlier in the purchase of Base and Depot spares for new construction ships had also to be brought to bear on the consideration of the proposal for Base and Depot spares for INS VIKRANT.

5. The excess of Rs. 61,79,516 is 3·1 per cent of the Final Grant. In the circumstances explained above it is requested that the excess may be recommended for regularisation by Parliament under Article 115 of the Constitution.

6. DADS has seen.

R. J. RABELLO,
Joint Secretary (N).
6th August, 1963.

APPENDIX II

Note regarding Excess over Voted Grant disclosed in the Appropriation Accounts of the Defence Services for the year 1961-62 under Grant No. 12—Defence Services—Non-effective.

(See para. 6 of the Report)

Grant No. 12, Defence Services—Non-effective.

		Rs.
Voted Grant	Original	18,59,95,000
	Supplementary	32,00,000
	Total	18,91,95,000
Actual expenditure.		19,12,27,181
Net excess		20,32,181

2. The net excess of Rs. 20.32 lakhs broadly comprises:—

- (i) A sum of Rs. 10 lakhs roughly on account of payment of 'Temporary Increase' element of pension, in excess of Budget provision.
- (ii) Adjustment of a sum of Rs. 10 lakhs roughly on account of Government contribution on certain Contributory Provident Funds, in excess of Budget provision.

3. The circumstances leading to the above excesses are explained below:—

Excess in respect of Temporary Increase in Pension.

In the Budget 1961-62, provision for a sum of Rs. 3.50 crores was included on account of increase sanctioned to Service pensioners drawing small pensions, with effect from 1st April, 1958, on the analogy of increases sanctioned to similar category of pensioners on

the Civil side. This provision was reviewed at the Revised Estimates 1961-62 stage and it was found that the pace of disbursement of pension by the Civil authorities was alarmingly low. It was, therefore, considered necessary to reduce the provision in the R. E. 1961-62 to Rs. 3.04 crores. As the progress of payment still continued to be slow, it was feared that even this reduced provision of Rs. 3.04 crores might not be utilised unless some special measures were taken in the matter. Accordingly, with a view to accelerating the payment of arrears of 'Temporary increase in Pension' in as many cases as possible before 31st March 1962 and utilising the funds to the optimum extent, the Controller of Defence Accounts (Pensions) took special steps to request the State Governments, P. & T. authorities etc. on 20th November 1961, to arrange for the payments quickly and pass on the debits for adjustment through the accounts for 1961-62. As a result the progress of payment gathered tempo and heavy payments were arranged by the Civil authorities at the fag end of the financial year. Though the bulk of these payments were arranged by the Civil authorities through the accounts for the closing months of the financial year, the debits came to the notice of the Controller of Defence Accounts (Pensions) during the month of March, 1962 and subsequent months.

Excess in respect of Government contribution.

In the revised Estimates 1961-62, the Officer-in-Charge, Hollerith Section, Meerut, who is the Centralised Fund Accounts Officer, assumed, on the basis of the subscriptions realised to various Contributory Provident Funds and accounted for by the various Controllers of Defence Accounts upto November, 1961, that a sum of Rs. 90.54 lakhs would become adjustable at the end of the financial year 1961-62 in the individual ledger account of the subscribers, by way of Government contribution as against the original Budget provision of Rs. 57.00 lakhs. Heavy amounts of arrear subscriptions to the Funds were, however, recovered by the Cs.D.A. during the closing months of the year 1961-62, as a result of refixation of pay under the Revised Pay Rules, 1960. While certain increase on this account also was anticipated by the Centralised Fund Section and provision made accordingly through the Revised Estimates 1961-62, based on information then available, the actual recovery of individuals' subscription effected from the subscribers, exceeded the expectation of the Centralised Fund Section by roughly Rs. 12 lakhs on which Government Contribution became adjustable. This resulted in an over-all excess of Rs. 10 lakhs roughly over the sanctioned grant as a whole.

4. The excess of Rs. 20,32,181 is only 1.1 per cent of the sanctioned Grant. In the circumstances explained above it is requested that the excess may be recommended for regularisation by Parliament.

5. This note has been seen by Audit.

D. D. SATHE,
Joint Secretary.
21st May, 1963.

APPENDIX III

Statement of main recommendations of the expert accounting committee for military farms and Government decisions thereon.
 (See para 11 of the Report)

Serial No.	Recommendations of the Committee	Government Decisions
1		
2		
3		

1 Elements of the following subjects should be included in the Inter-mediate course and details in Advance course:—

- (a) Principles of cost Accounts.
- (b) Production accounts and their significance.
- (c) Control of Production through Production cost.

2 Sales rates in respect of free issues should not be fixed. The efficiency of the farm should be judged from the cost of production of milk.

While efficiency of the farms should be judged from the cost of production, a sale rate will also be fixed in consultation with the financial authorities for pricing free issues for preparing the Trading and Profit and Loss Account, as these farms work as quasi commercial under takings.

† Not vetted by Audit.

- 3 Sale rates for payment issues be fixed at local market rate as ascertained from any recognised milk scheme functioning in the locality or from the local civil authorities with a certain addition to cover the cost of pasteurisation and distribution charges. The difference between the cost of production and this concessional standard sale rate will be shown as a receipt in the proforma accounts by debit to the Government. Accepted.
- 4 Payment issues to non-entitled personnel will be made only if surplus milk has to be disposed of to avoid any greater loss. Accepted.
- 5 Separate sets of production cost will be worked out for produced, transferred and purchased milk. Accepted.*
- 6 Accounting system should be to assess the cost of production. Accepted.
- 7 Cost of production compared with market rates after making due allowance for the superior quality of the Military Farms' produce and other relevant factors should be made the basis of judging the efficiency of the farms. Accepted.
- 8 Separate production accounts should be maintained in each section of the Military Farms. Accepted.*
- 9 Cashbook, Journal and Ledger should form the basis of the accounts books to be maintained at the Military Farms. Accepted.*
- 10 One Capital Account should be maintained instead of three being maintained at present. Accepted.*

11 Government may decide regarding adjustment of interest on Capital Interest on Capital should not be taken as an element in arriving at the cost of production, but the same will be exhibited under a foot note in the annual accounts of Military Farms.*

12 Interest on capital should not be taken as an element in arriving Accepted.*
at the cost of production of the various products.

13 The following accounts are recommended for preparation at the Accepted.*
end of each financial year:—

(a) Production accounts for each section and Trading Account
where necessary.

(b) Profit and Loss Account.

(c) Balance Sheet.

14 Depreciation of cattle, plant and machinery and buildings. Accepted.

Straight-line method of depreciation on the following rates in respect of items of Capital Assets be adopted:—

(a) Farm-bred cows and buffaloes

V—R

—
10

V = Value of the animal.

R = Residual value.

(b) Purchased cows and buffaloes

V—R

—
8

*The recommendations would, to begin with, be implemented in a few farms in each Command as an experimental measure to see if there are any working difficulties. These farms would maintain accounts in the existing forms also during the experimental period.

1	2	3
---	---	---

(c) Farms-bred bulls.

V-R

8

(d) Ponies, horses etc.

V-R

10

(e) Buildings

Permanent 2½%

Temporary 5%

(f) Plant and machinery 10%

(g) Transport vehicles

Mechanised 12½%

Animal drawn 20%

(h) Furniture 7½%

13 Evaluation of farms assets.

In regard to evaluation of the farms assets, the following has been Accepted, subject to review every five years. recommended:—

(a) *Animals*

Class of animal	Expenditure on feed and upkeep upto one year	Expenditure on feed and upkeep upto two years	Value on maturity [Expenditure on feed and up-keep upto maturity (taken as approx. 3 years)]
Indian Friesian, Cross Bred Cows and Grade Cows	600	1,000	1,400
Indigenous cows	500	800	1,200
Buffaloes	700	1,100	1,700

(b) *Miscellaneous assets*

Capital assets received at nominal or no value, should be got assessed by DMF with reference to its condition of sale. Likewise other farms assets reaching nil or residual value should also be revalued and taken on charge at that price if they still have useful life.

APPENDIX IV

Note re. Procurement of a flight simulator without inviting tenders.

