

FIFTY-THIRD REPORT

PUBLIC ACCOUNTS COMMITTEE

(1980-81)

(SEVENTH LOK SABHA)

VIEW OF INVENTORY HOLDING PATTERNS IN THE MILITARY ENGINEER SERVICES IN A COMMAND

MINISTRY OF DEFENCE



Presented in Lok Sabha on 30 April, 1981

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**LOK SABHA SECRETARIAT
NEW DELHI**

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CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE	iii
INTRODUCTION	v
REPORT	i
APPENDICES :	
I—Audit Paragraph 22—Review of Inventory holding patterns in the Military Engineer Services in a Command.	57
II—Conclusions and Recommendations.	74

PART II*

Minutes of sittings of the Committee held on—

11-2-1981

28-4-1981

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(1980-81)

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INTRODUCTION

I, having been authorised by the Public Accounts Committee, 1980-81 to submit the Report on their behalf, present this Fifty-Third Report on Paragraph 22 of the Report of the Comptroller and Auditor General of India for the year 1977-78 on Review of inventory holding patterns in the Military Engineer Services in a Command .

2. The Report of the Comptroller and Auditor General of India for the year 1977-78, Union Government (Defence Services) was laid on the Table of the House on 18 May 1979. The Committee (1980-81) examined paragraph 22 at their sitting held on 11 February, 1981. The Committee considered and finalised the Report at their sitting held on 28 April, 1981. Minutes of the sittings form Part II* of the Report. I was authorised by the Committee under proviso to Rule 277(3) of the Rules of Procedure and Conduct of Business in Lok Sabha to sign and present this Report on their behalf.

3. The Committee have observed that despite the checks exercised both at the time of procurement as well as issue of equipment and stores, excessive surpluses were disclosed as a result of an examination conducted by Audit during September, 1978 of inventories held in an Engineer Stores Depot and by selected GEs in the Military Engineer Service (MES) in a Command. The Committee's examination has *inter alia* revealed that spares worth Rs. 17 crores were held in stock by an ESD. The Committee has suggested a thorough enquiry to be made as to how such huge stocks of spares were allowed to be built up. The Committee has recommended that the discard policy which is also apparently defective, should be got examined by the expert group of officers proposed to be set up to visit the ESDs, find out the problems and suggest better methods of inventory control.

4. For reference facility and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix II to the Report.

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

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

6. The Committee would also like to express their thanks to the Officers of the Ministry of Defence for the cooperation extended by them in giving information to the Committee.

NEW DELHI;
April 29, 1981.
Vaisakha 9, 1903 (S).

K. P. SINGH DEO,
Acting Chairman,
Public Accounts Committee.

Review of the Inventory holding pattern in the Military Engineer Services in a Command ..

REPORT

1.1. The Audit Paragraph 22 of the Report of the Comptroller and Auditor General of India for the year 1977-78, Union Government (Defence Services) on which this Report is based appears as Appendix I to this Report.

1.2. It is seen from the Audit Paragraph that inventories carried by the Military Engineer Services (MES) include earthmoving equipment, tools and plant like road rollers, generators, concrete mixers and building materials such as steel and cement. Two main authorities that hold engineer equipment, stores, tools and plant are the Engineer Stores Depots (ESDs) which hold them as stock and Garrison Engineers (GEs) who hold them for normal use. Among equipment held by the ESDs are specific items like tractors, receipts and issues of which are controlled by the Engineer-in-Chief (EinC). The Chief Engineer (CE) of the Command also controls a pool of items held in the ESDs in common demand for works in Engineer formations under him. Inventories of tools, plant and stores held by a GE include those required for project and maintenance work by him against authorisation, as well as on behalf of the Zonal CE.

1.3. The Committee desired to know the nature and extent of control exercised by the Engineer-in-Chief of the receipts and issues of specific items like tractors. The Committee also enquired as to how this control ensured procurement as per requirement and optimum utilisation of the equipment in the Engineer Stores Depots. In a note, the Ministry of Defence have stated:

“Engineer Stores Depots are essentially Store Holding Units for Engineer equipment required by the Army. The issues are made to the units on orders of Engineer-in-Chief Branch as per their authorisation in the UE (Unit Entitlement). New tractors etc. are procured after carrying out provision review, keeping in view the total assets and liabilities as approved by Ministry of Finance (Defence) and only net deficiencies are made up through fresh procurement subject to availability of funds. The Depot is also supposed to hold certain amount of reserve

such as Engineer Theatre Stores Reserve, GE Reserve, War wastages reserve and repair pool. Certain number of tractors are held in the depot of certain cases due to non-availability of spares, non-availability of attachments like towing machines which are imported by the country. Therefore, some plants are held in the depot perforce. In case of Tractor Model D 80-5/6, D 40-5 Komatsu, spares are not readily available and even M/s. BEML, the suppliers have told us that foreign collaborators have stopped the production of these models; hence non-availability of spares. However, to conserve the plant, keeping in view the financial stringency, we cannot afford to discard the plant. We are, therefore, making all-out efforts to procure the spares indigenously and put them on road as soon as possible."

1.4. The Committee further enquired about the nature and extent of control exercised by the Chief Engineer of the Command in respect of the pool of items under his control and also as to how this control ensured against overstocking. In a note, the Ministry of Defence have stated:

"All engineer stores of engineer origin authorised to Army units are procured centrally by E-in-C's Branch, with the concurrence of Ministry of Finance (Defence), and are stocked in ESDs and issues made as per procedure stated above.

MES special T&P is divided into three pools. These pools are as under:

- (a) GE Basic.
- (b) Zonal Chief Engineers.
- (c) DGW

GE Basic and Zonal Chief Engineer pools are controlled for deployment in works by GEs and Zonal Chief Engineers respectively. The allotment of items to GE Basic and Zonal pools is being done by Engineer-in-Chief's Branch. The parking places for items of Zonal pool is being decided by Zonal Chief Engineer. DGW pool is controlled by Engineer-in-Chief's Office. The items of DGW pool are parked at ESDs Kankinara, Dehu Road and EP Ambala and are issued by the HQ of E-in-C's Branch on loan to various formations as and when required. No pool of

MES Special T&P is under the control of Command Chief Engineer. As procurement action is undertaken by E-in-C's Branch, this ensures against overstocking."

1.5. The Committee enquired about the procedure for locating surplus equipment, tools and plant, with the ESDs and GEs. In a note, the Ministry of Defence stated:

"As far as Army Units are concerned, surpluses are located by undertaking Annual Provision Reviews which take into account the authorisation and holdings. While carrying out the provision review, the following considerations are generally kept in mind:

- (a) Equipment approved for discard.
- (b) Equipment rendered beyond Economic Repair (BER).
- (c) Unserviceable.
- (d) Equipment rendered obsolete/obsolescent."

1.6. During evidence, the Committee drew the attention of the representatives of the Ministry of Defence to the various instances of large inventories built up by the Military Engineer Services in a Command as brought out in the audit para under examination. The Committee desired to know what steps had been taken to streamline the procedures with a view to avoid over-provisioning and wastage. The Defence Secretary stated:

"I do not want to defend the indefensible. Certain things have brought to my notice. I have consulted my officers. They have to say something in defence. I have to project it. At the same time we are quite aware in the Ministry and Army Headquarters of the things which require attention. Improvements have to be made wherever necessary. That is why I assure you and the hon. Members here, that we shall set up some groups to work on this. They will visit the places, find out the problems and take into consideration the kind of things which have been pointed out. If there can be better inventory control and more satisfactory work, I would certainly do that.

Before going para by para, I would like to make a few general observations regarding the whole position. I will start by saying that we are not putting forth a complete defence of everything that we have done, we have

to gather experience. When mistakes occur, we have to rectify them and we have to go from good to better and from better to best. ..

Starting from the beginning, something has been mentioned about tractors. I have myself checked it up. I find in the army there is provision for holding certain reserves, even though sometimes, the reserves may not be used. Because of the nature of their work, whenever any emergency arises, they should be in a good condition. The question raised by the hon. Member, specially about tractors, is that nothing has happened for six or seven years, they have not been issued at all, they are remaining in that condition.On a particular date a decision was taken that the holding of the regiment need not be so much; from four tractors it was reduced to three per unit. Some of the tractors were not in good condition. We repaired them. Some of them had to be sent to the base workshop and some disposed of. This means delays. The question really arises whether we have an efficient system for repairing, an efficient system for disposal. This is something which should attract our attention. I have myself analysed—not connected with this para alone—that there is delay in disposal. There is a particular method for disposal so that it is above board whether it is through DGS&D or my any other method, there is delay. After seeing the comments and seeing the position I will consider whether it can be expedited. I will look into the matter regarding delays and high accumulation of spares. So, the position is that because of the reserves, because of a large number becoming surplus to the needs of the units, at one particular stage there was a huge accumulation. Even though it is admitted that faults are there, when I looked at the position I found there was improvement. Similarly there was a huge accumulation of spares. When the tractors came from foreign sources, they have their own philosophy of accumulating spares. These tractors are not operated very much within our country. The procurement of spares is based on some kind of report from other manufacturers. It is seen even possible that the manufacturers want to sell in the beginning, not only the tractors but also the spares. They would like to sell as much spares as possible because more profit comes from selling of spares than the tractor itself. In every

weapon system, every equipment, you get more profit by selling spares rather than the original equipment itself. So, they had given a particular philosophy and a particular kind of pattern of holding stores and they followed it. In the light of experience gathered, I understand it is not correct. In the meanwhile, these things had to remain for a long time. Since these tractors are still in operation, they are not becoming useless. I am told that even in other organisations there have been cases in which, due to long accumulation, many of the spares ultimately became useless, and they had to be sold as scrap. We should assess and find out (1) whether these spares can be used by the armed forces, (2) if not, whether we could sell them to somebody else and get a reasonable price, and (3) if that is also not possible, rather than allow them to deteriorate further, it is better to sell them for what they are worth."

1.7. Ten features disclosed in the audit paragraph as a result of examination conducted in September, 1978 of inventories held in an ESD (other than reserves authorised) and by selected GEs are discussed in the subsequent paragraphs.

Earth-moving Equipment

Tractors

1.8. In accordance with orders issued in December 1976 by the Ministry of Defence, Tractors are to be considered for discard after completion of either 6000 hours or 15 years, whichever is earlier. It is seen from the audit paragraph that 71 tractors valuing Rs. 232 lakhs, back-loaded by various units were held by the ESD in repairable condition in September, 1978.

1.9. The Committee enquired whether there was adequate work-load at the time of purchase of 71 tractors and by whom and at what level the requirements were assessed. In a note, the Ministry of Defence have stated:

"The procurement of an equipment is done only once there is a deficiency due to lesser number held compared to authorisation. The UEs are compiled by Army Statistical Organisation (ASO) as per PE/WE of units during that year and vetted by Ministry of Finance (Defence). The stock holding of equipment with units is also compiled by ASO. The provision Review Cards (PRC) are

prepared based on ASO figures and these are checked and approved by Ministry of Finance (Defence). On approval a draft indent/draft supply order is forwarded to Ministries of Defence and Finance (Defence) for approval after which a supply order is placed. All the 71 tractors were procured from Dte. General Ordnance Factories/BEML, which are Government Agencies/Public Sector Undertaking."

1.10. The Committee further enquired whether the authorities had satisfied themselves at the time of giving sanction for purchase of 71 tractors that adequate workload existed for them. The Committee also asked about the reasons due to which the tractors could not be utilised. The Ministry of Defence have stated:

"71 tractors were procured from 1959 to 1974 after deficiencies were established and these were approved by the Ministries of Defence and Finance (Defence). There was adequate workload. These tractors were utilised before they came to the Depot. Some tractors have to stay in the Dept. against various reserves, and these cannot be considered as not utilised just because they are held as reserves."

1.11. The Committee desired to know the procedure followed in carrying out annual provisioning reviews for locating surplus equipment, tools and plants with the ESDs and GEs and how the Government proposed to streamline the procedure to ensure that there was no over-provisioning. A representative of the Ministry of Defence stated:

"As regards the method of provisioning tractors, we have certain engineering units like Engineer regiments and Plant companies which are authorised tractors as a part of their unit equipment, based on war establishment or Peace Establishment. They are therefore entitled to hold a certain number of these tractors. In addition, since all units must have all their equipment operational at all time, the ESDs are authorised to hold certain additional tractors in stock for issue to them. These are held against various reserves such as General Staff Reserve under the Engineer Theatre Stores Reserve and for War Wastage Reserve. These are formulated by our Army Statistical Organisations (ASO) who lay down these percentages. We are therefore entitled to hold ex-stock in the ESD, a certain amount of tractors which, today comes to about 60 in number. These 60 may be brand new or they may

be used, repaired and ready for sending to the forward units in serviceable condition. These are kept with the ESD, as stock. When any regiment sends a tractor to the depot for base overhaul, a serviceable tractor is sent back in return. The Director, who is dealing with the provisioning of this equipment states categorically what is authorised to be held in stock, and what is physically being held today. Only the deficient quantity will be demanded and approved by Government before they are actually procured. This is the way we are doing our review of provisioning of tractors in Army today."

1.12. Asked about the procedure followed with regard to general provisioning of items of stores equipment plants and building materials etc. the witness added:

"As regards steel, all Chief Engineers on the ground each year submit a forecast to the Steel Authority of India Ltd. of their probable requirements of steel for the entire year. This is based on past experience and is just to give them a forecast so that they have an idea of how much steel they should produce, to cater for the defence needs. For every quarter, each Zonal Chief Engineer prepares his demand for steel for the works that have been sanctioned in that particular quarter and this demand is based on the works administratively approved by the Government and other competent authorities. We do not wait till the actual designs of these buildings are completed because though sanction is given today, the design may not be completed and be ready for assessing the actual requirement of steel (i.e. actual size and quantities) which may only be assessed some 8 to 9 months later. If we have to wait till the design is complete to demand the accurate quantity of steel, then we will never be able to complete our work in time. Our quantities and sizes therefore are based on a thumb-rule. These demands are placed every quarter. The time taken for receipt can never be determined. But, as and when they arrive, they are held against a particular job number and are despatched to the particular station where they are going to be used."

1.13. The Committee desired to know the normal life span of a tractor in the Army and also as to how it compared with the life span prescribed by Civilian Departments such as Agriculture, Irrigation, Rehabilitation etc. In a note, the Ministry of Defence have stated:

"No comparison of life span in respect of tractors in use with the Army should be drawn with other Civilian Departments since in the case of the Army, the sole consideration is sustained operational reliability under adverse battle conditions and terrain. There is also a parallel need to conserve the equipments life rather than to maximise their use. As understood, in other Departments the tractors are used till they are declared Beyond Economic Repair (BER) and are use to death. Economy is an overriding consideration in case of all civil Departments, whereas for Army equipment, "RELIABILITY AND FITNESS FOR WAR" is of paramount consideration as this equipment is to be considered as national insurance against a possible threat of war and such investment cannot be viewed purely from a commercial angle."

1.14. It is seen from the Audit paragraph that 27 tractors valued Rs. 86 lakhs had completed 15 years but not 6000 hours; of these 11 had done less than 25 per cent of prescribed 6000 hours and the majority of the remaining between 25 per cent and 50 per cent. The Committee enquired whether it was examined at any stage to see whether they were really fit for discard and if so, what were the findings and what steps had been taken to use such of the tractors as were not fit for discard. In a note, the Ministry of Defence stated:

"All the plants are inspected and subjected to technical check by EME and then classified for discard based on their actual condition.

In the Army a plant is not likely to do the prescribed number of hours because its use is restricted to training for operations, operational manouvers and some essential tasks in aid of civil authorities. In the Army we have to ensure that the plants are totally reliable for use under battle field conditions. Therefore, certain amount of running hours have to be conserved for use in war and other national emergencies. Discard is finally approved taking into account their actual condition at the time of discard and total battle worthiness.

The tractors which have residual life are repaired and issued to units again. Some of the plants even after meeting discard criteria have been upgraded by the EME after repairs and again issued to units for further utilisation."

1.15. In a further note on this subject the Ministry of Defence have stated:

"A plant which completes 15 years of life is not at all operationally reliable and cannot be depended upon in war and hence be discarded under Discard Policy of 15 years life or 6000 hrs. whichever is earlier. No further examination of its condition is considered necessary. It is proposed to constitute a Committee to go into the Discard Policy."

It is also now proposed to transfer such of the tractors as have completed 15 years but have not done 6000 hours run and are in serviceable condition to the Border Roads Organisation."

1.16. Referring to the contention of the Ministry of Defence that in the Army it was required to be ensured that the plants were totally reliable for use under battlefield conditions, and therefore, certain amount of running hours have to be conserved for use in war and other national emergencies, the Committee desired to know the procedure followed in this regard. In a note, the Ministry of Defence has stated:

"In case of all weapons/equipments with the Army, they have to be kept in readiness for operations. Due to this reason the plant and equipment is sparingly used. These are used either for training of personnel, operational works and field exercise. The Crawler Tractors are used in the front line to make approaches to bridges, roads and detours where bridges are damaged by enemy action during war. Unless these approach roads and detours are made, tanks and support convoys for the Army will never reach in time."

The discard policy laid down vide Ministry of Defence letter No. 51238/E3P & C/852/S/SO. I/D(W-I) dated 3-12-76 ensures that plants are kept totally reliable for use under battlefield conditions. It is the responsibility of every Commander to see that this equipment is operational at all times."

1.17. The Committee desired to know the criteria followed for declaring the tractors and others items of equipment as beyond economic repairs. In a note, the Ministry of Defence have stated:

"A Board of three EME Officers examines and decides whether an equipment is beyond economic repairs (BER). Equipment which in the opinion of inspecting officer requires

extensive repairs involving heavy expenditure as compared to its future utilisation, due to wear and tear, accident or damage is considered BER".