(See para. 40 of the Report)

Question: (i) The contract was entered into with the firm in question in July, 1958. The Air Adviser Attached to the High Commissioner for India in the U.K., however, informed another firm on 28th May, 1958 that there was no requirement for a Canberra simulator.

(a) Why did the Air Adviser furnish incorrect information to the firm?

(b) Did the Air Adviser, before giving the above reply, refer the matter to the Ministry, and obtain their approval?

(ii) In the absence of quotations from other firms, how did the Ministry of Defence satisfy themselves that the price of Rs. 27.24 lakhs paid to the firm in question for the flight simulator was reasonable?

Answer:

Simulators are not mass produced. They have to be designed specially for a specific task and purpose. This involves considerable amount of spade work on the design study and takes time before even an approximate indication can be given regarding its expected performance, time required for the manufacture and the cost. In the absence of any data, any firm without previous experience on a specific type of simulator would take some time to carry out this spade work and later to build and perfect the simulator. There were only two firms in the field M|s. Radifons and M|s. Air Trainers. Messrs Radifons had been working on the Canberra simulator since April|May, 1957 and, therefore, had already carried out considerable amount of spade work by 1958. This was purely on their own initiative. In regard to Canberra, Messrs. Air Trainers had not manufactured any simulator for the R.A.F. Obviously, therefore, the firm had not done any practical work on Canberra simulators either. This firm made their first inquiry regarding our requirement of a simulator in May, 1958, i.e., nearly a year after the

other firm had commenced their work. Naturally Messrs. Air Trainers would have taken the same amount of time as Messrs. Radifons to carry out their design study before they could firmly indicate the details of their simulator. When Messrs. Air Trainers made their first inquiry in May, 1958, negotiations were already in progress with Messrs. Radifons. Asking Messrs. Air Trainers at this stage to carry out the design study and forward details of their simulator, would have certainly complicated and delayed the procurement of the simulator. Messrs. Radifons also provided Viscount simulator to the I.A.C. and Super-Constellation simulator to the A.I.I. In this context Air Headquarters gave their preference to Radifons.

Canberra aircraft were in squadron service in the IAF by May 1958. A flight simulator was urgently required to minimise the risk of accidents to aircraft. Air Headquarters had also reported in February, 1958, that Messrs. Radifons had already submitted their detailed specifications on their proposed simulator which conformed to the requirements of Canberra 58. This was a stage of certainty for getting the job done by Radifons. Government orders were, therefore, issued in March, 1958 authorising procurement of one simulator with spares at an estimated cost of Rs. 27.53 lakhs.

On the other hand, Messrs. Air Trainers made an offer to our Air Adviser on 23rd May, 1958 to make one. From the practical point of view, it was not advisable to make an experiment with this firm and await result. Government sanction for the procurement of the simulator, which was issued in March, 1958 had authorised D.G.I.S.D., London to negotiate the contract with Messrs. Radifons Limited. As such, the Air Adviser quite tactfully informed the other firm in May, 1958 that there was no requirement for a Canberra simulator. In view of the endorsement on the Government sanction, the Air Adviser did not consider it necessary to refer the matter to the Ministry before giving the above reply.

In view of the position explained in the preceding paragraphs, answers to the questions of P.A.C. are furnished below seriatim:—

- (i) (a) The information furnished by the Air Adviser to Messrs. Radifons was incorrect in the sense that a demand for Canberra simulator existed at the time the information was given, but it must be noted that the Government sanction for the procurement of simulator had authorised D.G.I.S.D., London earlier to negotiate the contract with Radifons Ltd. In these circumstances, it would have been untactful on the part of the Air Adviser to have said anything else.

- (b) No. Air Adviser was guided in the best interest of Government and, therefore, should not be blamed for the discretion used by him that he did not bring to the notice of the Government the offer of the other firm. He was, after all, aware that D.G.I.S.D., London was about to place an order on the Radifons because Radifons was the only firm who had manufactured simulators not only for the I.A.F. but also for the R.A.F.
- (ii) The other firm Messrs. Air Trainers had not manufactured any simulator for the R.A.F. and, therefore, had not done any practical work on Canberra simulator. Messrs. Radifons had, however, on their own initiative completed all the design study in the simulator to meet the I.A.F. requirements. This firm had also provided Viscount simulator to the I.A.C. and Super-Constellation simulator to the A.I.I. They had already submitted their detailed specifications on their proposed simulator which conformed to the requirements of Canberra 58. This was a stage of certainty for getting the job done by Radifons. Government orders were, therefore, issued in March 1958 authorising procurement of one simulator with three years spares from this firm. The Air Adviser to High Commissioner in U.K. had advised that the terms offered by the firm were reasonable, and recommended acceptance. I.S.D., who negotiated the contract, had settled the best price possible.

Sd./- G. L. SETH,

Joint Secy. (A)

Ministry of Defence.

20-9-1963.

APPENDIX V

Statement giving an analysis of value of production of Defence Factories

(See para 63 of the Report)

Question: What percentage did the (a) labour charges (b) cost of indigenous stores and equipment and (c) cost of imported stores and equipment bear to the total value of production of Ordnance Factories (excluding trucks and tractors) during the years 1959-60, 1960-61 and 1961-62.

Answer: While the element-wise analysis of the value of production can readily be furnished, there is no means at present by which analysis of imported and indigenous material actually utilised in the cost of production for a year can be furnished.

2. A statement is attached indicating the cost of production (excluding trucks and tractors), direct labour charges etc. for the year 1959-60 to 1961-62. The figures furnished in the statement have been worked out using the cash compilation figures as the basis for apportionment of the value of material included in the cost of production into material of foreign and of indigenous origin.

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

S. Y. RANADE,

Joint Secretary to the Government of India.

Statement showing the cost of production (excluding trucks and tractors), direct labour charges etc. in the Ordnance factories for the years 1959-60 to 1961-62.

	1959-60		1960-61		1961-62	
	Value (in lakhs of Rs.)	Percentage	Value (in lakhs of Rs.)	Percentage	Value (in lakhs of Rs.)	Percentage
(a) Cost of Production excluding Trucks & Tractors	2,794.85	100%	2,896.93	100%	3,868.33	100
(b) Direct labour charges included in the above	319.40	11%	391.37	14%	544.98	14
(c) Imported material included in the above	193.01	7	327.81	11%	585.83	15%
(d) Indigenous material included in the above	1,291.68	46%	1,038.07	366%	1,303.95	34%
(e) Overhead charges included in the above	990.76	36%	1,139.68	39%	1,433.57	37%

APPENDIX VI

Note re delay in the placement of supply orders for component of Nissan Trucks.

[See para 78 of the Report]

Point (a) *In evidence the committee were informed that an indent for 1200 trucks was placed by Army H. Q. on 5.3.60 for delivery "as early as possible", but in respect of components required for 600 of these, the DGOF placed the supply order on the Japanese firm only as late as March 1961.*

Answer : The Army indent of the 5th March, 1960, comprised of 48 Nissan trucks without Winch and 720 with Winch. By then only the Nissan truck without winch was approved in design by the Director of Vehicles and the winch design was not finalised. In fact, supply of winch suitable for Nissan truck was not within the contractual obligation in the agreement. Even then Messrs. Nissan Motors were willing to offer suitable winch and quoted for the same but the Ministry of Finance insisted on a global tender for a competitive price. Accordingly on 3-4-1961 we initiated enquiries through DGISD, London and Special Mission, Washington. Nissan's quotations were, however, available with us since November, 1960. The quotations were received by 23/24-8-61. These quotations with specifications were then examined in detail and forwarded to the Director of Vehicles and finally it was decided on 26-5-62 that the winch offered by Messrs. Nissan Motors can be accepted subject to certain modifications. Meanwhile we received a sample winch from Japan which was sent to TDE (V) Ahmednagar in September, 1961. The Director of Vehicles decided in favour of procurement of Messrs. Nissan winch on 5th October, 1962.

Meanwhile without waiting for all this protracted finalisation of the winch question, the DGOF represented the Army HQ whether the trucks without winch could be supplied in order to carry out the continuity of production. Finally on 28-2-61 the clearance was given by the Ministry of Defence regarding placement of order for the balance CKDs without winch. Accordingly supply order No. TN/4101 dated 25-3-61 for 60 Nissan CKDs without winch was issued.