1.18. The Committee further enquired whether it would not be desirable to adopt a different formula of discard i.e. on age-cum-condition basis rather than on the basis of age alone irrespective of the extent of utilisation. The Ministry of Defence have stated:

"No. From our past experience, plants that have done 15 years service are not at all reliable for battlefield conditions. At present some old plants which have completed 15 years of age are still held and are being used in the Army but this is being done only because of financial constraints."

1.19. The Audit Pragraph has pointed out that 24 more tractors valued Rs. 81 lakhs, stated to be under discard had neither completed 15 years nor 6000 hours; these had been held in the ESD as repairable stock from two to three years and had one to four years left to complete 15 years of life. The Ministry of Defence intimated Audit in February 1979 that these tractors being surplus to 'authorisation' were not to be overhauled. The Committee enquired as to when these 24 tractors, which had neither completed 15 years nor the prescribed 6000 hours had become surplus. The Committee also enquired about the action taken to put these 24 tractors to use elsewhere or to dispose them of. In a note the Ministry of Defence stated:

"The tractors became surplus during October, 1976 due to reduction in authorisation of UE of units vide Army Hqrs Engineer in Chief's Branch letter dated 4th Oct. 1976.

All the plants were in class IV/V condition. The repair would have required major effort and cost of repair would have been very heavy and thus uneconomical. Therefore, it was not considered desirable to offer them to other agencies after getting them repaired. No body accepts the plants requiring major repair. However, normal disposal action has been taken in the best interest of the State."

1.20. The Committee further enquired about the reasons for holding the tractors in repairable stock for 2 to 3 years without carrying out repairs. The Ministry of Defence have stated:

"The plants requiring overhaul/major repairs are scrutinised in great detail in the Depot and fed to the Base Workshop for repairs based on a definite repair programme drawn up jointly by E-in-C's Branch and the EME authorities.

Moreover in the interest of operational fitness of units the unfit plant which cannot be repaired locally have to be withdrawn to the Depot from units for repairs in terms of Army Order 457 of 1973. The unfit plant has, therefore, per force to be held in Depot till it is repaired and issued. Quite often the shop floor repair time in the workshop also increases for want of adequate spare backing in case of old models as in this case."

1.21. The Committee desired to know the action taken to procure/manufacture the spares for these tractors. In a note, the Ministry of Defence have stated:

"Demand for spares was placed on M/s BEML who intimated that the foreign supplier had stopped manufacture of spares for these old models. Due to this reason, these could not be made available and there was no other source. As plant had already finished almost 13/14 years of life it was not considered economical to indigenise the spares."

1.22. About the remaining 20 tractors, it is seen from the Audit Paragraph that 17 repairable tractors valued Rs. 55 lakhs, not covered under discard, were held in the ESD from various dates from February 1975 onwards; out of these, 8 valued Rs. 26 lakhs had only 3 to 5 years left to complete 15 years' life for discard as in Sept. 1978. The Ministry had intimated Audit in February 1979 that 9 had since been sent for overhaul on receipt of intimation from the workshop. The remaining 3 tractors valued Rs. 10 lakhs were held for repairs.

1.23. The Committee desired to know whether the 9 repairable tractors which had been sent for overhaul have since been overhauled. The Committee also desired to be furnished the latest position about the overhauling, of the remaining 8 tractors. The Ministry of Defence informed the Committee that of the 17 repairable tractors, 15 had been repaired and issued to units and two more were under repair. The Ministry also confirmed that the overhauled tractors had been put to use.

1.24. The Committee desired to know the reasons for keeping the 3 tractors procured in August, 1972 in the ESD for 6 years without use. The Committee also enquired about the reasons for purchasing these tractors when they were not to be put to use. In a note, the Ministry of Defence have stated:

"These plants were procured against specific deficiency duly vetted and approved by the Government. It is confirmed

that these plants have since been issued to units. As mentioned earlier, some plants have to be held in the Depot as general reserve/various types of reserves and are issued only when required. It is further reiterated that the life spent by the new plant in the depot is not counted towards the 15 years age of the plant."

1.25. The Committee further enquired whether these tractors had actually been put to use and if so, what was the extent of their utilisation since then. In a note, the Ministry of Defence have stated:

"These plants have been issued to units during May-Oct., 1978. These plants in serviceable condition are now with the operational units and will be used sparingly for training and operational works because life of all other plants have to be conserved for actual operations."

1.26. Referring to the contention of the Ministry that '..... some plants have to be held in the depot as general reserve/various type of reserves and are issued only when required.' the Committee desired to know the criteria for determining such reserves and for issue therefrom. In a note, the Ministry of Defence have stated:

"These reserves are based on operational assessment made by Military Operation Directorate with a view to have some plant available to meet unforeseen demands during war and also cater for replacement for plants requiring repairs."

1.27. The Committee enquired about the reasons for holding the 7 serviceable tractors in ESD for 1 to 4 years and also whether these have since been issued out. In a note, the Ministry of Defence have stated:

"As stated earlier serviceable tractors, newly procured, backloaded from the units being surplus and those received after repairs from Base Workshops have to be held in the depot either as part of the General Reserve or awaiting further disposal. In this particular case, these 7 tractors have since been issued."

1.28. Asked as to why the one tractor overhauled in 1972 was held in the ESD till September, 1977, when it was issued to the MES, the Ministry of Defence stated that this plant like others was also held as part of general reserve till the requirement for issue came up in September, 1977.

1.29. The Committee further enquired as to when the seven serviceable tractors, which were held in ESD for 1 to 4 years were issued. In a note, the Ministry of Defence have stated that 6 out of 7 serviceable tractors were issued between Sept., 1978 and Oct., 1980. The seventh tractor is held as a reserve but will be issued in the near future when new plant is received from M/S BEML against a pending supply order.

1.30. Asked about the extent of utilisation of the aforesaid tractors since their issue, the Ministry of Defence stated that those which had been issued to units would be used by them for training/operational works and would be mainly held by them for actual operation.

1.31. Asked whether there was a specific demand for the above 10 tractors, the Ministry of Defence stated:

"There is no specific demand for particular tractor. The tractors issued by ESD after release order is issued by this HQ to make up the deficiencies in units."

1.32. The Committee desired to know the latest position of repairs and utilisation of the 71 tractors. The Committee also enquired whether any efforts have been made to dispose of the discarded tractors. In a note, the Ministry of Defence have stated:

"Out of 71 tractors, 52 tractors have been discarded, and 2 have been declared Beyond Economical Repairs. 15 tractors have been repaired/overhauled and issued to units for their further utilisation. Remaining 2 tractors are under major repairs with Army Base Workshop. These will revert to Reserve Stock after repairs and will be available for issue to units once demand is established."

None of 71 tractors was declared surplus. However, the tractors discarded/or declared BER are disposed of through DGS & D by public auction as per the laid down procedure. No offer has so far been made for these tractors to Public Sector Undertakings or Department of the Government of India. It has now been proposed to offer the serviceable tractors having been discarded for completing 15 years but which have not done 6000 hrs run to Border Road Organisation for their full utilisation."

1.33. The Committee desired to know as to why the spares were procured on the basis of the initial stocking guides for each equipment rather than on the basis of the past wastage rate. In a note, the Ministry of Defence have stated:

"Whenever any new equipment comes, the past wastage rate is not available and the spares have to be procured based

only on the initial stocking guide which is prepared by the EME based on the manufacturers' guide. After the wastage rates are established in about 2 to 3 years, the procurement of spares is generally based on the Wastage rates and Initial stocking guides are not used thereafter. Moreover, the procurement of spares was based on the Annual Provision Review Directive on the basis of ISGs. It is only after the year 1976, that the standing provision review directive for category B stores has been finalised and introduced for procurement of spares. On the basis of this Standing Provision Review Directive the actual wastage rates are taken into account for procurement of spares. It is generally well known that procurement based on ISGs for new equipment and models results in over provisioning of certain spares and under-provisioning of certain other spares."

1.34. The Committee enquired as to why large quantities of spares to last for as many as 25 years were procured, when the life of the tractors for which they were meant was only 15 years. In a note, the Ministry of Defence have stated:

"The spares were not procured for 25 years. All procurement of spares was based on initial Stocking Guides which were prepared by EME authorities. In the absence of any previous experience for these plants, these resulted in over-provisioning."

1.35. Elaborating the position further, the Defence Secretary stated during evidence:—

"I am told by my colleague that while a particular tractor may last for only 15 years, the family of tractors will continue to be in operation and more tractors of that type would be coming. So, these spares would have served not only these tractors but also the new ones that would be coming. Then, we have been a little obsessed by the non-availability of spares in many cases. The armed forces are having a serious problem of getting spares of foreign origin. So, it is possible that the army was over-cautious or over liberal in procuring spares without any bad intention. I am not defending it or saying whether it is worthwhile or not. This is something which an expert committee consisting of technical and financial experts have to look into and find out what is the correct thing."

1.36. The Committee desired to know the number and value of spares since disposed of and the period by which the entire stock of surplus spares was likely to be disposed of. In a note, the Ministry of Defence have stated:

"The spares held in the depot cannot be termed as surplus because they are the spares of equipment which is still current in service and spare backing for that equipment is still required. However, we have recently finalised the plants life of various equipment in use and action is in hand to determine the surplus for disposal.

The question of spares becoming surplus and their disposal is a continuous process. The disposal of surplus spares when determined will be undertaken in a progressive manner based on a proper cost analysis. The disposal has to be progressed through DGS&D which is a time-consuming process. As such no definite time limit can be specified."

1.37. The Committee further enquired whether the surplus equipment had since been identified and if not, the reasons or delay. In a note, the Ministry of Defence have stated:

"Board of Officers was constituted which has submitted the Board Proceedings with their recommendations to declare certain spares surplus for disposal. The report of the Board is under scrutiny by DESP/E-in-C's Branch."

1.38. The Committee desired to know whether the matter had been examined to ensure avoidance of such over-stocking of spares in future and if so, what remedial measures had been taken. In a note, the Ministry of Defence have stated:

"Yes. Provision Review directive for Cat. B stores lays down the provisioning policy based on actual past wastage rates. No over-stocking is now being done as the procurement is based on actual wastage rates which are realistic and there is no likelihood of over-provisioning."

1.39. Asked whether such a review was required to be conducted after regular intervals, the witness stated that every three years they reviewed the situation.

1.40. Asked as to what was the extent of way wastage which could not be utilised, the representative of the Ministry of Defence stated during evidence:—

“There are quite a large number of items. Many of them are surpluses of the last World War and have been transferred before partition from Lahore. There are items such as decauville tracks which we do not use. They are small rail lines of untested steel which cannot be rerolled for use. There are also unbalanced components of the old types of bridges used in the last world war e.g. Unit Construction bridges, Hamilton and Inglis bridges. These bridges are no longer in use and hence these quantities are lying waste. ‘.....a Board has been set up to look into this’.”

1.41. Asked whether the obsolete items could be sold in the market, the representative of the Ministry of Defence stated:

“We can sell them outside. Some of them will be junk some other items can be used. Since we have no requirement for these, we are discarding them through auction. In many cases we have gone to the DGS & D who undertake the task of auctioning these equipment and steel for us.”

1.42. The Defence Secretary added:

“My concern is to see that the things which are of no use are identified and disposed of without our keeping them unnecessarily for a long time. I would like to have an expert group to study this over and above the normal review which is going in the MES itself.”

1.43. Asked whether any work study has been made so as to simplify the procurement procedure, the witness stated:

“On the procedure in regard to surplus stores, we had issued an order in 1977—even before this para came up. In 1977 we issued an order that all surplus stores in the entire MES would be reviewed. A Brigadier was placed as the Presiding Officer of this Board and his results came in four parts. In part-A, certain constructional plant and equipment, were recommended for disposal. We have taken action to have them discarded. A lot has already been discarded and some are yet to be discarded. Part-B consisted of tools and plant recommended for disposal for which

action has been taken. We have achieved 60 per cent progress for Part A and B. Regarding Part C, we went back again to the Chief Engineer with directions that they should try and reutilise these items. Those which cannot be reutilised will then be declared surplus. For example, where we have surplus steel of a particular size, we often design buildings to utilise this section of steel. Regarding Part-D, there were a large number of equipment, very old generators and old diesel pumps, on which we wanted a little more detailed information. Progress of Part-D is still going on and only about two months ago we put another Brigadier to look into this. We are taking action to try and get rid of a number of these surpluses. Some of them are of 142-43 vintage."

1.44. The Committee desired to know the outcome of periodical reviews of stocks conducted in the years 1974 and 1977. The Ministry of Defence stated:

"Reviews for plant and spares are done every year. To give an example the provision Review carried out in 1977, for Crawler Tractors indicate the following surpluses:—

	<i>Surpluses</i>
(a) Cr. Tractor Size I	89
(b) Cr. Tractor Size II	88
(c) Cr. Tractor Size IV	26

On arriving at these surpluses, it was decided not to dispose of all of them because it was considered more economical to retain them and utilise them as replacement for future discard and future increase in authorisation as and when they occur.

"With regard to the review of other stores ordered in Nov., 1977. A total of 1602 items amounting to Rs. 1.87 crores were found surplus and their disposal action is in hand. It may be mentioned that 843 items were recommended for re-utilisation and 3431 items are under active re-scrutiny."

1.45. The Committee enquired about the details of the items found to be surplus and the action taken to dispose them of. The Ministry of Defence stated:

“Provision Review for 1977 revealed the following surpluses and action taken on disposal is shown against them:—

	Surpluses	Included in discard plan 1977-78	Auctioned
(a) Cr. Tractor Size I	88	28	18
(b) Cr. Tractor Size II	89	51	43
(c) Cr. Tractor Size IV	26	40	34

The rest of the dozers are under disposal action.

It is not possible to list out all items costing Rs. 1.87 crores mentioned above. But the position is as under :—

(Rs. in lakhs)

(a) Declared to DGS & D/auctioned Items worth	99.00
(b) Yet to be declared to DGS&D	88.20

We are getting quarterly report on the progress of disposal action, to enable us to monitor the same. The disposal action is a lengthy process and takes considerable time. The actual auctioning is done by DGS&D, who have other commitments in hand, beside Defence. They have been asked a number of times in the past to expedite progress.”

1.46. Asked whether triennial review already due in 1980 was being conducted, the representative of the Ministry of Defence stated:

“We have not had any further review because part-D of the 1977 review is still awaited, the amount we get part-D, we will carry out the final review. What we have done in 1980 is the review of plant and equipment which we held in the MES term as “DGS’s Pool”. These are held centrally and are meant for any large project that may come up; where plant and equipment are not available locally they are taken from this Pool. We find that the DGS is unnecessarily holding these. We want to transfer these to the Zonal Chief Engineers, so that they can use them. In 1980 we have gone in for this view to estimate

what is actually being held what is their serviceability, what is the life available in these machines and whether they should be held or discarded, whether we require to hold them."

1.47. The Committee desired to know the remedial measures taken to remove the numerous shortcomings pointed out in the Audit Paragraph. The Ministry of Defence stated.

"Issue of tractors from ESD

Instructions have been issued to the ESDs on 17 Jan. 79 laying down the priorities for issue of plant. According to this the old serviceable plant is to be issued first and new plant after that.

Procurement of Plant

As explained earlier there has been no over-procurement. Plant became surplus due to reduction in authorisation based on the Army Standing Establishment Committee's deliberations. Procurement is done as per Provision Review Directive and only after the requirement is vetted in detail by the Ministry of Defence and Finance Defence.

Tractor spares

The procurement of spares based on Initial Stocking Guide can lead to incorrect procurement (it may be over or under procurement). It is resorted to only in the case of new equipment where past wastage data is not available. In all other cases spares are procured based on past wastage rate Provision Review Directive for Cat 'B' stores (spares) was issued on 6 May 1975 which lays down that spares would be procured based on past wastage rate where it exists.

To determine the surpluses of spares we have laid down the balance life of various models of tractors. Chief Engineer Command was asked on 2nd April 1980 to convene a Board of Officers. The Board proceedings have since been received. The Board has recommended that 232 items should be utilised. Chief Engineer Command has been instructed to re-examine the tractor spares with regard to the utilisation taking into account the commonality of these spares with other similar models of recent origin.

Other Stores

Even before the objection was raised, the matter of disposal of these stores had been exercising the minds of E in C's Branch and the Ministry. In a meeting held in the JS(O)'s office on 17 Oct. 77, it was decided to evolve a policy *cum* course of action for disposal of surplus engineer stores.

Consequent to the meeting a High Power Board presided by a Brigadier was ordered by E-in-C's Branch on 26 Nov. 77 for the purposes of scrutinising of surplus engineer stores of engineer origin. The Board met on 29 Nov. 77 and subsequent dates. The Board proceedings were finalised as follows:

- (a) List of constructional stores/equipment recommended for disposal.
- (b) List of tools and plant recommended for disposal.
- (c) List of items recommended for re-utilisation.
- (d) List of items requiring further scrutiny.
- (d) List of items requiring further scrutiny (a) and (b) were sent to the Min. of Def. and Min. of Fin. (Def.) on 10 Aug. 78 and their approval was obtained on 20-7-79. Disposal action, is well underway.

Of the 1054 items mentioned in the Draft Para, 206 items were covered under this Board.

Further more, a visit of High Power Team was arranged to ESD for on-the-spot examination of surplus stores. This comprised of the following reps:—

- (a) Rep. of the Min. of Fin. (Def.).
- (b) Rep. of ESP Dte.

This team visited ESD from 20 to 24 Mar. 80 and a list of 689 items were identified subsequently.

A summary of the 1054 items under objection are as under:—

- (a) 206 items covered for disposal under Apex. Committee.
- (b) 689 items covered for disposal under the special Team.