Point (b) *A second indent from the Army HQ for 1100 Nissan trucks was received in July, 1961, but DGOF placed supply orders for the components to be imported only in January and July, 1962.*

Answer REASONS FOR DELAY :

It has already been explained earlier in the previous paragraph that the last supply order against the previous indent was issued on 25th March, 1961. Supply of the CKDs against this order was received from

August 1961 to December 1961. The factory commenced using these CKDs for assembly of trucks from the month of September, 1961 and utilised all of them by March, 1962, after using the first few lots of Nissan truck issued to Army, the Army represented that they would prefer self-centering to be incorporated in the truck for better manoeuvrability in hilly terrain. The trucks were then fitted with Worm and sector type Steering which were semi-centering. This matter was taken up with M/s. Nissan Motors on 3-4-61 who then sent their designers to visit India to examine the nature of duties that the Nissan truck were to perform. Finally, after consultation with the manufacturer and also the user, they went to Japan and intimated that the redesigning has been undertaken by them. The design was completed on November, 1961 and M/s. Nissan intimated that one pilot truck has been manufactured with the improved design of steering by end of January, 1962. This was examined by our visiting officers Brig. T.B. Poduval, OSD (Trucks) and Shri A.D. Wilks, General Manager, Gun Carriage Factory, Jabalpur, who visited Japan in connection with machineries for Nissan Engine manufacture. The test report on the trial of the pilot truck was received and passed on to the Director of Vehicles on 5-3-1962. Earlier on receipt of clearance from the director of Vehicles regarding suitability of steering on 8-1-62 action was taken to place orders for CKDs. on 25th January, 1962, for 600 units of CKDs. If the DGOF had placed order for all the 1100 CKDs then he had to commit a percentage of indigenous content based on the progress then made and once this is committed, any revision of deletion content would not have been possible. Therefore, as a fundamental procedure for progressive indigenous manufacture, placement of order of CKDs in parts was resorted to and the next lot was ordered only in July, 1962.

It may be seen that the last batch of CKD against the order dated 25th January, 1962, was received in November, 1962 and gone into assembly only in January, 1963. The placing of order for second lot in July, 1962 did not hamper the continuity of production; on the other hand advantage was gained in increasing percentage of indigenous content in this lot.

APPENDIX VII

Summary of main Conclusions/Recommendations

Serial No.	Para No.	Ministry/Department concerned.	Conclusions/Recommendations
1	2	3	4
1	2	Defence <hr/> Finance (Defence).	While the Committee note that the overall savings in Voted Grants during the year under review (5.79%) indicate an improvement over the previous year (8.30%) they feel that the amount utilised (Rs. 21.13 crores) is still heavy. The Committee desire, that, with a view to further improving the standard of budgeting and narrowing the gap between the actuals and estimates, the remedial measures, referred to in evidence, should be introduced at an early date.
2	3	Defence <hr/> Finance (Defence).	The Comptroller & Auditor General suggested that, in cases of Projects involving outlay in foreign exchange the Ministry might, in the light of their experience as to the availability of foreign exchange and the progress of expenditure on Projects, impose a lump sum cut on the original estimates. The Committee desire the Ministry of Defence to examine, in consultation with the Ministry of Finance, the question of implementing this suggestion of the Comptroller & Auditor General at an early date.
3	4	Defence <hr/> Finance (Defence).	The Committee are unable to understand why the instructions issued by the Ministry of Finance in 1958, pursuant to the recommendation of this Committee made in their 8th

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Report (Second Lok Sabha), according to which in cases where a final decision had not been taken, only a token provision should be made should not have been made applicable to the Defence Expenditure. The Committee desire that this should now be done without delay.

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5 DefenceFinance (Defence)

The Committee are not happy over the practice of surrendering funds year after year on the last day of the financial year (Rs. 19.66 crores in 1961-62). This betrays a sense of complacency on the part of the Ministry of Defence. They note that, in pursuance of the recommendation contained in para 4 of their 35th Report (Second Lok Sabha) the Ministry of Finance (Department of Economic Affairs) had already issued instructions to the administrative Ministries in October, 1962 for exercising strict budgetary control and surrendering savings immediately they were foreseen. The Committee desire that the above instructions of the Ministry of Finance should be strictly complied with.

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6 DefenceFinance (Defence).

(i) In the opinion of the Committee the excess under Sub-head E of Grant No. 1c—Navy, indicates the need for a more realistic estimate of requirements and a closer watch over the progress of expenditure and liabilities to be liquidated. The Committee would, in this connection, draw attention to para 6 of their 23rd Report (Second Lok Sabha) wherein it was emphasised that the Controlling officers should obtain information not only of what has actually been spent from any Appropriation/Grant but also of what commitments

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and liabilities have been or will be incurred against it during the financial year so that they have an idea of the progressive liabilities and commitments in respect of which payments have to be made.

(ii) As regards the excess under sub-Head G., while the Committee appreciate the need for minute scrutiny at every stage, they find that in this case the Admiralty had 'progressively started placing contracts' with the manufacturers after the lists of spares had been scrutinised by the Indian Naval Adviser in U.K. during 1959-60. The Committee are not, therefore, satisfied with the explanation for delay of two years in the issue of Government sanction.

(iii) The explanation of the Ministry for the excess under Grant No. 12—Defence Services, Non-effective, as set forth in their Note submitted to the Committee, indicates the need for a closer co-ordination between the disbursing and accounting authorities.

6 7 Defence
Finance Def-
ence).

Subject to the observations of the committee in para 6, the Committee recommend that excesses under Grants No. 10—Navy and 12—Non-effective may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

7 8 Defence
Finance (Def-
ence).

The Committee hope that the Government would arrive at a decision, sufficiently in advance of the finalisation of the Appropriation Accounts

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(Defence Services), 1963-64, and that it would be possible for them to place the detailed Budget Estimates for 1963-64 before Parliament.

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| 8 | 9 | <p>Defence</p> <hr/> <p>Finance</p> <hr/> <p>Defence</p> <hr/> <p>Food &
Agriculture
(Agriculture)</p> | <p>The Committee feel concerned to observe that the average cost of production of milk at the Military Farms according to the Ministry's own calculation, comes to Rs. 1.43 per litre which is more than twice the average purchase rate (0.66 per litre). During the course of evidence, the Committee desired to know the reaction of the Ministry to the idea entrusting the supply of the milk requirements of units and formations to civil organisations which may be set up for the purpose. The representative of the Ministry stated that, if a punctual supply of milk of the requisite quality could be ensured, the matter would certainly be considered by Government. The Committee desire the Ministry of Defence to examine this suggestion at an early date, in consultation with the Ministries of Finance and Food and Agriculture, and apprise them of the decision taken in this behalf. In the meantime, every effort should be made by the Ministry to bring down the cost of production to the lowest extent possible.</p> |
| 9 | 10 | Defence | <p>The Committee are not convinced by the explanation offered by the Ministry in evidence. They feel that the present system of pricing of milk issues, is unsatisfactory; it is obviously a camouflage to cover the deficits of Military Farms by pricing their free issues of blended milk, for purposes of accounting, at an abnormally high price and thereby showing an inflated income. They</p> |

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note in this regard that if the entire quantity of milk issued free were priced at the average sale rate of Re. 0.84 per litre for whole milk, there would have been a loss of Rs. 4.58 lakhs, instead of a profit of Rs. 12.99 lakhs (in other words, a difference of Rs. 17.57 lakhs).

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11 Defence

The Committee desire that the recommendations of Expert Committee appointed for reviewing the existing accounting and financial system of Military Farms should be implemented expeditiously, with a view to putting the accounting system of Military Farms on a sound basis.

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Defence
Finance (Defence)

The Committee regret to observe that although more than 8 years have elapsed since the Public Accounts Committee first drew the attention of the Ministry to the irregularity involved in keeping the financial transactions of the Canteen Stores Department outside the Consolidated Fund of India, a final decision in the matter is yet to be taken. While the Committee appreciate the Ministry's desire that the benefits all along enjoyed by the Servicemen should not be curtailed they cannot reconcile themselves to the continuance of this irregularity any longer. The Committee desire the Ministry of Defence to further discuss the matter with the Comptroller & Auditor General and Finance, with a view to evolving a satisfactory solution of the matter.