(c) 64 items were decided not to be disposed being bomb disposal items. These will be reviewed again by a Specialist Board.

(d) 80 items utilised.

(e) 15 items since disposed off.

Present position with regard to the disposal of 1054 items, are as under:—

(a) Auctioned	21
(b) Cases pending with DGS & D for auction	
(c) Lists under scrutiny with the various indentors	68 9
(d) Recommended for re-issue	80
(e) Retention in the depot (64 items being bomb disposal items)	64
Total	1054

We have called for a fresh report from CE Command in Dec. 79 asking them to submit a List of stores which have not been issued for 3 years and more.

Further, it is also now proposed to constitute a Committee at Ministry level to go into the discard policy and also the surpluses of various equipments/plants and spares.

It is also proposed to transfer such of the tractors as have completed 15 years but not 6000 hrs. run and are in serviceable condition to the Border Roads Organisation for their full utilisation."

Utilisation of a concreting plant

1.48. It is seen from the Audit Paragraph that the concreting plant was held in stock for three years as there was no demand for it. The Committee wanted to know the considerations for the procurement of this plant. The Ministry of Defence have stated:

"The concrete batching plant is a multipurpose plant meant for use in construction of concrete pavements involving mass concreting work where quality of concrete and speedy output are essential. The consideration for procurement of the plant was for use in Air field works involving quality concrete pavements, a number of which were anticipated to be taken in hand. The plant was procured in

1966 and in fact had utilised upto about 80 per cent of its life by May 1970."

1.49. The Committee desired to know as to why it was freighted and erected at a cost of Rs. 1.02 lakhs, when the contract contained an optional clause and the contractor did not require the concreting plant. The Ministry of Defence have stated:

"The printed condition 15 of General condition of contracts (IAFW 2249) allows an option to the contractor for hire of T&P listed in Schedule 'C' of the contract after giving reasonable notice in writing. Once, the T&P is included in Scheduled 'C' of the contract agreement, it becomes obligatory on the part of the Deptt. to keep the plant ready for issue to the contractor on demand. Failure to do this will create contractual complications and delay in commencement of work. The fact that the contractor did not demand or make use of this provision does not absolve the Deptt. from its contractual obligation. Due to this reason, the freight and erection of the plant was unavoidable, and is in order."

1.50. Asked about the reasons for retention of an optional clause in the contract, when the concreting plant was already available, the Ministry of Defence stated.

"This optional nature of the condition could not be altered by the Deptt. Any T&P included in Schedule 'C' for issue is automatically subject to the provisions of condition 15 of IAFW 2249, the printed condition approved by the Government which cannot be altered by the accepting authority."

1.51. The Committee enquired whether the proceedings of the Board of Officers had since been finalised and if so, what their recommendations were and what action had been taken thereon. In a note, the Ministry of Defence have stated:

"Yes, Board proceedings have been finalised. The findings and recommendations of the Board of Officers are as under:

Findings of the Boards

From the proceedings of the two Boards of Officers, the following points are evident:

- (a) The Elba firm in West Germany went under liquidation a few years back.

(b) M/s. CA Willner & Co. at Bangalore, who had been agent in India for Elba firm of West Germany had confirmed in writing *vide* their letter No. 22616/79/TH/LG dated 21-7-1979 addressed to CE Poona Zone, Poona that they were unable to furnish either the cost of spares or the replacement cost of the plant as the Firm Elba went into Liquidation and they were not representing that Firm any more.

(c) It was also not possible to locate residual spares from indigenous sources or suitable indigenously manufactured spares for the Elba accessories. Hence it was not possible to assess the cost of repairs to the plant. Spares were not available within the country or from abroad since no firm in India manufactures such plant and Elba firm in West Germany went under liquidation.

(d) The latest policy of E-in-C's Branch of the Army Headquarters contemplates changes in policy relating to heavy reduction in holdings of MES Special T&P.

Recommendation

In view of the paras (a) and (b) above, the Board recommended that the plant be declared BER and disposed off by auction on "as is where is condition" basis.

Other stores

1.52. It is seen from the Audit Paragraph that in accordance with the standing Instructions issued by the E in C, accounting of Engineer Stores is on numerical basis and therefore the total value of stores held in the ESD was not available. The Committee enquired the reasons for not keeping the value accounts. The Ministry of Defence stated:

"In accordance with the accounting procedure the depot is supposed to maintain quantitative accounts only. The equipment can be priced as and when required on the basis of Price Vocabulary Equipment Schedule Rates or original procurement rates or current rates. The total inventory in ESD has been priced and the total value is approx. Rs. 28.13 crores."

1.53. The Committee desired to know as to why the three items valued Rs. 1.27 lakhs were never utilised and what action had been taken in the matter. The Ministry of Defence have stated:

"Three items (Granulators) are of DGW Pool and hence one parked at ESD Dehu Road being one of the parking places. As and when any demand is received from MES formations these are to be issued on loan. Earlier, there was no demand for these items, as such these were not much utilised. However, total hours run of each is 31 hrs. 365 hrs. and 40 hrs. respectively. The review of authorisation of items of MES special T & P is done periodically. As now Granulated stones are cheaply available throughout the country from Crushing Agencies, there was no demand from the contractors for granulators and therefore, this item was got deleted from the authorisation of MES Special T & P. However, two granulators, out of three have been released on 31st August, 1979."

1.54. The Committee further enquired about the reasons for 12 items being held without utilisation for over 2 or 3 years. The Committee also desired to know the reasons for under utilisation of the other items. The Ministry of Defence stated:

"As per experience gained 8 items out of these 12 were deleted from the authorisation of MES Special T&R *vide* Ministry of Defence Corrg. No. 46960|Eu|2552|D(WII) on 24 May, 1979. According to para 2 of this Corrigendum these items were to be held till they become BER or fall under approved discard policy. Accordingly these plants are being held. Two items have been released for work.....

The rest will be utilised on works where their use will be economical. However discard policy is under review."

1.55. Asked whether the discard policy had since been finalised, the Ministry of Defence stated:

"A regular review of MES Special T & P is done every 3 years to determine authorisation which now stands reduced to 21 items of T & P as against the original 45. With a view to further reducing the inventory consequent to the availability of such plant with some contractors further review is being carried out and the Chief Engineers have been asked to finalise the Boards by June 1981."

1.56. The Committee desired to know the action taken or proposed to be taken for disposal of the surplus stored items. The Ministry of Defence have stated:

"The most of the surpluses has arisen because of reduction of items in the authorisation of MES Special T & P. As per the Govt. Directive dated 24 May 1979, these items of MES special T & P will continue to be held till these become Beyond Economic Repairs or get covered under approved discard policy."

Procurement of 20 ton tractors and trailers

1.57. The Committee desired to know as to why the question of covered accommodation for the proper storage of large size and expensive items like tractors and trailers was not considered before initiating action for their procurement. In a note, the Ministry of Defence have stated:

1. "Originally the tractors and trailers were ordered to be delivered to the respective formations in various Commands. Subsequently GE(W) under this area was made responsible to receive all the tractors and trailers and then to deliver them to the formations concerned. As the 5th wheel assembly was, ordered simultaneously, it was expected that tractors and trailers fitted with 5th Wheel Assembly would be received in time and immediately thereafter delivery would be made to the respective formations. There was no necessity to retain them for indefinite period and to keep them in open space. Hence question of arranging covered accommodation for storage of tractors was not considered."

1.58. The Committee further enquired as to why the work of construction of cabin could not be allotted earlier than March, 1976. The Ministry of Defence stated:

"Quotations for construction of cabin were floated in February 1974, but only one quotation was received. Due to uncertain position of supply of tractors quotation action was kept pending. The tractors were received in October, 1975. However, in anticipation, quotations were refloated to more firms in July, 1976 and finalised in March, 1976."

1.59. Asked about the extent of damage occurred to the trailers by keeping them in the open, the Ministry of Defence stated that the damage was only superficial, viz. peeling of paint in patches requiring painting.

1.60. The Committee desired to know the reasons for accepting the trailers without fifth wheel assemblies in October/November, 1974. The Ministry of Defence have stated:

"As per the original AT, the trailers together with tractors were to be handed over to M/s. Mahindra Owen for fabrication of 5th wheel assembly. The 5th wheel assembly could be fabricated on receipt of tractors from Madras. However, on receipt of tractors M/s. Mahindra Owen refused to accept the tractors and trailers for 5th assembly for want of revision of rates. The matter was pending with DGS&D who was reminded by GE/CWE/CE/Ein C several times. The rates were finally revised in August, 1976 by DGS&D and hence the delay."

1.61. The Committee further enquired as to when the fifth wheel assemblies for the trailers were procured and who fitted them and also at what extra cost. The Ministry of Defence stated:

"The order for procurement and fitment of the same was placed on M/s. Mahindra Owen Ltd. on 7 August, 1976. The vehicles were handed over to the firm on 17 August, 1976 (3 Nos.) and 25 August, 1976 (9 Nos). The firm completed the job on 8 September, 1976 with no extra cost as the cost of assemblies included the fitment charges as per conditions of supply order."

Idle tools and plant with GEs

GE I

1.62. The Audit Paragraph reveals that forty-six serviceable plants valued Rs. 2.38 lakhs held in the division had not been utilised for over 7 years except 3 used in one year only. These included a tractor valued Rs. 0.66 lakh held without use from 1969 and 28 other plants valued Rs. 0.51 lakh never used since receipt and held idle for over 15 years. The Ministry of Defence intimated Audit in February 1979 that most of these plants were under discard policy.

1.63. The Committee desired to know the reasons for non-utilisation of tools and plants for over 7 years. The Ministry of Defence stated:

"Most of these items are not authorised against MES Special T & P. As per existing orders, they are to be kept till they become BER or are covered under approved discard

policy. Their use depends on works/where they can prove economical. They will be used as and when such work comes up."

1.64. The Committee further enquired as to why the plants were left idle for 8 years and not utilised elsewhere. The Ministry of Defence have stated:—

"The plants purchased specifically for a project, after its completion are to be disposed off or transferred to other projects, if the scope so permits. Since, there was no scope, action to dispose off these plants was the only alternative which was done."

1.65. Asked about the reasons for not utilising the crawler tractor since 1969, the Ministry of Defence stated:

"The crawler tractor is of 1948 vintage and it is a size IV Plant. At the time of creation of MES Special T & P in 1966, this plant was transferred from E-in-C's stock and is being held in lieu of a bigger size II plant. This is being utilised as and when its use is economical depending on the site requirements. This plant had done 3090 hours upto August 1969 and has since further done 125 hours totalling 3215 hours. Being of very old vintage its utilisation has been less in the recent years."

1.66. The Committee further enquired as to why the 28 plants were never used since receipt and held over for over 15 years. The Committee further asked whether these plants have since been discarded. The Ministry of Defence have stated:

"Most of these items are not authorised against MES Special T & P. After creation of stock for MES Special T & P in 1966 the reviews were carried out in the years 1970, 1975 and 1979. Based on the past experience, many items were got deleted from the authorisation of MES Special T & P. However, as per orders of Ministry of Defence while issuing revised authorisation, the items no longer authorised are to be held till these become BER or covered under approved discard policy. However, six plants have been disposed of."

GE 2

1.67. It is seen from the Audit Paragraph that twenty-two plants valued Rs. 24.73 lakhs including 10 tractors (value: Rs. 23.06 lakhs) in repairable condition, 4 generating sets (value Rs. 1.23 lakhs) and one concrete mixer (value: 0.28 lakh) were held for over 8 years in the division after completion of a project. In addition, tools and spare parts (value: Rs. 4.34 lakhs) were held by the division as surplus to requirements.

1.68. Asked as to why the 22 plants were held for over 8 years after completion of the project, the Ministry of Defence stated:

“Action to dispose of the plants was initiated by the formation in 1973 itself. The procedural formalities have caused abnormal delay in disposing of these plants.”

1.69. The Committee further enquired whether the surplus plants, tools and plants have since been disposed of. The Ministry of Defence stated:

“4 Nos. plants have been auctioned on 23-11-1979, 10 Nos. have been declared to Director of DGS&D for disposal. Minimum Reserve Price for 4 Nos. plants is being fixed and for remaining 4 Nos. Board Proceedings for reclassification are awaited.”

GE 3

1.70. It is seen from the Audit Paragraph that in this division, 10 plants valued Rs. 3.90 lakhs were held. These included a well-boring rotary rig valued Rs. 2.02 lakhs held as repairable since September, 1976, bitumen sprayers and concrete mixers valued Rs. 0.23 lakh not utilised during the last 3 years. These were reported by the Ministry in February 1979 to be under disposal.

1.71. Asked about the latest position about the disposal of the 10 plants in this Division, the Ministry of Defence stated:

“The disposal of 5 items has been approved by E-in-C's Branch. Necessary disposal action is in hand with the formation. 2 Nos. plants are being used and remaining three plants are in serviceable condition and are to be utilised till these are wasted out.”

1.72. The Committee desired to know the procedural formalities which caused abnormal delay in disposal of plants in the Division

together with the steps taken or proposed to be taken to obviate these delays. The Ministry of Defence stated:

“The procedural formalities involved in disposal of surplus and obsolete plants are:—

- (a) Circulation of the list of such plant to priority indentors.
- (b) Obtaining financial clearance from Ministry of (Fin.) Defence in cases where there is no requirement of such plant by other users.
- (c) Declaration for disposal to DGS&D.
- (d) Actual disposal through auction by DGS&D.

The above procedure does not require any change because of the need to have effective safeguards for financial propriety. The procedure however is time consuming and takes years to finalise.”

Procurement and holding of steel and cement

1.73. It is seen from the Audit Paragraph that the actual utilisation of steel in 32 projects varied from nil to 53 per cent while in case of cement the utilisation ranged from 6 to 65 per cent of procurement in seven projects. The Committee desired to know why the requirements of these scarce commodities had been highly over estimated, whether it did not syndicate lack of proper planning while drawing up the schemes and whether such over-provisioning did not lead to waste and unnecessary expenditure on transportation due to repeated transfers to other projects?

In a note the Ministry of Defence stated:

“Under the prevailing unsatisfactory supply position of cement and steel, certain amount of over-provisioning and transfers have to be accepted. Every effort is however, being made to keep this to the minimum.

Out of nearly 2200 projects in progress at that time in the Command, marked under-utilisation of steel has been brought out only in the case of 32 projects i.e. only 1.5 per cent of the total number of projects.

The review by audit covers a large number of projects from their inception to completion and not at a given point of

time. It is very likely that if the steel position had been checked at a given time, in a station, actual shortages instead of surpluses may have been noticed.

Steel items required for anticipated priority projects or phase of a sanctioned projects are often procured and taken on stock against existing sanctioned projects to avoid delay in execution. This has most likely given an erroneous impression of physical over-stocking during review.

While over-provisioning to a certain extent has become essential on account of unpredictable supply position in the country, transfer of surpluses from a completed project to an existing project is unavoidable, as otherwise no project can be closed. These transfers are only paper adjustments as there is no infructuous move of the actual steel which remains in the same division stock without movement.

Movement of steel from one station to another is kept to the very minimum, and is sent out in such cases only against urgent inceseable items are not readily available and their non-availability will lead to contractual complications and delay of important work."

1.74. The Committee pointed out that surplus steel from one project could be used in other projects without deterioration in quality, the surplus cement might deteriorate in quality after some time. The representative of the Ministry of Defence stated during evidence:

"You are very correct. In fact, it is with cement that we are a little more particular. It is rather strange that at this time even though there has been so much cement moved from our works, yet by and large, you will never find large holdings of cement in the yards today. Actually the large amounts of steel and cement shown is not really held in one place as it is shown but was shown under transfer from one project to another. This is where, I am afraid the para i.e. Para 22 itself is a little misleading because the para gives one the impression that we have demanded a large quantity of steel and that we are holding surplus stocks. Since some steel does become surplus against one project we transfer the same from one project to another largely in the same station, to avoid any extra expenditure on handling and freightage charges. In

actual fact a very small amount has actually been transported from one station, to another. What actually happens is that when steel and cement is procured, the quantities demanded against different works are received at a station where any thing upto 20 works may be under progress. They are stocked at one place in the stores yard, and distributed to the work from this yard. The steel at this point of issue has been debited to its particular job number. Now if steel demanded for and debited against a particular work does not arrive in time and the work is really for construction, we naturally transfer the same from another job for which the steel has arrived and is available for use from the same store yard. The transfer is therefore only a paper transaction from one job to another. When this work is completed and the steel meant for it arrives, it is natural that we cannot use it against the job for which has been debited. We therefore transfer the same on paper to another job. These are only book adjustments.

The steel on arrival at any station is stocked in one store area, controlled by the Garrison Engineer who issues it to various contractors for various jobs.

I agree that in certain cases we do demand extra steel. In fact in every case we demand about 10 per cent extra. This is to cater for cut pieces which cannot be used. If a steel section is 60 ft. long and only 50 ft. is required, naturally a piece has to be cut out and cannot be used. There is therefore a certain amount of wastage. If it is a small quantity, we cannot reroll it or use it—in any case the contractor has paid for it.

We have not really been procuring large quantities of steel. The apparant excessive transfer are magnified and not real. As an example suppose 20 tonnes of steel has been transferred from one project to another, and the same amount unused is transferred to five different projects, one after the other the total amount would be recorded (in para 22) as 100 tonnes, whereas in actual fact it is only 20 tonnes that has been transferred.

We are therefore, not really holding heavy surplus quantities of steel or cement. The quantity we hold today is very small."