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13 Defence

While the Committee note that, consequent upon delay in the acceptance of the tenders, no increase was effected in the price of rum charged from the consumers, they would like

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to point out that had the tenders been accepted in time, the additional amount of Rs. 1,20,000 paid to the Contractor would have been saved. The Committee were surprised to learn that the delay in accepting the lowest tender was due only to the fact that the members of the Board could not be available in time. They are, however, now informed that a new procedure has since been laid down to obviate such delays. The Committee trust that the introduction of this procedure will have the intended effect.

13 14 Defence

The Committee are not happy over the delay of over two years in taking decision about the location of the Command Depot, which resulted in unnecessary expenditure on staff and freight charges on collection of stores. They, however, note that the number of vehicles lying in the open had been reduced and that all serviceable vehicles were under cover.

14 15 Defence

The Committee regret to observe that the bulk storage tanks for petrol, which had taken five and a half years for completion, could not be commissioned for another two years due to delay in the issue of sanction for other necessary requirements, such as proper fire-fighting equipment, static water tanks and electricity. The explanation offered by the representative of the Ministry of Defence in evidence is not acceptable to the Committee, for, the Fire Adviser to the Ministry could have been consulted much earlier—either before the project was sanctioned or at least in its earlier stages. The Committee also fail to see why the sanction for the electrification should not have been issued well ahead of the installation of the tanks. In the

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			opinion of the Committee, this is another case of defective planning and lack of proper fore-thought.
15	16	Defence	The Committee observe that for the 377 animals purchased under the new system, the price paid was Rs. 3.18 lakhs, as against Rs. 2.16 lakhs payable on the milk-yield basis at the rates approved by the Eastern Command in November, 1961. Even after making due allowance for variations in prices in different months, the difference in the two amounts appears to be quite substantial and indicates a need for examination whether the new system ensures the purchase of buffaloes at the most reasonable price.
16	17	Defence	While the Committee further note the Ministry's argument that there may be a temporary decline in milk-yield due to fatigue, changes in environment and nature and type of feeding scales, the fact that in the case of 97 buffaloes out of the 133 purchased under the new system and examined in Audit, the drop in milk-yield averaged 25% during the fortnight after the fifteenth day of their arrival in the Farms (the period allowed to buffaloes to overcome the fatigue and show normal results) indicates that the milk-yield recorded at the time of their purchase did not correctly represent their normal yield. The Committee note, in this connect on, the expert opinion that the 'milk-yield could be increased temporarily by artificial methods. The Committee feel that proper precautions could have been taken to eliminate this extraneous factor. The Committee would like the Ministry to examine whether the existing tests applied to assess the normal milk-yield of buffaloes are adequate.

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17	18 Defence	<p>The Committee note that large areas of lands acquired by the Ministry of Defence, still remain under the unauthorised occupation of former owners, even though they had been paid compensation therefor. The Committee feel that at the time of paying compensation, the Ministry of Defence should have secured complete vacant possession of these lands, and, thereafter, taken adequate steps to prevent its encroachment by the former occupants and others. The Ministry failed to do this. The Committee desire that effective steps should now be taken by the Ministry of Defence, in close co-ordination with the State Governments, to ensure that the lands are got vacated at an early date, and utilised for the intended purpose, without any let and hindrance. The Committee would like to have a further report in the matter.</p>	
18	19 Defence	<p>The Committee are not happy over the manner in which the case, referred to in para 42(b) of the Audit Report (Defence Services), 1963, had been handled. They observe that the initial failure of the Director, Land and Cantonments, to take prompt action on the instructions issued by the Army Headquarters in January, 1956 for the immediate release of the land and the subsequent indecision on the part of the Ministry had resulted in unnecessary retention of the land for a period of about 7 years, involving an infructuous expenditure of Rs. 24 lakhs. It was, <i>inter alia</i>, urged in extenuation that under the orders issued by the Ministry of Defence in May, 1958, no landed property could be released without the orders of the Defence Minister. If that is so, the matter should have been placed before the Defence Minister</p>	

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and his orders for release obtained. Even if errors had been made in the initial stages, the Ministry should have taken immediate steps for releasing the land in July, 1961, when the Sitting Board and the local authorities had recommended this action. Unfortunately, two more years elapsed before this was done.

19 20 Defence

The Committee further observe that the provisional rate of Rs. 3.50 per sq. yard on the basis of which the said payment of Rs. 24 lakhs had been made to the Bombay Port Trust, had not yet been agreed to by the Port Trust who have been demanding rent at the rate of Rs. 5.00 per sq. yard. The matter was stated to be under consideration of the Ministry. The Committee would like to have a further report in the matter.

20 21 Defence

The case referred to in para 42(c), of the Audit Report (Defence Services) 1963, is another instance of inordinate delay on the part of the authorities concerned in disposing of surplus land (300 acres). It was urged in extenuation that the matter could not be proceeded with after May, 1958, when a general embargo on the disposal of surplus lands was placed. The Committee can hardly accept this explanation; for, the matter could have been placed before the Defence Minister, and his approval to the disposal of land taken. Even if a delay in the disposal of the land was apprehended, the question of re-leasing out the land on a year-to-year basis should have been considered, and an early decision taken in the matter. The delay on the part of the Ministry in doing this had deprived the exchequer of a large

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			amount of revenue. It is hardly necessary for the Committee to point out the need for prompt action in such cases.
21	22	Defence	The Committee referred to unauthorised plucking of tea leaves for which a sum of Rs. 6,000 was secured in the year 1948 and Rs. 10,000 in the year 1949. The Committee enquired whether there was no produce in the subsequent years to be disposed of. The Additional Secretary to the Ministry stated that, according to his information, it had neither been stolen nor taken by anybody. The Committee would like to be furnished with a report regarding the disposal of tea leaves, grown on this land, in the subsequent years.
22	23	Defence	The Committee feel that the period of six years taken by the Ministry in coming to a decision regarding the acquisition of the cinema building was too long, involving Government in an avoidable expenditure of Rs. 21,000 on watch and ward and rent. Now that the question regarding the compensation to be paid has been referred to arbitration, they would like to be informed of its out-come.
23	24	Defence W.H.& R. (Deptt. of Re- hab.).	(i) The Committee desire that the final adjustment with the Central and State Departments of Rehabilitation in regard to rent recoveries should be made at an early date.
	25	Defence	(ii) While the Committee appreciate the need for concessions in deserving cases, they feel that, normally, recovery of rent should not be held up, pending decisions on representations; the

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			whole amount should be recovered initially, and, if necessary, a refund allowed later on.
	26	Defence	<p>(iii) (a) The Committee feel that it was a lapse on the part of the Ministry to have allowed the officers to retire, without prior recovery of rent from them.</p> <p>(b) They were informed that efforts were now being made to contact these officers and to recover as much as possible, by persuasion. The Committee would like to be informed of the outcome of the efforts made by the Ministry in this behalf.</p>
	27	Do.	<p>(iv) The Committee are unhappy over the accumulation of heavy outstandings against the private parties (Rs. 28 lakhs as on 31-3-1963). They are particularly perturbed over old outstandings some of which date back to the year 1947-48. The Committee feel that such large outstandings would not have accumulated, had the rule regarding the recovery of rent in advance been strictly enforced. They desire the Ministry to effectively impress upon their officers the imperative need to follow the rules rigidly in future.</p>
	28	Do.	<p>(v) The Committee were informed during the course of evidence that with a view to the expeditious clearance of arrears, special staff was being appointed both at the Headquarters and in the Commands. The Committee trust that the special staff will address itself to the problem with the urgency it deserves. They would like to be informed of the progress made in the clearance of outstandings.</p>

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| 24 | 29 | Defence | <p>(i) While the Committee note that cases of losses amounting to Rs 65 lakhs have since been finalised, they feel that the position is still far from satisfactory. The Committee feel particularly concerned at old losses—more than five years old, which account for about three-fifths of the total losses to be finalised. The Committee trust that the appointment of the <i>ad hoc</i> committee (referred to in evidence) will result in accelerating the pace of finalisation. They would like to have a further report in the matter.</p> |
| | 30 | Defence | <p>(ii) The Committee desired to be furnished with a statement regarding losses in the MES and Engineer Store Depots, which were still pending finalisation. They also desired to be furnished with detailed information about some typical cases, involving major losses. These are still awaited.</p> |
| 25 | 31 | Defence | <p>(i) While the Committee are glad to be informed that the alterations in measurements were, on investigation, found to be reasonable, they feel that it was a grave lapse on the part of the officer concerned not to have recorded full reasons therefor. The committee were given to understand in evidence that, for this omission, the explanation of the officer concerned had been called for. The Committee would like to be furnished with a further report in the matter.</p> <p>(ii) They also desire, that with a view to obviate the recurrence of such lapses, the Ministry should issue directions that non-compliance with the existing</p> |

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instructions regarding recording of measurements and maintenance of measurement books would be viewed seriously. The officers who make any alterations in the measurement books should also be required to record full reasons therefor.

32 Defence

(iii) The Committee are not happy over the inordinate delay in the supply of relevant records to the C.T.E. It is hardly necessary for them to point out that if the purpose underlying the technical check by the C.T.E.'s Organization is not to be undermined in any way, the relevant records should be furnished to them promptly. The Committee trust that the Engineer-in-Chief Branch will bear this in mind in future.

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33 Defence

The Committee are unhappy over the manner in which the authorities concerned had acted in this case. They observe, that according to the Ministry's own admission, the vehicles purchased were not considered to be efficient. While the Committee grant that the defect in cam-shafts could not be detected until the engine was opened up, they feel that it was wrong on the part of the authorities concerned to have purchased vehicles, costing over Rs. 4 crores, long before the final inspection report on the trial of the prototype had been issued. The Committee further observe that though the suppliers had agreed to the maintenance of a repair-pool and to the gradual supply of cam-shafts for other vehicles, no demands were made on the suppliers for 4-5 years, due to negligence. It passes the comprehension of the committee that the authorities concerned should

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have been so obvious of the interests of the Exchequer. The Committee recommend that a thorough inquiry should be held in this matter with a view to fixing responsibility for the negligence. They would also like to be informed of the final settlement arrived at with the suppliers.

27 34 Defence

The Committee note that the demand for the equipment placed on the I.T.I. was twice cancelled and twice revived within a span of less than three years. Such frequent revisions, the Committee would like to point out, not only generate an all-round sense of uncertainty but are also fraught with the risk of disturbing the production-schedules of suppliers—a public undertaking in the present case. The Committee need hardly emphasise that provisioning decisions should be reasonably firm, and should be arrived at, after taking all the relevant factors into account. The Committee would also like to have report about the final disposal of the 270 numbers of four types of signal equipment referred to herein.

28 35 Defence

While the Committee are glad to be informed that, consequent on the reintroduction of the use of the sashes with effect from May, 1963 the sashes procured in this case will all be used up, they cannot help observing that, in placing the indent for the item in 1954, in utter disregard of the orders then in force, the authorities concerned had gravely erred. They also feel that the period of 11 years taken by the Ministry in coming to a final decision in the matter was too long. They desire the Ministry to show greater promptness in taking decisions.

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29	36	Defence	It is hardly necessary for the Committee to emphasise the need for extreme care in provisioning, for procurement of surplus stores not only results in blocking much-needed capital and storage accommodation but also entails avoidable expenditure on their care and custody. The Committee would, therefore, like the Ministry to take suitable steps to avoid over-provisioning.
30	37	Defence	(i) While the Committee appreciate the need for extreme care in the disposal of surplus stores, they see little justification for retaining unwanted and obsolete stores for unduly long periods. The Committee note in this connection that despite their repeated exhortation for the early screening of old stocks and disposal of unwanted and obsolete stores, much progress has not yet been made in the matter. The Committee desire the Ministry to impress upon the Depot authorities and (the surplus stores) committees, referred to in evidence, the need to address themselves to the matter with the attention it deserves. They would like to watch the progress made in the disposal of surplus stores in the Depots, referred to in this para, through future Audit Reports.
	38	Defence	(ii) The Committee desire that early steps should be taken to dispose of pre-1948 unserviceable vehicles.
31	39	Defence	The Committee are glad to note that suitable instructions have since been issued in October, 1963 to

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avoid non-utilisation of spare capacities in Defence establishments.

32 40 Defence

The Committee regret to observe that even though the Ministry chose to forego the benefits of competitive tendering in the interest of urgency, the supply did not materialise till October, 1960, i.e., two and a quarter years after the placement of the order, whereafter another year elapsed before the simulator could be installed. The Committee feel that if the requirement of the simulator was so urgent, the various phases of the Project should have been so planned that the simulator could be installed immediately after receipt in India. The Ministry, however, failed to ensure this. The plea offered by the Ministry for their failure to make timely arrangements for the installation is not convincing. The Committee trust that care will be taken by the Ministry to ensure that cases of this type do not recur.

33 41 Defence

(i) While the Committee note that battery manufacturers gave free replacement of 10 batteries (each costing Rs. 4,183), for the 18 batteries that failed before giving a service of 45 flying hours, they cannot help observing that it was a grave omission on the part of the authorities concerned not to have included a warranty clause in respect of these batteries in the initial contract. The Committee trust that care will, in future, be taken by the authorities concerned to ensure that omissions of this nature do not recur.

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Defence . (ii) The Committee would also like the Ministry to examine whether, in case of newly-introduced, highly sophisticated equipment, like the one in question, imported from foreign countries at a heavy cost, it would not be worthwhile to make some arrangement, before hand for the training of nucleus staff in its handling and maintenance.

34 42 Defence . (i) The case referred to in para 29(a) of the Audit Report (Defence Services), 1963 is another instance of bad planning and inordinate delay. It is deplorable that in the case of a machine ordered against on 'Operational Immediate' Indent, stipulating the completion of supply by November, 1960, the final sanction to the construction of an air-conditioned building, required for its utilisation, should not have been accorded till September, 1962. As this building (in the absence of which the machine could not be utilised to more than 20-30% of its capacity), was estimated to take two years for completion from the date of order of commencement, it would not be before September 1964, that the machine could be expected to work to full capacity.

Defence . (ii) The Committee desire the Ministry to give serious thought as to how to obviate the recurrence of such cases. They would, in particular, like the Ministry to examine, in consultation with Finance, whether the existing procedure, for the issue of sanction/administrative approval, did not require to be streamlined in the case of urgent Defence Works which brook no delay.

Defence
Finance (Defence)

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43	Department of Supply	of	<p>(iii) The India Store Department, London, are also not free from blame in this case. As against the normal period of 1-2 months taken in inspection, packing and despatch, they had taken about three months. although the Indent was an 'Operational Immediate' one. The Committee are in attention of India Store Department has been drawn to the delay in the present case. They trust that the said Department will scrupulously avoid such delays in future.</p>
35	44	Defence <u>Supply</u>	<p>(i) The Committee desired to be furnished with a note stating the year of manufacture of the machine, the original expected life of the machine and the period for which it was expected to work. The representative of the Ministry of Defence promised to furnish the requisite information later. This is still awaited.</p> <p>(ii) The Committee regret to observe that although the indent in this case also was an 'Operational Immediate' one, the matter had not been handled with the urgency it required. The contract for checking the completeness, overhaul, packing and delivery of the machine and its erection was concluded 14 months after the placing of the indent. Further, although more than three years have elapsed since the indent was placed, the necessary works services and electric arrangements are yet to be made. The revision of estimates is hardly a satisfactory ground for this delay. The Committee would like to be informed of the date from which the machine is put to use.</p>

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		Defence	<p>(iii) The Committee would like the Ministry to issue suitable instructions to all concerned that "Operational Immediate" indent should be placed only after careful scrutiny and that the subsequent consequential action should be such as to justify the classification of the indent in this category.</p>
36	45		<p>(i) The Committee note that 297 of the 340 imported sets (costing Rs. 5.90 lakhs), stated to be required for immediate incorporation as far back as in 1958, are still lying in stock. While the Committee appreciate the difficulties in the immediate incorporation of the modification in the forward areas, they cannot help observing that the Air Force authorities had been highly unrealistic in their assessment of the time required for the incorporation of the modifications.</p>
	46		<p>(ii) While the Committee appreciate the need to tap indigenous sources to the maximum possible extent, they feel that the time taken to do so should be reasonable so that the purpose for which the materials are required is not undermined in any way. In the present case, the authorities concerned had taken about three years to find the materials indigenously at the end of which period they had to place orders abroad for as many as 31 parts, with the result that 223 sets of the parts, supplied by the H.A.L., could not be used. The Committee desire that vigorous efforts should now be made for the expeditious procurement of the remaining parts so that the modification can be incorporated in the aircraft as early as possible.</p>