1.75. The Committee further enquired whether the whole system of assessment of requirements of scarce commodities like steel and cement and their procurement had been examined by the Ministry of Defence and if so what measures were proposed to be taken to avoid excess provisioning and procurement. In a note, the Ministry of Defence stated as follows:

"Scarce commodities involved in building construction are mainly steel and cement. The time lag between the initiation of demands and actual receipt of stores at site of works, is not only abnormally long but also highly unpredictable. This factor continues to prevail even to-date. The position is further explained in the succeeding paragraphs:—

Steel:—Following steps are involved in its procurement:—

- (a) *Demand in Wagon loads, i.e. multiple of 30 tonnes.*
 - (i) Placement of forecast indents by purchasers about a year in advance.
 - (ii) Quarterly requisition—three months in advance to be placed on main producers.
 - (iii) Intimation of rolling and despatch programme by producers to indentors. This programme rarely materialises.
 - (iv) Despatch of steel by producers to consignees (approximate time lag 3—6 months).
- (b) *Demand in less than a wagon load, i.e. less than 30 tonnes.*
 - (i) Registration of demand with stockyards of main producers.
 - (ii) Issue of offer or non-availability letter by stock-yards—almost immediately.
 - (iii) Placement of supply orders and payment of advance within a week.
 - (iv) Issue of delivery orders by stock-yards after receipt of advance—this depends upon the availability of items.
 - (v) Collection of steel from stock-yards by consignee within a week.

From the above, it will be quite clear that the materialisation of demands is dependent upon adherence to rolling schedule by procedures as far as demands in wagon loads are concerned and also upon availability of particular sections demanded by us in the stock-yards for demands less than a wagon load. These two factors get affected quite often by labour unrest, strikes and lock-outs as well as shortage of diesel, energy and strike by transporters etc. Under these uncertainties, it is very difficult to match the programme of receipt of stores with actual requirement which is linked with the progress of the works on grounds by contractors.

As a result, the requirement of steel is roughly calculated by E-in-C's Branch based on their past experience required for any particular project, the moment it is administratively approved and released for execution. This practice is adopted in the interest of speedy execution of works. The detailed designs based on which exact quantities of each and every section can be calculated are undertaken much later. Hence certain over provisioning or provisioning of items not actually required, cannot completely be ruled out under the present system involving lot of uncertainties.

Further, under the prevailing circumstances of shortage of steel and subsequent increase of its prices, over-provisioning of any type of sections is beneficial to the state.

Cement

In the procurement of cement following steps are undertaken:—

- (i) Submission of quarterly forecast/estimated requirement by Zonal Chief Engineers to E-in-C's Branch—six months in advance.
- (ii) Projection of the consolidated requirement of MES by E-in-C's Branch to Ministry.
- (iii) Allocation by the Ministry. This is received just when the respective quarter is about to start.
- (iv) Intimation of consignees-wise break-down to regional cement controller—This is done within a week of allocation.

- (v) Issue of allocation by Regional cement controller—This is normally done within a week of allocation.
- (vi) Placement of supply orders on factories by the consignees—This is done within 15 days of (v) above.
- (vii) Despatch of cement by factories to consignees—This is supposed to be completed before the end of quarter. If the supply does not materialise before the last day of the quarter the allocation lapses. Under the prevailing circumstances of shortage of power frequent strikes, lockouts and transportation bottlenecks as well as very tight schedule as enumerated above, it rarely happens that the supply of allocated cement materialises before that particular quarter ends. Under these uncertain circumstances, over-provisioning to cater for lapses of allocation is inevitable. However, every care is taken that the cement once procured is kept under proper storage to avoid deterioration.

As far as present system of assessment of requirement of stores is concerned, there is nothing vitally wrong. It is the uncertain circumstances prevailing in procurement which had forced some sort of over-provisioning.

1.76. The Committee pointed out that in 1973-74, there was scarcity in the market but there was surplus stock of steel with the defence authorities. Explaining the position, the representative of the Ministry of Defence:

“In 1973 when financial stringency was placed on us, all works which were upto the plinth level had to be stopped. In fact, for two years, very little work took place during those two or three years whereas many projects had been foreclosed. The steel and cement that we had demanded earlier on were still coming in. This resulted in excessive holdings.”

1.77. Asked whether the existing procedure for procurement was satisfactory, the representative of the Ministry of Defence stated:

“The existing procedure is not satisfactory, but we shall have look into the system to see how we can improve it. But at the moment I really have not got an answer.”

1.78. It is seen from the Audit Paragraph that in Project S-1 despite the fact that contracts for execution of works concluded by the Zonal CE stipulated that steel would be provided by the contractor, 473 tonnes of steel costing Rs. 8.23 lakhs were procured in 1975-76 against monetary allotment for the project. The GE indicated July 1977, that this was not required for the project. The Ministry of Defence intimated Audit in February 1979 that procurement action was taken in advance on the assumption that the department would supply steel to the contractor; the contract, however, provided that steel items would mostly be arranged by the contractor.

1.79. Asked whether the steel used by the contractor was tested and inspected to check its quality and strength prior to its use, the Ministry of Defence stated:

"As per contract conditions, contractor was required produce Test certificate and therefore no prior inspection by the Deptt. was required. Accordingly, he had produced the requisite certificates for 322 M.T. Certificate for balance 30 MT are awaited from the formation concerned. They have been reminded in the matter by Signal and necessary certificate will be forwarded on receipt."

1.80. The Audit Paragraph reveals that 1,251 tonnes costing Rs. 22 lakhs of certain sections of steel procured for 18 projects remained entirely unused in September 1978. Out of 311 tonnes of certain other sections of steel costing Rs. 5.41 lakhs procured for 6 projects, only 54 tonnes costing Rs. 0.94 lakh could be used in works in September 1978.

1.81. The Committee wanted to know the reasons due to which the 1251 tonnes of the aforesaid steel remained entirely unused together with the reasons for their procurement when these were not required. In a note the Ministry of Defence stated:

"The steel sections covered under this point were purchases much in advance of the completion of actual designs of the buildings involved based on preliminary assessment of items of steel required therefor. Procurements based on preliminary assessment are unavoidable in the interest of timely completion of works during the days of shortages of steel. Demands based on such assessments are likely to result in procurement of certain odd sections of steel which may not be used after the design of the building on engineering and economical consideration have finalised subsequently.

Total Adm. approval cost of all the 18 affected projects works out to Rs. 601.68 lakhs, whereas the cost of 1251 MT of steel as assessed by the audit is Rs. 22 lakhs. This works out to hardly 3.6 per cent. This much of odd provisioning based on preliminary assessment is very nominal if compared with the advantages to be accrued as a result of timely completion of projects. Moreover, MES being a major executing agency, can utilise all such odd sections in other similar works either in the same station or outside stations in the best interest of state."

1.82. It is further seen from the Audit Paragraph that in respect of project S-17, the GE stated in October 1978 that 364 tonnes of steel costing Rs. 6.33 lakhs transferred to the project were not required for the project, but transferred only for financial adjustment of funds. The Committee enquired about the reasons for transporting the steel to project S-17, when it was not required there. The Ministry of Defence have stated:

As soon as the project 'S-17' was sanctioned and released for execution, a broad assessment of the different sections of steel required was carried out and the quantities of steel locally available against various completed works was transferred to this project. This transfer also facilitated the closure of financial accounts of the completed projects, which were also under criticism by the audit. Later on when the designs of the buildings included in this project were finalised, it came to light that these particular sections could not be utilised. However, the entire quantities have since been transferred to other works where these sections are actually required."

1.83. Asked whether the 364 tonnes of steel which was transferred to other projects had actually been consumed, the Ministry of Defence stated:

"It is confirmed that this item of steel has been issued to various projects and have been consumed."

1.84. The Committee desired to know whether the practice of large scale inter-project and inter-divisional transfers of steel procured from funds for specific projects had been examined and if so, what steps have been taken to stop this practice which resulted in unauthorised utilisation of funds for specific projects.

The Ministry of Defence stated as follows:

"The procurement action for steel is initiated much in advance of the finalisation of designs through which we come to know of the exact requirements. Some sort of extra and odd provisioning is thus inevitable under the existing system. All these odd sizes and extra quantities eventually become surplus to the requirement of the particular project. With a view to close the financial accounts of these projects, these odd sizes and extra quantities are utilised by transferring to the projects in hand. This inter-divisional and inter-projects transfer is permissible under the rule and is invariably done in the best interest of the state by ensuring that these transfers are limited to local transfers only. In very inescapable cases inter-station transfers are resorted to. Apart from this some time the transfers are resorted to meet the contractual obligations as other-wise Government may have to face claims from contractors involving extra expenditure and also delay in the completion of the project."

40 mm Square Bars

1.85. The Committee desired to know as to how the extra quantity of 40 mm square bars procured in January, 1973 had remained unutilised after a series of transfers. The Ministry of Defence stated:

"Steel 40 mm square has become a very odd size and not normally used now due to economic reasons. It was procured long back when the use of this size was in frequent practice. Its demand was also placed one year ahead as per procedure explained in the reply to point 15. Subsequently, due to change in scope as a result of adopting economical specifications, there were frequent transfers to close the completed projects financially."

1.86. Asked about the action taken for disposal of 80 tonnes of square bars since declared surplus, the Ministry of Defence stated:

"This steel is now proposed to be utilised in current works by rerolling it into 8 mm dia bars, which are frequently used in works these days. A case on these lines is under consideration."

1.87. Asked about the extra expenditure involved in rerolling of 40 mm square bars into 8 mm dia bars and also whether the work had since been completed, the Ministry of Defence stated:

"The Ministry expenditure involved in rerolling 40 mm square bars into 8 mm dia bars is Rs. 41,408.25. The re-rolling job is in progress and is likely to be completed by 31-3-1981."

Torsteel 40 mm

1.88. The Audit Paragraph reveals that one hundred and eighty-one tonnes of Torsteel 10 mm costing Rs. 3.15 lakhs were procured and debited against a project in September 1975, by transfers. The utilisation in the project was only 2 tonnes and the balance had to be subjected to a series of further transfers. The position regarding the ultimate utilisation of the balance 179 tonnes was awaited in January 1979.

1.89. The Committee desired to know the reasons for transferring 181 tonnes of torsteel to the project in September, 1975 when the utilization was only 2 tonnes. The Committee also enquired about the present position of utilisation of 179 tonnes and also whether responsibility has been fixed for excess procurement. In a note, the Ministry of Defence have stated:

"The steel was lying surplus against some project physically not requiring this section of steel. It was transferred to this project to close the financial accounts of the earlier project. However, due to change in design, it could not be used in this particular project as well. The entire quantity has since been utilised in other works in the best interest of state. Fixing of responsibility under the circumstances stated above at this late stage is not contemplated."

1.90. Asked about the extra expenditure incurred on effecting transfers of 181 tonnes of torsteel and also when it was actually used, the Ministry of Defence stated:

"The extra expenditure involved in transferring some portion of steel to outstations is Rs. 2,328/- and the steel has been consumed."

Procurement and transfers leading to surpluses uonal GEI

1.91. The Committee desired to know the reasons for procurement of 84 tonnes of certain section of steel in December 1977 when

80 tonnes of steel of the same section and procured in March 1973 had remained unutilised. The Ministry of Defence stated:

"80 tonnes of steel were procured at the planning stage, but was not utilised due to change in design.

78.82 tonnes and not 84 tons was received from another GE, consequent on transfer of works due to re-organisation of areas of command and control. This had not been purchased by the department through trade."

1.92. Asked as to how the surplus of 353 tonnes of steel was proposed to be used or disposed of, the Ministry of Defence stated:

"224.379 MT has since been utilised. Balance quantity viz., 28.621 MT has been earmarked for incorporation in current works."

Zonal GE-II

1.93. The Committee desired to know the present position of disposal of 447 tonnes of steel declared surplus in 1975. The Ministry of Defence stated:

"The present position with regard to disposal of 447 MT of steel is as under:

- (a) 158 MT has been utilised in the formation.
- (b) 45.00 MT has been transferred to GE at Itarsi.
- (c) 45.00 MT has been transferred to GE(N) Secunderabad.
- (d) 1.50 MT has been transferred to GE Saugar.
- (e) 0.50 MT has been transferred to GE Mhow.
- (f) 46.00 MT has been transferred to OC 1335 Depot C/O 99.
- (g) 11.00 MT detained for utilisation in this zone for anticipated works.

TOTAL—307.00 MT

Balance of 140 MT has been declared surplus and report submitted to E-in-C's Branch, Army HQ by CE. E-in-C's Branch will now be deciding about its utilisation shortly."

1.94. The Committee enquired about the reasons which necessitated the change in design and also as to why the same could not be anticipated. The Ministry of Defence stated:

“Change in the design became necessary due to change in location of the building sanctioned against projects for provision of OTM accommodation for Chief Engineer Southern Zone Madras and provision of OTM accommodation for Hqrs ATNK&K Area Madras. This could not be anticipated as issue regarding change in the location was brought up by the State Government after representation from the public.”

1.95. Asked as to when the design was changed and the procurement of steel made, the Ministry of Defence stated:

“The design was changed after the new location had been finalised. The procurement of steel was done as soon as the work was released for execution.”

Payment of advance for steel

1.96. In accordance with Government orders, CEs are authorised to make 100 per cent advance payment to stockyards of main producers after ensuring that the quantity and quality of steel actually available is strictly in accordance with the offer made by the suppliers. It is seen from the Audit Paragraph that the Controller of Defence Accounts concerned intimated Audit in January 1979 that advance of Rs. 156.15 lakhs were outstanding in 54 divisions in the Command for period ranging from one to over seven years i.e. during 1970-71. There was, however, wide variation between the figures of outstanding advances as furnished by the CDA (Rs. 156.15 lakhs—January 1979) and those by the Command authorities (Rs. 9.51 lakhs—as on 30th November 1978). The Committee desired to know the reasons for the wide variations between the figures of outstanding advances (Rs. 156.15) lakhs as furnished by the CDA and those (Rs. 9.51 lakhs) furnished by the Command authorities and steps taken to reconcile these two sets of figures. The Ministry of Defence stated:

“Chief Engineer Southern Command has intimated that reconciliation has been done with CDA, Southern Command representatives. Amount which remains to be reconciled is Rs. 22.24 lakhs only as against Rs. 156 lakhs indicated earlier. Further reconciliation is in progress.”

1.97. Asked about the time schedule of supplies by HSL and reasons for not adhering to time schedule, the Ministry of Defence stated:

"There was no time schedule from our side for the supply of steel. The steel was to be collected within three weeks from the date of offer after the advance payment has been made."

1.98. The Committee further enquired whether there were any penalty clauses in the agreement and whether these were timely enforced. The Ministry of Defence stated:

"There was no agreement entered into with the main Producers of steel to whom advance payment was authorised to be made. Since the steel was in short supply, advance payment had to be made and steel collected immediately thereafter. In case of non-supply/short supply, the main producers either allow refund or its adjustment with subsequent supplies."

Billet-rerollers

1.99. According to the Audit Paragraph, billet re-rollers were to be paid for supply of steel only against delivery or against proof of despatch. Advances totalling Rs. 36.49 lakhs were, however, paid to billet re-rollers by 6 divisions during 1972—75. In one such case, out of Rs. 1 lakh paid in November/December 1971, supplies were made only for Rs. 0.52 lakh and an amount of Rs. 0.48 lakh was yet to be recovered (September 1978) from the firm. The Ministry of Defence intimated Audit in February 1979 that the outstanding amounted to Rs. 0.62 lakh for which legal action was in progress.

1.100. Asked about the present position of the legal action, the Ministry of Defence stated:

"Rs. 48 thousand only is outstanding against billet re-rollers, M/s. K. T. Rolling Mills Bombay. Legal action has been instituted in the concerned court of law. Last hearing of the case was 11 September, 1980. The case is being vigorously pursued by Chief Engineer, Southern Command."

1.101. The Committee desired to know whether the suppliers who had violated the terms of the contract, have since been black-listed. The Ministry of Defence stated:

“Most of the rerollers had cleared the payment or completed the supplies. M/s. K. T. Rolling Mills is the only defaulting firm which owes to the department as refund amounting to Rs. 48,479.05. No banning action has yet been taken since the case is before the Court of Law.”

Procurement of steel for a Project

1.102. It is seen from the Audit Paragraph that a test-check of inventory of steel held in the project indicated that stock levels maintained were considerably more than the requirement. The Committee desired to know the reasons for holding steel in stock in excess of the prescribed ceiling. The Ministry of Defence stated:

“Holding of steel in stock in excess over the prescribed limit took place due to the fact that stores for sanctioned works had also been accounted for along with unsanctioned works. This may be treated as Procedural deviation. The stores both for sanctioned and unsanctioned works had been maintained in the “Central Stores” for their easy accounting, stocking and issue to works in progress. Moreover advance procurement of steel was necessitated due to non-availability of steel items in the open market, being controlled items, and to avoid the stoppage of work on this account. The availability of steel during the period 1971—74 was appreciably restricted. The demands for steel had, therefore, to be initiated based on preliminary assessments; in most cases, prior to the issue of admin approvals.”

1.103. The Committee desired to know the reasons for transferring 391 tonnes of steel when the freight and handling charges came to Rs. 1.13 lakhs and Rs. 0.35 lakh, respectively. The Ministry of Defence stated:

“391. tonnes of steel were transferred to outside MES formations being surplus. Freight charges and handling charges had to be borne by the consigner is per existing MES regulations.”

1.104. Asked about the present position of disposal of 1,195 tonnes of surplus steel the Ministry of Defence stated:

"All possible efforts to liquidate the surpluses have been made and as a result much of the surpluses were disposed of by transferring the same to various Defence and Public Sector establishments. The balance of surpluses now held works out to only 295 MT with their value of Rs. 5,19,525 only. Possibilities to utilise these balance quantities either in the works of Phase II or to issue the same to any other needy establishments are still being explored."