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37	47	Defence	<p>(i) The Committee are glad to learn that the wholework of categorisation has been completed. They, however, cannot help observing that the period of 16 years taken by the authorities concern to do this was inordinately long, even after making due allowance for the shortage of technical staff.</p>
	48	Defence	<p>(ii) The Committee feel concerned to observe that due to delay in categorisation and transfer to appropriate depots, valuable electrical and signal equipment, such as transformers, transmitters, receivers, generating sets, although available with the Air Force authorities could not be issued to the consuming units. For the same reasons, orders for such equipment might have been placed abroad, although, as stated by the Ministry, within the limits of the authorised Maximum Potential Establishment for the period. This is indicative of a lack of co-ordination and a certain amount of negligence. The matter requires proper investigation with a view to fixing responsibility. The Committee also desire that no further time should be lost in transferring the categorised stores to the appropriate stockholding depots. Expeditious steps should also be taken to declare the surplus stores for disposal. The Committee would like to have a further report in the matter.</p>
	49	Defence	<p>(iii) The Committee desire that the information regarding deficiencies noticed during the course of categorisation in respect of No. 3 Equipment Depot should be collected by the Ministry and made available to the Committee at an early date.</p>

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38	50	Defence	<p>(i) The Committee regret to observe that the construction of foundations for the installation of the equipment (costing Rs. 14 lakhs), ordered in 1955 and received in 1959-60, is yet to be started. This indicates bad planning. It was urged in extenuation that the equipment in question was of a special type (imported in the country for the first time), and the Engineers had no experience of setting up its foundations. Even so, the Committee feel that 8 years is too long a period for the preparation of foundation designs. They regret to observe that the authorities concerned had failed to act in the matter with due forethought and promptness, with the result that the utilisation of the equipment, for the purpose of training, had been inordinately delayed. The Committee desire that all-out efforts should now be made by the Ministry for the installation of the equipment at the earliest possible date.</p> <p>(ii) The Committee further desire that, with a view to obviating the recurrence of such cases, the Ministry should impress upon the officers and formations under their control the need for more careful planning and timely action.</p>
39	51	Defence	<p>While the Committee note that three of the four machines have now been installed, they cannot help deprecating the manner in which this case had been handled. They observe that, before placing the order, authorities concerned had even failed to see that the ship in which the machines were proposed to be installed, would not have sufficient space to accommodate the</p>

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			<p>machines, without detriment to its normal operations; and later on, the literature/guide regarding the working servicing/maintenance of the machine was misplaced. In the opinion of the Committee, this is a case of neglect on the part of the officers concerned for which disciplinary action is called for. The Committee would like to be informed of the action taken in this regard. They also desire that every effort should be made for the utilisation of the remaining (fourth) machine at the earliest possible date.</p>
40	52	Defence	<p>While the Committee note that the equipment in question had been found suitable for use, without entailing additional expenditure, they are unable to appreciate the inordinate delay (of about 4½ years) in carrying out trials to establish the efficacy of the equipment. The Committee would like the Naval Headquarters to impress upon the establishments under their control the imperative need to carry out speedy trials so that the utilisation of the equipment, imported from foreign countries at a heavy cost, is not unduly held up on this account.</p>
41	53	Defence	<p>The Committee are unhappy over the manner in which this case had been handled by the Dockyard authorities, resulting in an avoidable expenditure of Rs. 1.3 lakhs. It appears surprising to them that, having failed to indicate to the D.G.S.&D. the minimum quantity of timber which they could conveniently inspect, the Dockyard authorities should have declined to inspect a lot ten times the minimum stipulated in the contract, on the ground that it was too small. The Committee feel that, after the con-</p>

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tract had been entered into, the Dockyard authorities, instead of advancing such pleas, should have made every possible effort to inspect the lots offered by the contractor, as per the terms of the contract, within a reasonable time. This the Dockyard authorities failed to do. It was, *inter alia*, urged in extenuation of delay that the officer-in-charge of the saw mills, who was considered to be the most suitable person for inspection, not being entitled to air journey, had to go all the way from Bombay to Pathankot by train. The Committee can hardly accept this argument. If that was the only difficulty, the condition regarding air journey could have been relaxed by the competent authority. The Committee are clear that the authorities concerned had failed to pay due regard to the interests of the exchequer. They desire the Ministry to take effective steps to prevent the recurrence of such cases.

- 42 54-55 Defence . As regards remedial measures in the type of cases referred to in para 26(a) and (b) of the Audit Report (Defence Services) 1963, it was stated that special instructions would issue. Steps had also been taken to improve the provisioning procedure so that such cases of misinterpretation of orders did not recur. The Committee trust that these steps will have the intended effect.
- 43 56 Defence . While the Committee appreciate the decision to lengthen the Dockhead to accommodate the fleet carrier, they are unable to see the wisdom of that provision of the Navy's

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contract with the contractors, in terms of which payment had to be made to the contractors in respect of any claim, certified by the consultants, even though it was considered to be patently inadmissible. It was argued in evidence that the payment in question (Rs. 4.50 lakhs) in respect of over-head charges, held by the Ministry of Law as inadmissible, was made under protect, and that the matter could be referred to arbitration. The Committee are not satisfied with this explanation. They consider it wrong in principle to make payment in respect of any disputed claim before the matter has been settled. The Committee trust that the Ministry will bear this in mind, while entering into contracts in future. As regards the payment of Rs. 4.50 lakhs, in respect of overhead charges, already made to the contractors, the Committee desire that vigorous efforts should be made to recover the amount from the contractors at-an early date.

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Defence

The Committee are pained to observe that the steel foundry had not been installed in the Naval Dockyard, Bombay (for which it was ordered) even 12 years after it was sanctioned (in 1950). It was, however, transferred to an Ordnance Factory in 1962, involving an infructuous expenditure of Rs. 3.30 lakhs. Another year elapsed before the foundry could be even partially utilised in the Ordnance Factory, where it was transferred to meet urgent requirements. While the Committee note the Ministry's admission that there was not only bad planning but also delay in execution, it appears to them incomprehensible that after sanctioning the

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Foundry, the authorities concerned should have taken 12 years to place an order for the annealing furnace on which depended the commissioning of the Foundry. The Committee would like the Ministry and the Naval Headquarters to give serious thought as to how to obviate the recurrence of such cases. The Committee would also like to be informed of the date of receipt of the crane in question and the date of full utilisation of the Steel Foundry.

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Defence
 Transport

(i) The Committee observe that the ship in question, scheduled to be delivered by September, 1959, is now expected to be completed by October, 1964. The Committee take a serious note of the delay, particularly as the ship is stated to have been urgently required for meeting the Navy's requirements. While the Committee grant that the delay was primarily caused by the failure of the Consultants (Messrs ACL) to discharge their obligations in regard to the supply of detailed construction plans (including co-ordinated plans), they observe from the conclusions of the Enquiry Committee that the Hindustan Shipyard are in no way less to blame in the matter. It is inexplicable why the Shipyard should have failed to take advantage of the Naval Headquarters' offer to train a squad of electricians in the Naval Dockyard. Nor are they able to understand why the Shipyard should have failed to accept any of the suggestions made by Messrs ACL or AEG (Electrical contractors) regarding the expeditious completion of the Ship. The Committee desire that every effort should now be made to complete the Ship by the new target date (October, 1964).