Procurement of Cement

1.105. The Committee desired to know the reasons due to which the prescribed procedure for provisioning of cement was not followed in 5 projects as mentioned in the audit paragraph. The Ministry of Defence stated:

"Cement is a scarce commodity required in building construction. The normal time lag between the forecast of demand and its actual receipts is not only abnormally long but also highly unpredictable. The demand is forecast to the best ability of local engineers 6 months in advance keeping in view the works in progress, works anticipated to be sanctioned/contracted. The anticipation in this context can well be appreciated. Due to unpredictable and long lead time, the engineers do not allow the allocation of cement made to them to lapse on any account. The extra receipts due to approximation in forecast are invariably utilized by the local engineers to carry out unprogrammed urgent works with least time lag. Hence the prescribed procedure could not be followed up in these cases.

Here it is submitted that so long as the demands are to be forecast based on sanctioned/anticipated to be sanctioned works and the supplies are not certain/unpredictable, such situations are bound to occur. However, it is important to note that there has been no loss due to pilferage/deterioration on account of over-provisioning of cement as it was utilised in other project."

1.106. Asked if there was any loss in transportation of 5811 tonnes of cement which was subsequently transferred/despached, the Ministry of Defence stated that there was no loss in all the seven Cases.

1.107. The Committee desired to know the grounds on which disciplinary action against the other officers was under consideration. The Ministry of Defence stated:

"The other officer namely Shri E. I. Patel, the then Offg. GE(P) Nasik was blamed for booking the consignment of M Tonnes of cement without consulting GE Baroda despite instructions to the contrary from CE(WZ) Bombay. He has also been blamed for not contacting CE(WZ) Bombay immediately on receipt of telegram dated 1st November, 1976 from GE Baroda so that re-booking of the consignment could have been avoided."

1.108. The Committee pointed out that the Report of the Comptroller and Auditor General of India containing the Paragraph No. 22, under examination was presented to Parliament in May, 1979. The Committee, therefore, desired to know whether any review was conducted after the presentation of the Report. The representative of the Ministry of Defence stated during evidence:

"On each item, various observations have been made by Audit. We have actually taken remedial measures on each item. We have mentioned above the remedial action taken in respect of each item. For example, on the question of overstocking in certain depots, Audit had made some observations—there was overstocking and all that. After taking into account all the observations made by the Audit, we have written to the E.M.E. Branch who, in turn, have issued instructions to their lower formations on how this situation can be improved."

Role of Internal Audit

1.109. The Committee desired to know whether the office of the Financial Adviser (Defence Services) and the internal audit of the Ministry exercised any control as far as provisioning was concerned. The Financial Adviser to the Ministry of Defence stated:

"All provisioning proposals come from the concerned offices of the Ministry of Defence. They are initiated by the Defence Ministry or by the various Defence Services H.Q. offices. Then they come to our Division that is, the Finance Division. We examine these proposals with reference to the data and other norms which are there; these are thoroughly examined with reference to the standards laid down in respect of each H.Q. and if they

satisfy those conditions, these proposals are cleared. Each proposal is being examined very critically in the Finance Division. Whenever any difficulties crop up, these are discussed and the matters get sorted out.

Regarding provisioning, there are standing orders. Each head-quarter office can make certain provisioning for itself if the total value falls within their competence. Sometimes one would find that inventory control is not satisfactory. This fact is brought to the notice of the concerned Executive Authority at the decision making level."

1.110. Elaborating the position further, the Controller General of Defence Accounts stated:

"We have to ensure that each unit holds items which have been authorised. If the numbers are beyond the limits prescribed or in excess, then objections are raised. Now, here, these cases have all along been within the authorised limits. There may be cases of non-utilisation. There may be cases of under utilisation and things like that. These things do not fall within the normal purview of Internal Audit. It is not within the normal jurisdiction of the Defence Accounts Department as such, but we do object and highlight such irregularities."

1.111. Asked whether the Defence Audit considered it desirable to take some remedial measures so far as the irregularities pointed out in the Audit Paragraph were concerned, the representative of the Office of the CGDA stated:

"We have got the organisation under the Director of Audit, Defence Services. They carry out such studies. As you know, the total quantity of stores held by the various Defence Services run into several crores of rupees. Our organisation being charged with a specific responsibility, cannot as a matter of course conduct this type of study. So, this as done by the Director of Audit, Defence Services. It is a statutory audit body and they can go into it."

1.112. In a note, subsequently furnished by the Ministry of Finance (Defence Division) it has been stated that the Deputy Financial Adviser had visited the Engineer Stores Depot, discussed in the Audit Paragraph with a view to carrying out an on-the-spot examination of surplus of surplus Engineer Stores awaiting disposal there and had given his suggestions to the E-in-C concerned.

Role of the Financial Adviser

1.113. The Committee desired to know as to how the Financial Adviser (Defence Services) exercised budgetary control. The Financial Adviser (Defence Services) stated:

"We have got budgetary control at two points of time. One is before the actual expenditure is incurred. That is, before anything is purchased, we see whether they exceed the quota or the ceilings fixed. After the items are purchases, the Controller General of Defence Accounts who is the Internal Auditor, scrutinises the accounts of holdings of equipment, spares etc. and reports them regularly through the Annual Appropriation Accounts which is submitted to the Comptroller & Auditor General of India and to the Parliament through the Financial Adviser (Defence Services). The third aspect of the control is by sending officers from my organisation to the major depots for on-the-spot reviews and report. As mentioned by me earlier, we had recently sent an officer to... and sent the reports of the visit to the Engineer-in-Chief, which are being pursued. Thus there are three stages at which control is exercised."

1.114. The Committee desired to know the details of the Reports furnished by the Office of the Controller General of Defence Accounts during the last 5 years pointing out the various surpluses and the action taken thereon. The Ministry of Defence stated:

"The CGDA has reported surpluses in his reports published in the Appropriation Accounts (DS) for the year 1972-73, 1973-74, 1976-77 extracts of which are reproduced below:—

In other years surpluses/holding of obsolete/repairable stores in respect of Navy, Air Forces and Ordnance Factories have been reported.

Appropriation Accounts (DS) 1972-73 Page 18—Annexure III to Para 15

Large number (42) of surpluses/obsolete items of plant and Machinery worth Rs. 6.54 lakhs are held in stock without any use for periods ranging from 1 to 17 years and are awaiting disposal in 9 MES Divisions, one R&D Estt. Units—and 2 EME Workshop in one Command."

Appropriation Accounts (DS) 1973-74 Page 20—B—Army of Annex. to Para 14

“9 Large quantities of Plant and Machinery valued at Rs. 126.93 lakhs (approx.) are held in stock without any use for long periods mainly in 27 MES Divisions,—— in the Command——.”

Appropriation Accounts (DS)—1976-77 Page 19—Annexure III to Page 14 “7: Holding of surpluses/obsolete Stores Plant and Machinery etc.

Plants and Machinery valued Rs. 79 lakhs and store worth Rs. 59 crores etc. awaiting disposal in certain MES Divisions, Military farms, Military Hospitals, Depots, Workshops and various miscellaneous organisations in a certain Command. Out of the above, plants and machinery worth Rs. 44 lakhs are awaiting disposal for more than five years.”

The action taken in respect of MES Stores is as follows:

Stores valued at Rs. 23 lakhs have since been disposed off till Sept. 79. A further list of stores valued at Rs. 8,95,874 were declared surplus and approved by the Ministry of Defence on 20 July 79 for disposal. Out of these, stores worth Rs. 3,45,288 have already been disposed off and the balance of Rs. 50,608 cannot be disposed off for want of appointment of an approved Government Auctioner which is under consideration by the Ministry of Defence *vide* their U.O. No. 179/DO II dated 16-1-81. The stores are lying in Port Blair.

Furthermore as already stated all Commands have been instructed in Dec. 79, to order Boards to locate surpluses.

Plant and Machinery

- Plant and Machinery worth Rs. 95,50,576 were declared surplus and approved by the Ministry of Defence on 20 July 1979. Out of these, machinery worth Rs. 31,27,864 has already been declared to DGS&D for disposal auction. The balance of the machinery worth Rs. 58,82,403 is lying at Port Blair and for Rs. 14,40,291 at Bhuj. As stated there is no government appointed auctioner at Port Blair, and the disposal is held up.”

1.115. Inventories carried by the Military Engineer Services (MES) include earthmoving equipment, tools and plant like road rollers, generators, concrete mixers and scarce building material such as steel and cement. Two main authorities that hold engineer equipment, stores, tools and plant are the Engineer Stores Depots (ESDs) which hold them as stock and Garrison Engineers (GEs) who hold them for normal use. Control over issue of these items is exercised both by the Engineer-in-Chief (E-in-C) and the Chief Engineer of the Command. Issues of specific items like tractors, held by the ESDs, are controlled by the Engineer-in-Chief. The Chief Engineer of the Command also controls a pool of items held in the ESDs in common demand for works in engineer formations under him.

1.116. The Committee have been informed that with a view to ensure against over-provisioning, all engineer stores of engineer origin authorised to Army Units are procured centrally by Engineer-in-Chief's Branch. New tractors etc. are stated to be procured after carrying out provision review, keeping in view the total assets and liabilities as approved by Ministry of Finance (Defence), and only net deviciencies are made up through fresh procurement subject to availability of funds. Surpluses are located by undertaking Annual Provision Reviews. The Committee are surprised to note that despite the checks exercised both at the time of procurement as well as issue of equipment and stores, excessive surpluses were disclosed as a result of an examination conducted by Audit during September, 1978 of inventories held in an ESD and by selected GEs in the Military Engineer Service (MES) in a Command.

1.117. As a result of further information obtained by the Committee, the following disquieting features are revealed:

- (1) The total value of inventory in the ESD is approximately Rs. 28.13 crores.
- (2) Spares for certain models of tractors were procured considerably in excess of requirement resulting in obsolescence/redundancy and these have ultimately to be disposed of as scrap.
- (3) A large number of items of 1942-43 ie. world war vintage are still held in stock.

- (4) A review of stores other than tractors ordered in November, 1977 revealed that a total of 1602 items valuing Rs. 1.87 crores were surplus. Disposal action in respect of such items as cannot be re-utilised is stated to be in hand.
- (5) The procedure for disposal of items declared as beyond economic repairs (BER) is "time consuming and takes years to finalise."

1.118. The Committee also find from the Appropriation Accounts (1976-77) that Plants and Machinery valued Rs. 79 lakhs and stores worth Rs. 59 crores were awaiting disposal in certain MES-Divisions Military farms, military hospitals, Depots and workshops etc. in a certain Command. Out of the above, plants and machinery worth Rs. 44 lakhs were awaiting disposal for more than 5 years.

1.119. The Committee observe that as a result of the probings made by Audit and the various deficiencies pointed out by them, some remedial measures have already been initiated. Some of the important steps taken are as follows:—

- (1) Instructions were issued in January 1979 laying down priorities for issue of plants/tractors. Old, serviceable plants/tractors are to be issued first and new plant/tractors after that.
- (2) It is proposed to transfer such of the tractors as have completed 15 years but not 6000 hours and are in serviceable condition to the Boarder Roads Organisation.
- (3) A triennial review is made to determine authorisation. As the last review was made in 1977, a further review is being carried out and the Chief Engineers have been asked to finalise the reports by June, 1981.
- (4) In December 1979, instructions were issued to all Commands to order Boards to locate surpluses.
- (5) In May, 1979, a directive was issued by Government reducing the scale of authorisation.
- (6) It is proposed to constitute a Committee at Ministry level to go into the Discard Policy and also the surpluses of various equipments/plants and spares.

- (7) It has been realised that procurement of spares based on Initial Stocking Guides for new equipment and models furnished by the manufacturers results in over-provisioning of certain spares and under-provisioning of certain other spares. On the basis of a standard provision Review Directive the actual wastage rate is to be taken into account for procurement of spares for Category 'B' spares.

1.120. The Committee were assured during evidence that the Ministry of Defence and the Army Headquarters were quite aware of the problems which required attention and the improvements that were necessary. It was proposed to set up small groups of officers to visit the ESDs, find out the problems and taking into consideration the points raised by audit, suggest better methods of inventory control.

1.121. The Committee note that some specific steps have already been initiated to bring down the inventories in the Military Engineer Services. The Committee expect that these would be pursued with vigour in all the Commands. The Committee would be interested to know the value of inventory holdings in each of the Commands as at the end of each of the last 3 years and the value of items discarded/disposed of.

1.122. In view of the assurance held out to them, the Committee would not like to go into details of the various instances of over-provisioning reported by Audit and which in any case, they expect the Ministry of Defence to examine thoroughly. The Committee would however like to make a few observations in respect of certain glaring cases of over-provisioning in the succeeding paragraphs.

1.123. The Committee note that in accordance with orders issued in December, 1976 by the Ministry of Defence, tractors are to be considered for discard after completion of either 6000 hours or 15 years, whichever is earlier. According to the Audit Paragraph 71 tractors valuing Rs. 232 lakhs, backloaded by various units were held by the ESD in repairable condition in September, 1978. 27 of these tractors had completed 15 years but not 6000 hours, 11 of them had done even less than 25 per cent of prescribed hours and majority of the remaining had done between 25 per cent and 50 per cent. It is apparent that there did not exist adequate work load for these tractors at the time of their procurement. According to the Ministry

of Defence the reason why they were not put to full use subsequently also is that "in the Army we have to ensure that the plants are totally reliable for use under battle field conditions. Therefore, certain amount of running hours have to be conserved for use in war and other national emergencies." The Committee consider that this argument, indisputable as it apparently is, cannot be stretched to such an extent as to justify utilisation as low as 25 per cent of the prescribed 6000 hours during the entire life span of 15 years of these tractors. The Committee would therefore like some objective criteria to be laid down in this regard.

1.124. The Committee are further concerned to note that another lot of 24 tractors, stated to be under discard, had neither completed 15 years nor 6000 hours and were held in a repairable condition and allowed to age when they had one to four years left to complete 15 years of life. These tractors had become surplus during October, 1976 due to reduction in authorisation of units. Explaining the reasons for not repairing these tractors for 2 to 3 years, the Ministry have stated "All the plants were in Class IV/V condition. The repair would have required major effort and cost of repair would have been very heavy and thus uneconomical." Still another reasons adduced by the Ministry for not repairing these tractors is the non-availability of spare parts. Under the circumstances, the Committee see no reason why these tractors were not immediately discarded and disposed of.

1.125. The Committee understand that out of the 71 tractors, 52 tractors have since been discarded, 2 have been declared beyond Economical Repairs and 15 tractors have been repaired/overhauled and issued to units for their further utilisation. The Committee would emphasise that immediate steps should be taken to dispose of the discarded tractors. Such of the tractors as are still serviceable may be offered to the Border Roads Organisation as proposed or to some other public sector undertaking or Government Department. The Committee would like to be apprised of the action taken.

1.126. The Committee are further concerned to note that 27 tractors, which were backloaded by units for repairs or procured from trade remained idle in the ESD for long periods. The position is as follows:

- (i) Out of 16 tractors, which were due for discard by 1980/1981, 14 and 2 remained in the ESD for 1 to 6 years and over six years, respectively.

- (ii) 3 tractors procured in August, 1972 from a public sector undertaking remained in the ESD for more than out of 15 years of their prescribed life and they were issued only in February, 1979.
- (iii) Similarly another group of 7 tractors were held in the ESD for 1 to 4 years.
- (iv) One tractor, which was backloaded to the ESD in September, 1970 and overhauled in 1971 was issued only in September, 1977.

1.127. The Ministry have not furnished any cogent reasons for holding them without any use in the ESD, even after carrying out expensive repairs on them except stating that some plants have to be held in the Depot as general reserve/various types of reserves. About keeping the new tractors unused in the ESD for as long as 6 years and more, the Ministry have stated that "the life spent by the new plant in the depot is not counted towards the 15 years age of the plant."

1.128. The Committee would like to know the definite reasons for the procurement of these 3 tractors when they remained unused for more than 6 years in the ESD. The Committee have no doubt that keeping the new tractors unused for such a long period is bound to affect the life and efficiency of the tractors apart from additional expenditure on their upkeep and maintenance.

1.129. The Committee further note that spares to the extent of 51 to 83 per cent of the total stock were held in the ESD in excess of requirement in respect of three models of tractors which were to be phased out by 1980. Test check conducted by Audit of spares for one of these models involving 903 items revealed that according to the requirement projected by the ESD for the next two years for 581 items, 98 items would be utilised in over 25 years, 81 items would be utilised for 10 to 25 years, 161 items would be utilised for 5 to 10 years and 241 items for 2 to 5 years. It is really surprising that procurement of spares to last for 25 years was made when the life of tractors for which they were meant was 15 years.

1.130. According to the Ministry of Defence, procurement of spares was based on Initial Stocking Guides which were prepared by the EME authorities and in the absence of any previous experience for these plants, these resulted in over-provisioning. The Defence Secretary, informed the Committee during evidence that The

armed forces are having a serious problem of getting spares of foreign origin. So, it is possible that the army was over-cautious or over liberal in procuring spares without any bad intention. He also stated that the manufacturers would like to sell as much spares as possible "because more profit comes from selling of spares than the tractor itself". The Committee are surprised by this aspect was not appreciated at the time of purchasing the spares. As stated earlier, in order to ensure avoidance of such over-stocking of spares in future, Provision Review directive for Category 'B' stores has been issued, laying down the provisioning policy based on actual past wastage rates, which according to the Ministry of Defence are realistic and there is no likelihood of over-provisioning.

1.131. The Committee would like to be informed of the precise value of surplus spares held in stock over the last three years and the action taken for their disposal. The Committee would also like to be informed about the steps taken to ensure avoidance of over-stocking of other categories of spares as well.

1.132. The Committee note that an automatic concrete batching plant with accessories was procured in 1966 at an approximate cost of Rs. 8 lakhs in foreign exchange plus Rs. 0.32 lakh paid as commission to the Indian agent. The plant was held in stock in an Engineer Park without any use for about three years from November, 1970. The Committee are surprised to note that the contractor did not make use of the plant as he made his own alternative arrangements under the optional clause in the contract. Thus the expenditure of Rs. 1.02 lakhs spent on freighting and erection of the plant at the site was rendered infructuous. The Committee fail to appreciate the reasons for the retention of the optional clause, when the concrete batching plant was already available. The Committee would also like to know the reasons for not ascertaining from the contractor before transporting and erecting the plant at site.

1.133. The Committee are distressed to note that the plant was left exposed to rain awaiting despatch to the ESD in August 1976, when its motors and engines got rusted. It is also unfortunate that though the plant was received in the ESD August, 1976, it was not formally handed over by the GE to the ESD till February, 1978 and as such it was kept in the open resulting in further deterioration of components. After taking over in February, 1978, the ESD noticed absence of batteries and leakage in fuel system. The plant was unserviceable as the engines, generators and motors required major overhaul. The Committee would like to know as to why the ESD

did not formally take over the plant immediately on its arrival in August 1976, and why it failed to take all necessary precautions for its upkeep and maintenance thereafter.

1.134. The Committee further note that Board of Officers detailed by the E in C to assess the serviceability of the plant has recommended that the plant be declared BER and disposed of by auction as "spares were not available within the country or from abroad since no firms in India manufacture such plant and Elba firm in West Germany, the suppliers, went under liquidation." The Committee have no doubt that had the ESD taken due precautions for its upkeep and maintenance immediately after August, 1976, when it arrived there, the plant would have been saved from deterioration. The Committee would like the whole matter to be examined for fixing responsibility in this case.

1.135. The Committee observe that the position regarding utilisation of the other items of stores numbering about 1500 possessed by the ESD, including generating sets, refrigerators, pumps, plates of various sizes, cables, canvas etc. is far from satisfactory. The Audit Paragraph points out that 1078 of the 1500 items had not been issued at all for over 10 to 15 years and there were meagre issues of the remaining items. The test check by Audit revealed that 3 items valued Rs. 1.27 lakhs were never utilised.

1.136. The cost of stock other than tractors and stock pile of steel, in term of weight alone amounted to Rs. 18 crores approximately. The Committee note with serious concern that this stock includes spares worth as much as Rs. 17 crores that is to say, over 94 per cent of the entire inventory consists of spares which may last for several years to come. The Committee would like a thorough enquiry to be made as to how such huge stocks of spares were allowed to be built up over the years despite all the prescribed checks. The Committee would also like to be informed of the extent of redundancy in this case and what steps are being taken to guard against such lapses.

1.137. The Committee understand that in 1977, an order was issued by the Ministry of Defence that all surplus stores in the entire MES would be reviewed. As a result of the review conducted in 1977, a total of 1602 items amounting to Rs. 1.87 crores were found surplus. Besides 203 tractors size I, II and III were also found surplus. Stores worth Rs. 99 lakhs have already been declared surplus to DGS&D for disposal by auction. Stores worth Rs. 88.2 lakhs are yet to be declared surplus for disposal by DGS&D.

1.138. The Defence Secretary informed the Committee during evidence, "My concern is to see that the things which are of no use

are identified and disposed of without our keeping them unnecessarily for a longer period. I would like to have an expert group to study this over and above the normal review which is going on in the MES itself." The Committee regret to observe that conclusive action still remains to be taken in respect of as large a number as 3431 items found surplus during the review conducted in 1977 and that "these are under active re-scrutiny." The Committee expect that the expert group now proposed to be constituted for the purpose, would proceed in the matter with utmost despatch. The Committee would like to be apprised of the results within six months. The Committee consider that the discard policy which is apparently defective, should also be got examined by the proposed expert group so as to facilitate expeditious action in respect of the serviceable/surplus stores and equipment.

1.139 The Committee observe that the procedure followed by the Ministry of Defence in the procurement and holding of scarce commodities like steel and cement for executing their projects is far from satisfactory. The Audit Paragraph points out that actual utilisation of steel in 32 projects varied from nil to 53 per cent while in case of cement the utilisation ranged from 6 to 65 per cent of procurement in seven projects. The Audit Paragraph has also pointed out that building materials (steel and cement) of the value of Rs. 221.98 lakhs, procured in excess of requirements for various projects resulted in diversion of surplus stock to other works involving unnecessary extra expenditure of Rs. 8.23 lakhs on transportation and handling.

1.140. One of the reasons adduced by the Ministry necessitating inter-project and inter-divisional transfers of steel procured from funds for specific projects is that "the procurement action for steel is initiated much in advance of the finalisation of designs through which we come to know of the exact requirements. Some sort of extra and odd provisioning is thus inevitable under the existing system."

1.141. It has also been pointed out that in respect of both steel and cement "the time lag between the initiation of demands and actual receipt of stores at site of works, is not only abnormally long but also highly unpredictable". While the Committee do concede that in the present day conditions, it seems necessary to take advance action to procure and build up some buffer stocks of critical building materials such as steel and cement in the interest of speedy execution of works, they would like to point out that this cannot be made an alibi for procurement on a scale totally unrelated to the actual requirements of the Army. The Committee consider that the figures of low utilisation ranging from nil to 53 per cent in the case of steel and 6 to 65 per cent in the case of cement do indicate the need for revamping the

procedures. The representative of the Ministry of Defence admitted during evidence that "the existing procedure is not satisfactory. We shall look into the system to see how we can improve it". The Committee would therefore urge that the procedure for assessment of requirements of steel and cement should be reviewed thoroughly so as to obviate over-provisioning such scarce and costly items and the Committee kept informed.

NEW DELHI:

April 29, 1981

Vaisakha 9, 1903 (S).

K. P. SINGH DEO,

Acting Chairman,

Public Accounts Committee.

APPENDIX I

(Vide para 1.1)

Review of inventory holding patterns in the Military Engineer Services in a Command

Audit Paragraph

1. *Introductory*:—Inventories carried by the Military Engineer Services (MES) include earth-moving equipment, tools and plant like road rollers, generators, concrete mixers and building materials such as steel and cement. Two main authorities that hold engineer equipment, stores, tools and plant are the Engineer Stores Depots (ESDs) which hold them as stock and Garrison Engineers (GEs) who hold them for normal use. Among equipment held by the ESDs are specific items like tractors, receipts and issues of which are controlled by the Engineer-in-Chief (E-in-C). The Chief Engineer (CE) of the Command also controls a pool of items held in the ESDs in common demand for works in engineer formations under him. Inventories of tools, plant and stores held by a GE include those required for project and maintenance work by him against authorisation, as well as on behalf of the Zonal CE. An examination (September 1978) in audit of inventories held in an ESD (other than reserves authorised) and by selected GEs disclosed the following features:

2. *Earth-moving equipment*

2.1. *Tractors*:—In accordance with orders issued (December 1976) by the Ministry of Defence, tractors are to be considered for discard after completion of either 6000 hours or 15 years, whichever contingency occurs earlier. Seventy-one tractors (value: Rs. 232 lakhs) backloaded by various units were held by the ESD in repairable condition in September 1978. Test-check of their log books revealed the following:

27 tractors (value: Rs. 86 lakhs) had completed 15 years but not 6000 hours; of these 11 had done less than 25 per cent of prescribed 6000 hours and the majority of the remaining between 25 per cent and 50 per cent.

24 other tractors (value: Rs. 81 lakhs) stated to be under discard had neither completed 15 years nor 6000 hours; these had been held in the ESD as repairable stock from two to three years and had one to four years left to complete 15 years of life. According to the Ministry of Defence (February 1979), these tractors being surplus to "authorisation" were not to be overhauled.

17 repairable tractors (value: 55 lakhs), not covered under discard, were held in the ESD from various dates from February 1975 onwards; out of these, 8 (value: Rs. 26 lakhs) had (September 1978) only 3 to 5 years left to complete 15 years' life for discard. The Ministry stated (February 1979) that 9 had since been sent for over-haul and the balance would be sent for over-hauled on receipt of intimation from the workshop.

The remaining 3 tractors (value Rs. 10 lakhs) were held for repairs.

2.2. *Non-utilisation of serviceable tractors*:—The following tractors backloaded by units for repairs or procured from trade remained in the ESD for long periods as shown below:—

16 tractors (value Rs. 52 lakhs) due for discard by 1980/1981 had been repaired, but remained (September 1978) in the ESD for 1 to 6 years (14 nos.) and over 6 years (2 nos.); three of these tractors were stated (February 1979) to have been issued out.

3 tractors (value: Rs. 5.30 lakhs) procured (August 1972) from a public sector undertaking continued to be held (September 1978) by the ESD for 6 out of 15 years of their prescribed life. The Ministry stated (February 1979) that these had since been issued out.

7 serviceable tractors (value: Rs. 23 lakhs) backloaded by units from 1974 onwards (and due for discard by 1980/1981) were held (September 1978) in the ESD for 1 to 4 years; one out of these 7 tractors was stated (February 1979) to have since been issued.

One tractor (value: Rs. 4 lakhs) backloaded to the ESD in September 1970 and held after overhaul (1971) was issued to the MES only in September 1977.

2.3. *Tractor spares*:—It was observed from the provision review conducted in August/October 1977 that spares to the extent of 51

to 83 per cent of the total stock were held in the ESD in excess of requirement in respect of three models of tractors which were to be phased out by 1980 and which, the Engineers stated, would not be repaired or overhauled. On a test-check in audit of spares for one of these models involving 903 items (cost not known), it was noticed that according to the requirements projected by the ESD for the next two years 581 items would be utilised in over 25 years (98 items), 10 to 25 years (81 items), 5 to 10 years (161 items) and 2 to 5 years (241 items). The Ministry stated (February 1979) that spares were previously procured on the basis of the Initial Stocking Guides for each equipment but these were now being procured on the basis of past wastage rate. The Ministry added that there was accumulation of spares for some items for which disposal action was in hand.

3. *Utilisation of a concreting plant*:—An automatic concrete batching plant with accessories procured in 1966 at an approximate cost of Rs. 8 lakhs (in foreign exchange), excluding Rs. 0.32 lakh paid as commission to the Indian agent was held in stock in an Engineer Park for about three years from November 1970. It was received (October 1973) by an engineer until for use in concreting work (freight charges: about Rs. 0.35 lakh). Its erection was completed in April 1974 at a cost of Rs. 0.67 lakh.

The contract concluded by the CE stipulated issue of the plant on hire at Rs 1,020 per day and Rs. 514 per off 1 day for concreting work of 45.705 tonnes. Under optional clause of the contract, the contractor, however, used ordinary concrete mixers under his own arrangements. The plant was backloaded and received in the ESD in August 1976; Rs. 1.02 lakhs spent on its transportation and erection proved infructuous.

The other points observed were:

The plant was left exposed to rain awaiting despatch to the ESD and its motors and engines were (August 1976) in rusted condition.

The plant, though received in August 1976, was not formally handed over by the GE to the ESD till February 1978 and was kept in the open with components getting further deteriorated: on taking it over, the ESD noticed absence of batteries, leakage in fuel system, etc.; the engines, generators and motors required major overhaul and the plant was unserviceable.

In March 1978 the ESD sought orders from the E-in-C whether the plant should be erected to test serviceability or disposed of in 'as is where is' condition. The cost of erection

for testing was estimated at Rs. 0.15 lakh. The E-in-C advised (April 1978) the ESD to check the serviceability of each equipment separately to avoid expenditure on erection of the plant.

A Board of Officers was stated to have been detailed (June 1978) by the E-in-C to assess the serviceability of the plant and its proceedings were awaiting finalisation (January 1979).

4. *Other stores*:—In accordance with the Standing Instructions issued by the E-in-C, accounting of Engineer stores is on numerical basis and, therefore, the total value of stores held in the ESD was not available. Besides reserves, tractors and their spares, there were about 1,500 items including generating sets, refrigerators, pumps, plates of various sizes, cables, canvas and steel; out of these 1,078 items had not been issued for over 10 to 15 years and there were meagre issues of the rest. A test-check of the utilisation of 15 items (stone crushers, dumpers, road rollers, etc.), value of which could be ascertained, disclosed that 3 items (value Rs. 1.27 lakhs) were never utilised and 12 items (value: Rs. 3.74 lakhs) were held without utilisation for over 2 to 3 years. Where the items had been utilised, the percentage of utilisation was below 10 per cent (4 items) and below 40 per cent (8 items). It was stated (June 1970—November 1978) that these stocks occupied an area of about 31,000 square metres (about 7 acres). The cost of 196 out of 1,500 items, assessed by a Board of Officers (June 1977) for the purpose of recommending their disposal, was Rs. 9 lakhs. The items were yet to be disposed of (September 1978).

The Ministry stated (February 1979) that out of the slow moving items, about 130 items of petroleum tank components had been disposed of and that action was in hand for disposal of the remaining items for which there had been no issues.

The cost of stock, other than tractors and stockpile of steel, in terms of weight amount to Rs. 18 crores approximately (at the rate of 0.25 lakh per tonne) as indicated by the ESD. The Ministry stated (February 1979) that spares worth Rs. 17 crores were included in these items.

5. *Procurement of 20-ton tractors and trailers*:—Orders for 12 tractors (cost: Rs. 20.15 lakhs) and 12 trailers (cost: Rs. 10.61 lakhs) with their fifth wheel assemblies (cost: Rs. 0.72 lakh) were placed by the E-in-C on two private firms during November 1973 and July 1974 respectively. The trailers without fifth wheel assemblies were received in one MES Division in October and November 1974 and

the tractors received in October 1975 were kept in covered accommodation in a nearby ESD.

In January 1976 and again six months later, the GE reported that 20 per cent of the trailer bodies had rusted, that hair-cracks in tyres had increased and that normal life of batteries of the tractors was over. Thereafter, instructions were received (August 1976) by the GE from the Commander Works Engineer (CWE) to divert the batteries from the tractors for use in nearby Engineer formations.

As tractors were procured without cabins, work of construction of cabins was allotted to a firm in March 1976 at Rs. 0.82 lakh and completed in 3 months. The 5th wheel assemblies of trailers were received and fitted only by September 1976. Thereafter, the tractors and trailers were formally consigned to outstations during December 1976—February 1977, but 3 tractors with trailers (out of 12) costing Rs. 6.07 lakhs continued to remain in the nearby ESD.

The Ministry stated (February 1979) that the trailers being large in size, no covered accommodation was available for them and their deterioration was of a minor nature. The Ministry added that 3 tractors along with trailers were held by ESD as loan for transporting plants and that out of 48 batteries, alternative use for 22 was found.

*6.Idle tools and plant with GEs:—*At st-check of utilisation of tools and plants in three divisions indicated (September 1978) the following:

GE 1

Forty-six serviceable plant (value: Rs. 2.38 lakhs) held in the division had not been utilised for over 7 years (except 3 used in one year only). These included a tractor (value: Rs. 0.66 lakh) held without use from 1969 and 28 other plants (value: Rs. 0.51 lakh) never used since receipt and held idle for over 15 years. According to the Ministry (February 1979), most of these plants were under discard policy.

GE 2

Twenty-two plants (value: Rs. 24.73 lakhs) including 10 tractors (value: Rs. 23.06 lakhs) in repairable condition, 4 generating sets (value: Rs. 1.23 lakhs) and one concrete mixer (value: Rs. 0.28

lakh) were held for over 8 years in the division after completion of a project. In addition, tools and spare parts (value: Rs. 4.34 lakhs) were held by the division as surplus to requirements. Of 9 serviceable plants, 4 items (value: Rs. 0.38 lakhs) remained unused from January 1975. The Ministry stated (February 1979) that the plants had become surplus on completion of a project, and most of these were under disposal.

GE 3

In this division, 10 plants (value: Rs. 3.90 lakhs) were held. These included a well-boring rotary rig (value: Rs. 2.02 lakhs) held as repairable since September 1976, bituman sprayers and concrete mixers (value: Rs. 0.23 lakh) not utilised during the last 3 years. These were reported (February 1979) to be under disposal.

7. *Divisional Stock*:—Government regulations stipulate holding of a stock of stores in each division (GE) to cater for rapid execution of miner works and maintenance (paints, bulbs, etc.). Limits of such stocks not exceeding four months' average requirement are to be fixed by the CWE. A test-check in 5 divisions revealed that the value of stock held at the end of each of the year 1975-76 to 1977-78 as well as the maximum limit fixed was considerably more than the average consumption of 4 months as indicated below:

Division	Year	Average consumption for 4 months	Maximum limit fixed by CWE	Actual stock held
(Rs. in lakhs)				
1	1976-77	0.73	1.56	1.94
	1977-78	0.73	4.35	4.74
2	1975-76	0.17	1.49	0.75
	1976-77	0.79	1.68	1.09
	1977-78	0.32	0.87	0.66
3	1975-76	0.03	1.17	0.90
	1976-77	0.21	1.17	1.18
	1977-78	0.11	1.17	0.23
4	1975-76	0.54	3.78	1.08
	1976-77	0.21	1.45	1.18
	1977-78	0.36	1.43	1.12
5	1975-76	0.62	3.13	0.89
	1976-77	0.67	2.67	1.01
	1977-78	0.68	1.79	1.13

According to the Miny (February 1979), the CE has issued instructions to Zones to ensure that stocking is limited to assential requirements.