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59	Defence	.	<p>(ii) The Committee also observe that although the requirement of the survey ship was stated to be urgent, contract for the construction of the ship was awarded to the Hindustan Shipyard (in 1954) which, according to the admission of their own representative, was not then in a position to design and complete a complicated vessel like the one in question. It was urged in extenuation that the contract awarded to the Shipyard was in pursuance of Government policy of promoting indigenous manufacture of ships. While the Committee fully endorse Government policy of promoting indigenous manufacture, they feel that, in case of urgently needed Defence equipment, the Ministry should, before taking a decision in the matter, give some thought whether, by doing so, the end in view would not be undermined.</p>
60	Transport	.	<p>(iii) In evidence, the Committee desired to know what action had been taken on that part of the Report of the Enquiry Committee which dealt with causes for delay. The representative of the Ministry of Transport and Communications (Department of Transport) stated that the Board of Directors had decided to defer its consideration till the ship had been completed, for they feared the consideration of the matter at this stage might hamper expeditious completion of the ship. The Committee are a little surprised at this explanation. They desire that necessary action in the matter should be taken without any further delay.</p>
61	Transport	.	<p>(iv) The Committee deprecate the negligence shown in this case which resulted in an avoidable expenditure of Rs. 8.80 lakhs in reconditioning</p>

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the electrical and propulsion machinery even before it could be installed in the ship. They also regret to note that the Controllers of Stores for the relevant periods had left the Yard, before responsibility for the damage could be fixed. The Committee would like to know the date on which the damage came to light and the dates on which the Controllers of Stores left the Yard. They now desire that further action in the matter should be taken to fix responsibility without any waste of time and a report made to them.

(v) The Enquiry Committee had also recommended that the legal and other formalities for breaking away from M/s. A. C. L. should be examined by the Management and the Board of Directors. The Committee hope that this aspect had been examined. They would like to be informed of the financial implications of the termination of the contract with the Consultants.

(vi) The Committee also understand from Audit that the Consultants have already been paid Rs. 5 lakhs against the total sum of Rs. 9.5 lakhs due to them under the agreement. They would like to know whether the Ministry has satisfied itself that the payment made to the Consultants was commensurate with the services actually rendered by them under the contract.

46] 62 62 Defence

The Committee feel that the delay in the fixation of the final rate of hire charges was inordinate. They also that the bulk of the outstandings (Rs. 17.86 lakhs), computed on the basis of provisional hire charges, are still to be recovered. They desire that effective steps should be taken by the Ministry for the speedy recovery of this amount. They

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			further desire that the final rate should be fixed at an early date, and necessary adjustments made.
47	63	Defence	The present method of exhibition of accounts does not meet the requirements of the Public Accounts Committee's recommendation made in para 5 of their Forth Report (1962-63). They, therefore, desire that early steps should be taken to give effect to the aforesaid recommendation of the P.A.C. (1962-63), with a view to conveying a correct picture of the output of Ordnance Factories, which should exclude the cost of all finished items of imported equipment and components.
48	64	Defence	<p>(i) The Committee are glad to learn that, as the Ordnance Factories worked for longer hours during 1961-62, as compared with the previous year, the 'unabsorbed' overheads, which amounted to Rs. 157.28 lakhs in 1960-61, were only Rs. 15.12 lakhs in 1961-62.</p> <p>(ii) The Committee are glad to be informed that the prices of most of the articles produced by Ordnance Factories compare favourably with those reduced by civil trade. They, however, note that the cost of a particular type of vehicle (<i>viz.</i>, 1-ton Nissan Truck) produced by Ordnance Factories is about 40% over the Japanese cost, although the imported components, received in CKD packs, were subject to a lower rate of duty. While the Committee grant that it may not always be possible to bring down the cost of production of an article to a level obtaining in the country of origin, they feel that the constant endeavour of the Ordnance Factories should be to narrow down the gap as much as possible. The</p>

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			Committee would like to be informed of the action taken in the matter.
49	65	Defence	The Committee were informed during the course of evidence that to improve the position in regard to regularisation of excessive rejections, instructions had been issued to General Manager of all Ordnance Factories to deal with the matter promptly, and to finish the work within six months. The Committee would like to be furnished with a further report in the matter at the end of this period.
50	66	Defence]	(i) In evidence the DGOF regretted the delay in communicating, the final decision of Government regarding the fixation of stock limits to the Committee. He promised to do so within a period of six weeks. This is still awaited.
		Defence	(ii) The Committee observe that though more than seven years have elapsed since the P.A.C. (1955-56) desired that stock-limits for ordnance factories should be fixed, a decision is yet to be taken by Government in the matter. The Committee deplore the delay and urge that necessary steps should be taken to give immediate effect to the long standing recommendation of the P.A.C.
51	67	Defence	The Committee deprecate the abnormal delay on the part of Government in accordng sanction to the scheme. They desire, that the sanctioning authorities should scrupulously avoid such delays. The Committee note that, according to the Ministry, the machine was expected to be installed within the next 18 months. They trust that

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			every effort will be made by the authorities concerned to ensure that the machine is commissioned as per schedule.
52	68	Defence	(i) The Study Group of the Committee, which visited the Factory in October, 1963, were informed that orders had been issued by the DGOF for earmarking 50% of the capacity of the Factory for machine tool purposes. They were also informed that the implementation of this order would require some additional balancing plant. The Committee desire that the requirements may be examined and suitable action taken expeditiously.
	69	Defence	(ii) In para 39 of their 43rd Report (Second Lok Sabha), the P.A.C. (1961-62) had observed that the performance of the Factory had been disappointing. The Committee regret to observe that the position is still far from satisfactory. (The number of machines actually produced during the year under review was 28, as against the target of 110, even though this target was substantially lower than the actual production during the preceding two years. In the case of one of the machines, as against the target of 10, nothing was produced, and in the case of another, as against the revised programme of 45, only five were produced.)
	70	Defence	(iii) In extenuation of the loss suffered by the Factory on the manufacture of machine tools sold to civil trade, it was urged that the Factory was designed primarily for the development of armament prototypes and the machine tool production was only a subsidiary function taken up to keep the skill alive. The Committee observe that this very argument was also advanced before the P.A.C. (1961-62)

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who deplored that the production in the Factory had continued to be uncertain since its inception. They had felt that if the Factory was to run as an economic unit, it was time that Government took a firm policy decision regarding the precise role of the Factory in the manufacture of machine tools required by the country. The Committee regret to note the abnormal delay that has occurred in taking this decision.

- 71 Defence (sv) The Committee also desire that a rational basis for pricing should be evolved at an early date, in consultation with the Ministry of Finance, lest high over-heads should stifle production.
- 72 Defence (v) The Committee were informed that as on 30th June, 1963, only 17 machines valued at Rs. 4 lakhs were lying in stock at Ambernath. The Committee desire that steps should be taken for the early utilisation/sale of these machines also. They would like to be furnished with a further report in the matter.
- 73 Defence (vi) While the Committee note that the measures taken by the Factory have resulted in improving the position, they find that the defection of trained personnel is still as large as 50%. The Committee desire the Ministry to give further thought to the matter and initiate other suitable measures to ensure that the production is not hampered in any way on account of shortage of the trained personnel.
- 53 74 Defence (i) The Committee regret to note serious shortfalls in the production of tractors, both as regard numbers and indigenous content. (As against the target of 750 tractors

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			<p>for the first four years, the actual production was estimated at 520-530 and as against the anticipated indigenous content of 70 % the actual achievement was about 32%). The Public Accounts Committee have repeatedly emphasised the need for laying down realistic targets, and their due fulfilment. The Committee would like the Ministry to make special efforts to improve their performance in the matter.</p>
75	Defence		<p>(ii) The Committee note the proposal to incorporate Cummins Engines in Komatsu Tractors, which was expected to increase the indigenous content by about 30%. While the Committee appreciate the idea underlying the proposal, they desire that, before giving effect to the proposal, intensive tests should be carried out in the various parts of the country having different soil conditions where the tractors are required to be operated so that modifications, if any, found necessary, as a result of these tests, may be carried out without loss of time.</p>
54	76	Defence	<p>The case referred to in para 12(a) of the Audit Report (Defence Services), 1963 is another instance in which the actual production had considerably lagged behind the planned targets. The Committee note that in the light of actual performance a revised programme had been drawn up by the DGOF. The Committee desire that every effort should be made to adhere to this programme. They would like to be furnished with a further report in the matter.</p>
55	77	Defence <u>Finance (Defence)</u>	<p>(i) The Committee note that the performance of Ordnance Factories in regard to the production of</p>

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Nissan Trucks was as unsatisfactory, as in the case of Shaktiman Trucks. The number of trucks assembled during the first two years of manufacture was less than half of that originally envisaged (target 2400, produced 1192) and the indigenous content achieved at Ordnance Factories was barely 18%, including 13% on account of construction of body. The Committee note the Ministry's explanation that the shortfalls were primarily caused by non-release of the requisite foreign exchange of the Ministry of Finance.