8.0. *Procurement and holding of steel and cement*:—A review of pattern of procurement of steel for 32 civil works projects (cost: Rs. 1280 lakhs) executed by 14 GE during 1972–78 and 7 projects (cost: Rs. 257 lakhs) covering the review of cement procurement indicated the following position:

	Steel		Cement	
	Qty. (in tonnes)	Cost*	Qty. (in tonnes)	Cost** (Rs. in lakhs.)
Procurement against monetary allotment for each of the projects	17,901	811.47	11,673	30.46
Used in these projects	6,016	104.68	5,852	15.27
Excess procurement	11,885	206.79	5,821	15.19

Computed at Rs. 1,740 per tonne.

Computed at Rs. 2.61 per tonne.

8.1. *Procurement and utilisation of steel*.—In respect of 32 projects, procurement and utilisation patterns were analysed and the following points were noticed:

- Against total requirement of 6,016 tonnes of steel (cost: Rs. 104.68 lakhs), procurement amounted to 17,901 tonnes (cost: Rs. 311.47 lakhs) which included 8,253 tonnes (cost: Rs. 144 lakhs) obtained by transfer from other works. Thus, excess procurement was of the value of Rs. 206.79 lakhs. Consequently, 10,558 tonnes including 2,305 tonnes procured from steel mills) costing Rs. 184 lakhs had to be transferred to other projects (6,581 tonnes) and outside divisions (3,977 tonnes).
- The percentage of utilisation of steel procured for the 32 projects varied from nil to 53.
- Handling charges at the rate of 6 per cent (laid down by the E-in-C) on excess quantity of steel procured that had to be transferred to outside divisions worked out to Rs. 4.14 lakhs.

- Steel obtained from producers was free on rail destination. Freight charges for transfers to other CEs at the flat rate laid down by E-in-C amounted to Rs. 3.45 lakhs.

In Project S-1 despite the fact that contracts for execution of works concluded by the Zonal CE stipulated that steel would be provided by the contractor, 473 tonnes of steel (cost: Rs. 8.23 lakhs) were procured in 1975-76 against monetary allotment for the project. The GE indicated (July 1977) that this was not required for the project. The Ministry stated (February 1979) that procurement action was taken in advance on the assumption that the department would supply steel to the contractor; the contract, however, provided that steel items would mostly be arranged by the contractor.

1,251 tonnes (cost: Rs. 22 lakhs) of certain sections of steel procured for 18 projects remained entirely unused (September 1978). Out of 311 tonnes of certain other sections of steel (cost: Rs. 5.41 lakhs) procured for 6 projects, only 54 tonnes (cost: Rs. 0.94 lakh) could be used in works (September 1978).

In respect of Project S-17, the GE stated (October 1978) that 364 tonnes of steel (cost: Rs. 6.33 lakhs) transferred to the project were not required for the project, but transferred only for financial adjustment of funds.

According to the GE (September 1978) who executed Project S-2, the poor utilisation was due to provisioning of steel for finalisation of designs for specific work. Thirty-one tonnes of 4 steel items (cost: Rs. 0.54 lakh) received by transfer from other projects during 1972-73 had remained entirely unused (September 1978). The extent of deterioration of steel in storage could not be ascertained.

The GE, who executed projects S-4, S-10, S-12, S-18, S-30 and S-31, stated that unless unwanted stores procured for the projects were transferred therefrom, funds would not be available for actual requirements of those projects and hence there were large number of inter-project and inter-divisional transfers. It was indicated that excess procurement was because of transfers from other projects and that steel was procured from funds provided for specific projects for possible use in future projects. This amounted to unauthorised utilisation of funds for specific

projects and diversion of monetary allotment without approval of the sanctioning authority for the projects.

8.2. A few cases of repetitive transfers involving utilisation of funds allotted for specific projects and fictitious adjustments in one division are given below:

40 mm Square Bars.—Eighty tonnes (cost: Rs. 1.39 lakhs) were procured by the GE in January 1973 for use in a specific project. The entire quantity remained unused (September 1978) after a series of transfers as follows:—

Fourteen tonnes were transferred out to another project in March 1973, to a second project in December 1974 and to a third project in September 1975.

Another 14 tonnes were debited against another project in March 1974 and thereafter to a second project in September 1974 which already had a balance stock of 2 tonnes.

Ten tonnes were transferred in March 1974 and again (August 1974) to another project where it continued to be held unutilised (September 1978).

Thirtyseven tonnes were transferred (September 1975) to another project which already had a stock of 13 tonnes.

Five tonnes were transferred to three different projects in March 1974. The project to which the cost of three tonnes was debited in the first instance already held a quantity of 11 tonnes transferred from elsewhere.

The GE stated (May 1978) that the entire quantity (80 tonnes) was being declared surplus.

Rolled Steel Joists.—Out of 16 tonnes (cost Rs. 0.28 lakh) obtained for a project in December 1973, 14 tonnes were transferred to another project and thereafter to yet another project in September 1975, where it remained unutilised (November 1977). Nineteen tonnes (cost: Rs. 0.33 lakh) obtained in December 1973 by transfer and debited against a project were subjected to a series of (5) transfers up to November 1976. It was observed that despite these transfers, 14 tonnes (cost: Rs. 0.24 lakh) remained unused (April 1978).

Torsteel 10 mm.—One hundred and eightyone tonnes (cost: Rs. 3.15 lakhs) were procured and debited against a project in September 1975, by transfers. The utilisation in the project was only 2 tonnes and the balance had to be subjected to a series of further

transfers. The position regarding the ultimate utilisation of the balance 179 tonnes was awaited (January 1979).

A test-check of utilisation of certain specific sections of steel held in the inventory of another GE for a project showed that against a requirement of 23 tonnes of 6 sections (cost: Rs. 0.40 lakh the division procured 229 tonnes (cost: Rs. 3.98 lakhs) during 1972 and debited its cost to the project. This necessitated transfer of 188 tonnes to other projects or divisions involving additional expenditure on freight and handling; the balance stock left with the GE was 9 tonnes only after utilising 32 tonnes in the project. The Ministry stated (February 1979) that procurement action was taken by a CE (different from the present one) when the area was under his jurisdiction.

9. *Procurement and transfers leading to surpluses*

9.1. *Zonal CE1*—A test-check of stores declared surplus by the Zonal CE indicated that out of 2,234 tonnes of steel (cost Rs. 38.87 lakhs) held (May 1978) on charge of projects under-taken by 17 GEs, 1,479 tonnes (cost: Rs. 22.57 lakhs) had to be declared surplus. Out of 1,479 tonnes declared surplus, an analysis of 962 tonnes pertaining to two GEs indicated the following position:

Division 1—806 tonnes surplus.—In this Division it was observed that out of 675 tonnes of certain sections of steel procured/obtained by transfer from other projects (1971 to 1977), 453 tonnes (cost: Rs. 6.91 lakhs) remained unused and were declared surplus. The GE stated (October 1978) that the non-utilisation was due to change in design, steel having been procured at the planning stage. It was, however, observed that while 80 tonnes (cost Rs. 1.22 lakhs) of a specific section were procured in March 1973 and remained unutilised, another 84 tonnes (cost: Rs. 1.28 lakhs) of the same section were procured in December 1977 and the entire lot declared surplus. Out of another lot (409 tonnes) of steel obtained by transfers, only 56 tonnes could be used, leaving a surplus of 353 tonnes (cost: Rs. 5.39 lakhs).

Division 2—156 tonnes surplus—Six hundred and eightyone tonnes of 5 specific sections of steel were procured for a project. Out of these, 427 tonnes were obtained by transfer and 254 tonnes purchased (between 1965 and 1968) from producers. One hundred and fifty six tonnes were held (30th September 1978) surplus, though the project was completed in 1971. The Ministry stated (February 1979) that though the completion of the project was shown as 1971,

stores for the project were issued even during 1975-1976, that building works were completed in November 1976 and that surplus steel had been circulated to defence priority indentors.

9.2. *Zonal CE II.* Four hundred and fortyseven tonnes of steel—cost: Rs. 9.10 lakhs—(including 386 tonnes procured in 1971 and 1972) were declared surplus in 1975 by a GE, but orders regarding its disposal were awaited (August 1978). The GE stated (August 1978) that the non-utilisation of steel was due to change in location of the buildings planned as well as the design. It was however, observed that while suspension of work on this account was ordered in March 1972, 358 tonnes (cost: Rs. 7.16 lakhs) of steel (since declared surplus) had actually been obtained during April 1972—March 1978 i.e., after the suspension of the work. Further, from 1972 to 1977, while the stock was held in the division, 50 tonnes (cost: Rs. 0.37 lakh) of the same section were purchased by other division under the same Zonal CE and 490 tonnes (cost Rs. 8.53 lakhs) or a Project at a nearby station.

10. *Payment of advance for steel:*—In accordance with Government orders, CEs are authorised to make 100 per cent advance payment to stockyards of main producers after ensuring that the quantity and quality of steel actually available is strictly in accordance with the offer made by the suppliers. A test-check of payments for steel procured by three MES divisions showed that supplies (a) of the value of Rs. 19.68 lakhs were received after lapse of 5 months to 15 months and (b) of the value of Rs. 2.44 lakhs after a lapse of over 15 months. It was also observed that supplies received were less than the quantity for which orders had been placed (expected to have been placed after ascertaining availability) but refund due was obtained only after one to three years.

	Rs. in lakhs
Refund obtained between one and two years	1.40
Refund obtained after two years	3.06

The Controller of Defence Accounts (CDA) concerned intimated (January 1979) that advances of Rs. 156.15 lakhs were outstanding in 54 MES divisions in the Command for periods ranging from one to over seven years (1970-1977).

The Ministry stated (February 1979) that:

Orders for advance payment for supplies of steel to stockyards of main producers were issued with a view to obtaining supplies quickly;

due to procedural delays there was always a time-gap between ascertaining the availability of stock and actual payment and during this period the stock held in the stockyards depleted as a result of other sales and consequential delay in supplies; and

efforts were made to reduce the outstandings and according to the Command authorities, the amount outstanding as on 30th November 1978 was Rs. 9.51 lakhs.

There was, however, wide variation between the figures of outstanding advances as furnished by the CDA (Rs. 156.15 lakhs—January 1979) and those by the Command authorities (Rs. 9.61 lakhs—as on 30th November 1978).

Billet re-rollers were to be paid for supply of steel only against delivery or against proof of despatch. Advances totalling Rs. 36.49 lakhs were, however, paid to billet re-rollers by 6 divisions during 1972 to 1975. In one such case, out of Rs. 1 lakh paid in November/December 1971, supplies were made only for Rs. 0.52 lakh and an amount of Rs. 0.48 lakh was yet to be recovered (September 1978) from the firm. According to the Ministry (February 1970), the outstanding amounted to Rs. 0.62 lakh for which legal action was in progress.

11. *Procurement of steel for a Naval project*

In a Naval project for repair and maintenance facilities approved by Government in September 1968, the project authorities proposed in July 1960 that a stores sub-park be created to hold and account for stores centrally. The creation of a central store for the project was sanctioned (December 1969) by the Ministry of Defence subject to the following conditions:

Stores held for non-sanctioned works were not to exceed Rs. 50 lakhs at any time.

Only stores that were essential to the speedy execution of the project were to be secured against budget provision for non-sanctioned works.

It would be ensured that stores procured for works in anticipation of issue of administrative sanctions would be fully utilised and did not become surplus.

Separate material accounts (indicating value) and material ledger (indicating quantity) would be maintained.

The above orders of December 1969, which were to expire in March 1972, were extended up to March 1975 subject to a reduction

in the monetary ceiling from Rs. 50 lakhs to Rs. 30 lakhs. No further extensions were either sought or granted.

The value of inventory of steel as observed from the concerned ledgers considerably exceeded the ceiling through-out the period as under:

	Prescribed ceiling (Rs. in lakhs)	Value of steel held (Rs. in lakhs)	Percentage of excess over prescribed ceiling
March 1971	50	78	57
March 1972	50	258	416
March 1973	30	276	820
March 1974	30	226	653
March 1975	30	102	240

While there were no orders authorising holding of stock for non-sanctioned works after March 1975, such stocks continued to be held for Rs. 102 lakhs (March 1975), Rs. 81 lakhs (March 1976), Rs. 61 lakhs (March 1977) and Rs. 48 lakhs (March 1978).

According to the project authorities, the value of steel held against non-sanctioned works was Rs. 23.51 lakhs only (January 1979) and a case for obtaining covering sanction for the central stock holding till the end of March 1979 had already (November 1978) been initiated.

Further, a test-check of inventory of steel held in the project indicated that stock levels maintained were considerably more than the requirement as analysed below:

Year	Procurement	Total including previous closing balance	Used	Closing balance
1	2	3	4	5
				(in tonnes)
Prior to :				
1970-71	2,350	..	93	2,257
1971-72	4,920	7,177	3,024	4,153
1972-73	13,256	17,409	1,826	15,583

1	2	3	4	5
1972-73	6,966	22,549	5,711	16,838
1973-74	3,665	20,503	6,729	13,774
1974-75	3,398	17,172	6,896	10,276
1975-76	3,213	13,489	4,199	9,290
1976-77	1,015	10,305	2,877	7,428
1977-78	543	7,971	2,172	5,799

As a result of the excess holding, 1,586 tonnes of steel (including 1,360 tonnes procured for non-sanctioned works) valued at Rs. 24.18 lakhs had to be declared surplus in October 1977. While the E-in-C was approached (December 1977) for exporing utilisation of the surplus, 391 tonnes of steel value: Rs. 5.94 lakhs had to be transferred (up to October 1978) to other outstation Division incurring an expenditure of Rs. 1.13 lakhs on freight plus Rs. 0.86 lakh (6 per cent of the value of Rs. 5.94 lakhs) as handling charges. Remaining 1.195 tonnes of surplus steel (cost: Rs. 18.22 lakhs approximately) were held in stock awaiting disposal (October 1978). Handling charges alone for this quantity would work out to Rs. 1.09 lakhs.

In regard to holding stock above the authorised limit for non-sanctioned works, the project authorities explained (March 1978) that stores were procured in the initial stages of the project when supply of steel was controlled and no estimates for works were pending with Government for sanction.

3,644 tonnes of steel were obtained for the Naval project from stockyards of steel plants. As steel ex-stockyard was stated to be costlier by Rs. 245 per tonne (approximately) than that available ex-steel plant, such procurement involved an additional expenditure of Rs. 8.93 lakhs. The project authorities stated (January 1979) that essential demands (other than bulk) were placed on the stockyard and extra expenditure so entailed was unavoidable.

12. Procurement of cement

An analysis of procurement and utilisation of cement in 7 projects disclose the following points:

As mentioned in sub-paragraph 8.0 against the total procurement of 11673 tonnes of cement during 1972—1978 for 7 projects, 5852 tonnes were used leaving the balance of 5821 tonnes (cost: Rs. 15.19 lakhs) out of which 5811 tonnes

of cement (cost: Rs. 15.17 lakhs) had to be transferred to other works including 2,245 tonnes (cost: Rs. 5.86 lakhs) to other MES divisions, involving expenditure of Rs. 0.64 lakh on freight and handling.

According to the procedure for provisioning of cement, requirements for a period of 3 months at a time are forecast 6 months in advance and reviewed 3 months hence. Out of the 7 projects analysed, this procedure was followed only in 2 projects (C—3 and C—6). Even here, against 940 tonnes estimated and demanded, 3,874 tonnes were procured out of which 1,961 tonnes only were used resulting in excess procurement of 1,913 tonnes.

The utilisation ranged from 6 to 65 per cent of procurement in 7 projects.

In a division against the requirement of 16.545 tonnes of cement (cost: Rs. 43.18 lakhs) for a project 19,698 tonnes (cost: Rs. 51.41 lakhs) were procured resulting in a surplus of 3,153 tonnes (cost: Rs. 8.23 lakhs). The surplus stock was transferred to other divisions during May 1976—June 1977, incurring an expenditure of Rs. 1.85 lakhs on freight and handling. This included 105 tonnes despatch under the orders (May 1976) of a Zonal CE to another station 600 kms. away and not accepted by the consignee for want of storage facilities. The consignment was subsequently received back resulting in an infructuous expenditure of Rs. 0.16 lakh on freight. The Ministry stated (February 1979) that on the findings of a Court of Inquiry held in this case, one officer was awarded severe displeasure of the Army Commander and disciplinary action against another officer was under their consideration.

13 *Summing up*

The important points emerging from the above review are mentioned below:

71 tractors (value: Rs. 232 lakhs) which had been utilised to a limited extent were held (2 to 3 years) in a repairable condition in an ESD and allowed to age. Of these, 27 (value: Rs. 86 lakhs) were under discard, 24 (value: Rs. 81 lakhs) due for discard during 1980/81 and 17 value: Rs. 55 lakhs) had 3 to 5 years of their prescribed life of 15 years left for discard.

19 serviceable tractors (value: about Rs. 62 lakhs), which had not been fully utilised, continued to be held in the ESD without turnover.

Spares for certain models of tractors (value not known) due for discard by 1980 were held in the ESD much in excess of requirements.

A concrete batching plant (approximate cost: Rs. 8 lakhs) procured in 1966 and issued to an engineer part in 1970 remained unutilised for 3 years. It was subsequently (October 1973) transferred to an engineer unit for issue to a contractor, backloaded in August 1976 without being put to use and received in the ESD where it was lying in an unserviceable condition.

About 1,500 items of other stores (approximate value: Rs. 18 crores) held in the ESD for long periods were awaiting disposal; of these 130 items were stated (February 1979) to have been disposed of.

Tools and plant (value: Rs. 31.01 lakhs) were lying idle for 3—8 years with 3 GEs in the Command.

Stock for maintainance was held in 5 divisions in excess of requirement at the end of 1975-76 to 1977-78.