78 Defence

(ii) The Committee would like to know whether the delay of nearly one year in the placement of the supply order for 600 vehicles, pursuant to the first indent, had hampered the continuity of production and, if so, to what extent.

79 Defence

(iii) The Committee were informed during the course of evidence that due to urgent requirements of the Army for vehicles, project sanction had been accorded in November 1962 for the whole amount. The Committee trust that all-out efforts will be made by the Ordnance Factories to achieve the planned targets, both in respect of numbers and indigenous content.

56 80 Defence

(i) The Committee are glad to note that the planned target in regard to the manufacture of the connected ammunition has been achieved, and the production is proceeding, according to schedule. They however, regret to note that the production of the first 60 units of the weapon was behind schedule by about 2-1/4 years. While the Committee appreciate that the shortfall in production was principally caused by delay in the receipt

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of drawings, manufacturing schedules and toolings from the suppliers, they feel that the Ordnance Factories are not wholly free from blame. As against the delay of 10 to 15 months in supply, the delay in the achievement of the target for the first 60 units of the weapon was about two and a quarter years. This indicates that responsibility for a part of the delay also lay on the Ordnance Factories. Further, one of the reasons for delay in the supply of drawings was stated to be lack of adequate information. The Committee feel that had a close liaison been maintained with the collaborators during the pendency of the contract, the delay in supplies might have been reduced.

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(ii) It was stated in evidence that 35 units were expected to be produced by March, 1964, whereafter production would be maintained at the rate of six units per month. The Committee trust that every effort will be made by the Ordnance Factories to achieve this.

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Defence

The Committee are not happy over the manner in which the case referred to in para 15 of the Audit Report (Defence Services), 1963 has been handled. They observe that the administrative approval for the construction of the building was accorded a year and a half after the layout drawings had become available, whereafter another two and a half years elapsed before the work could commence. The result was that the commissioning of the furnace was delayed by more than four years. It was urged in extenuation that the tenders were invited twice, but no suitable contractor came forward

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to do the job. The Committee can hardly accept this explanation for the work could have been done departmentally by the M.E.S. The Committee trust that the Ministry of Defence will benefit from their experience in this case, and ensure that such delays do not recur.

58 83 Defence

While the Committee note that the position regarding production of steel by the Furnace has considerably improved during the year 1962-63, they find that the production is still well below the rated capacity. The Committee desire that efforts should be made to attain the rated capacity at an early date.

59 84 Defence

(i) In evidence, the DGOF stated that this was "admittedly a bad case" and regretted the delay in the commissioning of the bay. In view of the frank admission of the DGOF and his regret over delay, any further comment is unnecessary.

(ii) The Committee were informed that the scheme was now expected to be put into operation within the next six months. The Committee would like to have a report at the end of this period.

60. 85 Defence
 Finance (Defence)

(i) The Comptroller & Auditor General pointed out that Rs. 2.72 lakhs represented the difference between the cost of production of the original end-product and the value of the material re-used and was, therefore, to be treated as a loss. The Committee are inclined to agree with this view.

Defence

(ii) The Committee observe that, according to the Ministry's own admission, the dismemberment of

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the originally produced ammunition had upset the Army's programme. While the Committee note the Ministry's argument that the use of the material in question had to be resorted to for meeting the urgent requirements of the Army, they are not a little surprised that the unsuitability of the material could not be detected till 6,000 numbers, costing Rs. 7.14 lakhs, had been produced. With greater caution and alertness on the part of the authorities concerned, a substantial part of the infructuous expenditure of Rs. 2.72 lakhs incurred in this case, could have been saved. The Committee trust that the Ministry will impress upon the authorities concerned the need to exercise great caution in such cases.

61 86 Defence

The Committee observe that although the figures of discrepancies revealed during the year under review were appreciably lower than those in the preceding year, the position was still far from satisfactory. The Committee desire that effective steps should be taken by the Ministry for the expeditious reconciliation of these discrepancies. They would also like to be informed whether stock verification had since been carried out in the 10 Army, 1 Navy, 1 Air Force formations and one Factory, in which such verification could not be carried out during the year under review, and if so, with what results.

62 87 Defence

The Committee have, from time to time, adversely commented upon the state of store accounting in the Defence formations and urged upon the Ministry to effect improvements. Despite this, the Committee regret to observe, the position further deteriorated during the year under

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review, particularly in the Army and Navy, where the number of cases in which credits for stores received could not be verified in the ledgers of the consignees, was more than twice the number during the preceding year. Although some improvement is stated to have been effected in the Air Force, the position is still far from satisfactory. The Committee would urge upon the Ministry to undertake a special drive to bring the store accounts to a satisfactory level. The Committee would like to have a further report in the matter.

63 88 Defence

While the Committee note that considerable progress has been made in the recovery of outstandings, on account of stores supplied and services rendered, they find that the amount, still due to be recovered is very large (Rs. 3.21 crores). The Committee feel particularly concerned at old outstandings, some of which have been due for recovery since 1949. They desire that vigorous efforts should be made for expeditious recovery of these outstandings. In cases where recoveries could not be effected due to differences regarding the extent of outstandings or rates charged, the Committee would like the Ministry to get the matter settled with the parties concerned at a higher level. As regards goods supplied or services rendered to private parties, the Committee would like the officers accepting the orders to allow waiver of the condition of prepayment of dues only in exceptional cases where it is absolutely necessary to do so, for otherwise, the object, underlying the introduction of the Standing Sales Procedure would be defeated. The Committee would like to be informed of the progress made in the recovery of outstandings

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			before they take up Accounts for the next year.
64	89	Defence	The Committee feel that, whenever any facility in regard to use of Government transport, not counterflated by the existing orders, is proposed to be allowed to service personnel, it should be done by the revision of the existing orders, rather than in contravention thereof.
65	90	Defence	The Committee need hardly emphasise the importance of proper maintenance of accounts as check against losses and frauds. They trust that further efforts will be made by the Ministry to improve the position in this behalf. They also desire that the cases, at present under investigation, should be expedited.
66	91	Defence	The Committee feel concerned over the delay in the investigation and finalisation of cases of losses, particularly the old ones, some of which date back to the year 1950-51. It is hardly necessary for them to point out that, with the efflux of time, it becomes increasingly difficult to fix responsibility. They trust that with the introduction of the remedial measures, referred to in evidence (<i>viz.</i> , simplification of the existing procedure for the disposal of cases of losses and constitution of <i>ad hoc</i> committees), the finalisation of cases of losses will be expedited. They would like to watch the position through future Audit Reports.
67	92	Defence	The Committee would like to watch the position regarding outstanding objections through future Audit Reports.
68	93	Defence	The Committee would like to be informed of the result of the criminal proceedings and further action taken in the present case.

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69	94	Defence	The Committee have come across some cases of serious delay in the completion of important projects and non-utilisation of imported machinery as a result of defective planning, lack of coordination and slow progress in the execution of connected works services. Such inordinate delays are bound to have adverse effects on the indigenous production of vital stores and the training programme in connection with which the equipment was ordered. The Committee desire that the Ministry should give serious consideration to the remedial measures necessary for obviating the recurrence of such cases.

Sl. No.	Name of Agent	Sl. No.	Name of Agent	Sl. No.	Name of Agent
44.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	48.	Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.		MANIPUR
45.	Oxford Book & Stationery Company, Scierda House, Connaught Place, New Delhi-1.	49.	The United Book, Agency, 48, Amrit Kaur Market, Paharganj, New Delhi.	52.	Shri N. Chaoba Singh, Newspaper Agent, Ramial Paul High School, Annexe, Imphal, Manipur.
46.	People's Publishing House, Rani Jhansi Road, New Delhi.	50.	Hind Book House, 82, Janpath, New Delhi.		AGENTS IN FOREIGN COUNTRIES
47.	Mehra Brothers, 50-G, Kalkaji, New Delhi-19.	51.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	53.	The Secretary Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C-2



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