Building materials (steel and cement) of the value of Rs.221.98 lakhs, procured in excess of requirements for various projects, resulted in diversion of surplus stock to other works (without adequate requirements in some cases so as to avoid lapse of funds) and involving unnecessary expenditure (Rs. 8.25 lakhs) on transportation and handling.

As per information furnished (January 1979) by the CDA concerned, a sum of Rs. 156.15 lakhs on account of advance payments made to suppliers of steel was outstanding for periods ranging from one to over seven years in 54 MES Divisions, though according to Ministry of Defence (February 1979) the outstanding amount as on 30th November, 1978 was Rs. 9.51 lakhs only. There were also delays in receipt of supplies and obtaining refunds for supplies not materialised/short supplied.

Steel was held in excess of the authorised limit of Rs. 50 lakhs applicable up to March 1972 (thereafter reduced to Rs. 30 lakhs applicable up to March 1975) for central stores park for a Naval project. Even after March 1975, large stock of steel continued to be held without proper authorisation. The value of such stock at the end of March 1978 was Rs. 48 lakhs (as against Rs. 102 lakhs at the end of March

1975). According to the project authorities, the value of such stock was Rs. 23.51 lakhs only (January 1979).

Additional expenditure of Rs. 8.93 lakhs on procurement of 3,644 tonnes of steel for the Naval project from stock-yards instead of from steel plants directly.

The Ministry of Defence offered (February 1979) general comments as under:

According to a decision taken by the E-in-C, serviceable new plants meeting the discard criteria would not be discarded because of age.

Tractors due for discard in 1980 were not repaired/overhauled in order to avoid expenditure on repair/overhaul.

Surpluses had cropped up over the years due to various reasons like change in the authorisation of units and Engineer Theatre Store Reserves.

Review of surplus stores held in the ESD was carried out (February 1977 and thereafter) and action for disposal of net surpluses was being progressed in order to reduce the dead inventory.

The maximum limit of divisional stock was fixed based on the assessment of normal recruitment for 4 months and not with reference to average consumption for that period.

Stocking also took into account the lead time for procurement of stores. As per instructions now issued by the E-in-C to the Zonal CEs., stocking was to be limited to essential requirements.

[Paragraph 22 of the Report of the Comptroller and Auditor General of India for the year 1977-78, Union Government (Defence Services)].

APPENDIX II

CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Deptt. Concerned	Corclusion/ Recommendation
	2	3	4
1.	1.15	Defence	<p>Inventories carried by the Military Engineer Services (MES) include earthmoving equipment tools and plant like road rollers, generators, concrete mixers and scarce building materials such as steel and cement. Two main authorities that hold engineer equipment, stores, tools and plant are the Engineer Stores Depots (ESDs) which hold them as stock and Garrison Engineers (GEs) who hold them for normal use. Control over issue of these items is exercised both by the Engineer-in-Chief (E-in-C) and the Chief Engineer of the Command. Issues of specific items like tractors, held by the ESDs, are controlled by the Engineer-in-Chief. The Chief Engineer of the Command also controls a pool of items held in the ESDs in common demand for works in engineer formations under him.</p>
2.	1.16	-do-	<p>The Committee have been informed that with a view to ensure against over-provisioning, all engineer stores of engineer origin authorised to Army Units are procured centrally by Engineer-in-Chief's Branch. New tractors etc. are stated to be procured after carrying out provision review, keeping in view the total assets and</p>

liabilities as approved by Ministry of Finance (Defence) and only net deficiencies are made up through fresh procurement subject to availability of funds. Surpluses are located by undertaking Annual Provision Reviews. The Committee are surprised to note that despite the checks exercised both at the time of procurement as well as issue of equipment and stores, excessive surpluses were disclosed as a result of an examination conducted by Audit during September, 1978 of inventories held in an ESD and by selected GEs in the Military Engineer Service (MES) in a Command.

-do-

1.117

3.

As a result of further information obtained by the Committee, the following disquieting features are revealed:

- (1) The total value of inventory in the ESD is approximately Rs. 28.13 crores.
- (2) Spares for certain models of tractors were procured considerably in excess of requirement resulting in obsolescence/redundancy and these have ultimately to be disposed of as scrap.
- (3) A large number of items of 1942-43 i.e. world war vintage are still held in stock.
- (4) A review of stores other than tractors ordered in November, 1977 revealed that a total of 1602 items valuing Rs. 1.87 crores were surplus. Disposal action in respect of such items as cannot be re-utilised is stated to be in hand.

- (5) The procedure for disposal of items declared as beyond economic repairs (BER) is "time consuming and takes years to finalise."

The Committee also find from the Appropriation Accounts (1976-77) that plants and machinery valued Rs. 79 lakhs and stores worth Rs. 59 crores were awaiting disposal in certain MES Divisions Military farms, military hospitals, Depots and workshops etc. in a certain Command. Out of the above, plants and machinery worth Rs. 44 lakhs were awaiting disposal for more than 5 years.

The Committee observe that as a result of the probings made by Audit and the various deficiencies pointed out by them, some remedial measures have already been initiated. Some of the important steps taken are as follows:—

- (1) Instructions were issued in January 1979 laying down priorities for issue of plants/tractors. Old, serviceable plants/tractors are to be issued first and new plant/tractors after that.
- (2) It is proposed to transfer such of the tractors as have completed 15 years but not 6000 hours and are in serviceable condition to the Border Roads Organisation.
- (3) A triennial review is made to determine authorisation. As the last review was made in 1977, a further review is

being carried out and the Chief Engineers have been asked to finalise the reports by June, 1981.

- (4) In December 1979, instructions were issued to all Commands to order Boards to locate surpluses.
- (5) In May, 1979, a directive was issued by Government reducing the scale of authorisation.
- (6) It is proposed to constitute a Committee at Ministry level to go into the Discard Policy and also the surpluses of various equipments/plants and spares.
- (7) It has been realised that procurement of spares based on Initial Stocking Guides for new equipment and models furnished by the manufacturers results in over-provisioning of certain spares and under-provisioning of certain other spares. On the basis of a standard provisioning Directive the actual wastage rate is to be taken into account for procurement of spares for Category 'B' spares.

6.

I. 120

-do-

The Committee were assured during evidence that the Ministry of Defence and the Army Headquarters were quite aware of the problems which required attention and the improvements that were necessary. It was proposed to set up small groups of officers to visit the ESDs, find out the problems and taking into consideration the points raised by audit, suggest better methods of inventory control.

7.

I. 121

-do-

The Committee note that some specific steps have already been initiated to bring down the inventories in the Military Engineer

Services. The Committee expect that these would be pursued with vigour in all the Commands. The Committee would be interested to know the value of inventory holdings in each of the Commands as at the end of each of the last 3 years and the value of items discarded/disposed of.

In view of the assurance held out to them, the Committee would not like to go into details of the various instances of over-provisioning reported by Audit and which in any case, they expect the Ministry of Defence to examine thoroughly. The Committee would however like to make a few observations in respect of certain glaring cases of over-provisioning in the succeeding paragraphs.

The Committee note that in accordance with orders issued in December, 1976 by the Ministry of Defence, tractors are to be considered for discard after completion of either 6000 hours or 15 years, whichever is earlier. According to the Audit Paragraph 71 tractors valuing Rs. 232 lakhs, backloaded by various units were held by the ESD in repairable condition in September, 1978. 27 of these tractors had completed 15 years but not 6000 hours, 11 of them had done even less than 25 per cent of prescribed hours and majority of the remaining had done between 25 per cent and 50 per cent. It is apparent that there did not exist adequate work load for these tractors at the time of their procurement. According to the Ministry

of Defence the reason why they were not put to full use subsequently also is that "in the Army we have to ensure that the plants are totally reliable for use under battle field conditions. Therefore, a certain amount of running hours have to be conserved for use in war and other national emergencies". The Committee consider that this argument, indisputable as it apparently is, cannot be stretched to such an extent as to justify utilisation as low as 25 per cent of the prescribed 6000 hours during the entire life span of 15 years of these tractors. The Committee would therefore like some objective criteria to be laid down in this regard.

10 I. 124

-Do-

The Committee are further concerned to note that another lot of 24 tractors, stated to be under discard, had neither completed 15 years nor 6000 hours and were held in a repairable condition and allowed to age when they had one to four years left to complete 15 years of life. These tractors had become surplus during October, 1976 due to reduction in authorisation of units. Explaining the reasons for not repairing these tractors for 2 to 3 years, the Ministry have stated "All the plants were in Class IV/V condition. The repair would have required major effort and cost of repair would have been very heavy and thus uneconomical". Still another reason adduced by the Ministry for not repairing these tractors is the non-availability of spare parts. Under the circumstances, the Committee see no reason why these tractors were not immediately discarded and disposed of.

1.125

Defence

The Committee understand that out of the 71 tractors, 52 tractors have since been discarded, 2 have been declared beyond Economical Repairs and 15 tractors have been repaired/overhauled and issued to units for their further utilisation. The Committee would emphasise that immediate steps should be taken to dispose of the discarded tractors. Such of the tractors as are still serviceable may be offered to the Border Roads Organisation as proposed or to some other public sector undertaking or Government Department. The Committee would like to be apprised of the action taken.

12

1.126

-Do-

The Committee are further concerned to note that 27 tractors, which were back-loaded by units for repairs or procured from trade remained idle in the ESD for long periods. The position is as follows:

- (i) Out of 16 tractors, which were due for discard by 1980/1981, 14 and 2 remained in the ESD for 1 to 6 years and over six years, respectively.
- (ii) 3 tractors procured in August, 1972 from a public sector undertaking remained in the ESD for more than 6 out of 15 years of their prescribed life and they were issued only in February, 1979.
- (iii) Similarly another group of 7 tractors were held in the ESD for 1 to 4 years

(iv) One tractor, which was backloaded to the ESD in September, 1970 and overhauled in 1971 was issued only in September, 1977.

13 1.127

Defence

The Ministry have not furnished any cogent reasons for holding them without any use in the ESD, even after carrying out expensive repairs on them except stating that some plants have to be held in the Depot as general reserve/various types of reserves. About keeping the new tractors unused in the ESD for as long as 6 years and more, the Ministry have stated that "the life spent by the new plant in the depot is not counted towards the 15 years age of the plant."

14 1.128

Do

The Committee would like to know the definite reasons for the procurement of these of 3 tractors when they remained unused for more than 6 years in the ESD. The Committee have no doubt that keeping the new tractors unused for such a long period is bound to affect the life and efficiency of the tractors apart from additional expenditure on their upkeep and maintenance.

15 1.129

Do

The Committee further note that spares to the extent of 51 to 83 per cent of the total stock were held in the ESD in excess of requirement in respect of three models of tractors which were to be phased out by 1980. Test check conducted by Audit of spares for one of these models involving 903 items revealed that according to the requirement projected by the ESD for the next two years for 581

items, 98 items would be utilised in over 25 years, 81 items would be utilised for 10 to 25 years, 161 items would be utilised for 5 to 10 years and 241 items for 2 to 5 years. It is really surprising that procurement spares to last for 25 years was made when the life of tractors for which they were meant was 15 years.

16

I.130

Defence

According to the Ministry of Defence, procurement of spares was based on Initial Stocking Guide which were prepared by the EME authorities and in the absence of any previous experience for these plants, these resulted in over-provisioning. The Defence Secretary informed the Committee during evidence that '... The armed forces are having a serious problem of getting spares of foreign origin. So, it is possible that the army was over-cautious or over liberal in procuring spares without any bad intention.' He also stated that the manufacturers would like to sell as much spares as possible "because more profit comes from selling of spares than the tractor itself". The Committee are surprised by this aspect was not appreciated at the time of purchasing the spares. As stated earlier, in order to ensure avoidance of such over-stocking of spares in future Provision Review directive for Category 'B' stores has been issued, laying down the provisioning policy based on actual past wastage rates, which according to the Ministry of Defence are realistic and there is no likelihood of over-provisioning.

The Committee would like to be informed of the precise value of surplus spares held in stock over the last three years and the action taken for their disposal. The Committee would also like to be informed about the steps taken to ensure avoidance of over-stocking of other categories of spares as well.

The Committee note that an automatic concrete batching plant with accessories was procured in 1966 at an approximate cost of Rs. 8 lakhs in foreign exchange plus Rs. 0.32 lakh paid as commission to the Indian agent. The plant was held in stock in an Engineer Park without any use for about three years from November, 1970. The Committee are surprised to note that the contractor did not make use of the plant as he made his own alternative arrangements under the optional clause in the contract. Thus the expenditure of Rs. 1.02 lakhs spent on freight and erection of the plant at the site was rendered infructuous. The Committee fail to appreciate the reasons for the retention of the optional clause, when the concrete batching plant was already available. The Committee would also like to know the reasons for not ascertaining from the contractor before transporting and erecting the plant at site.

The Committee are distressed to note that the plant was left exposed to rain awaiting despatch to the ESD in August 1976, when its motors and engines got rusted. It is also unfortunate that though the plant was received in the ESD in August, 1976, it was not formally handed over by the GE to the ESD till February, 1978 and as

such it was kept in the open resulting in further deterioration of components. After taking over in February, 1978, the ESD noticed absence of batteries and leakage in fuel system. The plant was unserviceable as the engines, generators and motors required major overhaul. The Committee would like to know as to why the ESD did not formally take over the plant immediately on its arrival in August 1976, and why it failed to take all necessary precautions for its upkeep and maintenance thereafter.

Defence

20 1.134

84

The Committee further note that Board of Officers detailed by the E in C to assess the serviceability of the plant has recommended that the plant be declared BER and disposed of by auction as "spares were not available within the country or from abroad since no firms in India manufacture such plant and Elba firm in West Germany, the suppliers, went under liquidation." The Committee have no doubt that had the ESD taken due precautions for its upkeep and maintenance immediately after August, 1976, when it arrived there, the plant would have been saved from deterioration. The Committee would like the whole matter to be examined for fixing responsibility in this case.

Do

21 1.135

The Committee observe that the position regarding utilisation of the other items of stores numbering about 1,500 possessed by the

ESD, including generating sets, refrigerators, pumps, plates of various sizes, cables, canvas etc. is far from satisfactory. The Audit Paragraph points out that 1078 of the 1500 items had not been issued at all for over 10 to 15 years and there were meagre issues of the remaining items. The test check by Audit revealed that 3 items valued Rs. 1.27 lakhs were never utilised.

Do

1.136

22

The cost of stock other than tractors and stock pile of steel, in term of weight alone amounted to Rs. 18 crores approximately. The Committee notes with serious concern that this stock includes spares worth as much as Rs. 17 crores that is to say, over 94 per cent of the entire inventory consists of spares which may last for several years to come. The Committee would like a thorough enquiry to be made as to how such huge stocks of spares were allowed to be built up over the years despite all the prescribed checks. The Committee would also like to be informed of the extent of redundancy in this case and what steps are being taken to guard against such lapses.

Do

1.137

23

The Committee understand that in 1977, an order was issued by the Ministry of Defence that all surplus stores in the entire MES would be reviewed. As a result of the review conducted in 1977, a total of 1602 items amounting to Rs. 1.87 crores were found surplus. Besides 203 tractors size I, II and III were also found surplus. Stores worth Rs. 99 lakhs have already been declared surplus to DGS&D for disposal by auction. Stores worth Rs. 88.2 lakhs are yet to be declared surplus for disposal by DGS&D.

Defence

1.138

24

The Defence Secretary informed the Committee during evidence, "My concern is to see that the things which are of no use are identified and disposed of without our keeping them unnecessarily for a longer period. I would like to have an expert group to study this over and above the normal review which is going on in the MES itself." The Committee regret to observe that conclusive action still remains to be taken in respect of as large a number as 3431 items found surplus during the review conducted in 1977 and that "these are under active re-scrutiny." The Committee expect that the expert group now proposed to be constituted for the purpose, would proceed in the matter with utmost despatch. The Committee would like to be apprised of the results within six months. The Committee consider that the discard policy which is apparently defective, should also be got examined by the proposed expert group so as to facilitate expeditious action in respect of the serviceable/surplus stores and equipment.

Do

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The Committee observe that the procedure followed by the Ministry of Defence in the procurement and holding of scarce commodities like steel and cement for executing their projects is far from satisfactory. The Audit Paragraph points out that actual utilisation of steel in 32 projects varied from nil to 53 per cent while in case of cement the utilisation ranged from 6 to 65 per cent of procurement in seven projects. The Audit Paragraph has also pointed out

that building materials (steel and cement) of the value of Rs. 221.98 lakhs, procured in excess of requirements for various projects resulted in diversion of surplus stock to other works involving unnecessary extra expenditure of Rs. 8.23 lakhs on transportation and handling.

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One of the reasons adduced by the Ministry necessitating inter-project and inter-divisional transfers of steel procured from funds for specific projects is that "the procurement action for steel is initiated much in advance of the finalisation of designs through which we come to know of the exact requirements. Some sort of extra and odd provisioning is thus inevitable under the existing system."

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It has also been pointed out that in respect of both steel and cement the time lag between the initiation of demands and actual receipt of stores at site of works, is not only abnormally long but also highly unpredictable". While the Committee do concede that in the present day conditions it seems necessary to take advance action to procure and build up some buffer stocks of critical building materials such as steel and cement in the interest of speedy execution of works, they would like to point out that this cannot be made an alibi for procurement on a scale totally unrelated to the actual requirements of the Army. The Committee consider that the figures of low utilisation ranging from nil to 53 per cent in the case of steel and 6 to 65 per cent in the case of cement do indicate the need for revamp-

ing the procedures. The representative of the Ministry of Defence admitted during evidence that "the existing procedure is not satisfactory. We shall look into the system to see how we can improve it." The Committee would therefore urge that the procedure for assessment of requirements of steel and cement should be reviewed thoroughly so as to obviate over-provisioning of such scarce and costly items and the Committee kept informed.