

TWENTY-SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1985-86)

(EIGHTH LOK SABHA)

SHORTFALL IN THE PRODUCTION OF AN EQUIPMENT AND INVENTORIES AND WORKS- IN-PROGRESS IN ORDNANCE FACTORIES

**MINISTRY OF DEFENCE
(DEPARTMENT OF DEFENCE PRODUCTION)**

[Action Taken on 214 Report (7th Lok Sabha)]



*Presented in Lok Sabha on 19.3.1986
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**LOK SABHA SECRETARIAT
NEW DELHI**

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CORRIGENDA TO TWENTY-SEVENTH REPORT
(8TH LOK SABHA OF PUBLIC ACCOUNTS COMMITTEE)

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(1985-86)**

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3. Shri O.P. Babal—*Senior Financial Committee Officer.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Twenty-Seventh Report on action taken by Government on the recommendations/observations of the Public Accounts Committee contained in their Two Hundred and Fourteenth Report (Seventh Lok Sabha) on Shortfall in the Production of an Equipment and Inventories and Works-in-progress in Ordnance Factories.

2. In their earlier Report, the Committee had criticised the increase in the payment of overtime despite declining output. They also did not find any justification for resorting to overtime for production of items required for future use when production of main equipment was far below the rated capacity of the factory and resources were under-utilised. The Department of Defence Production in their action taken reply have stated that overtime working has been a regular feature of the factory right from its inception. It has also been stated that increased payments of overtime had been due to increased wages on account of grant of additional Dearness Allowance while the total number of man-hours worked had remained almost the same. In this Report, the Committee have recommended that as already stated in their earlier Report, the practice of manufacturing jigs and tools for future use to maintain the level of overtime should be stopped. The Committee consider that a firm principle must be established to correlate overtime payment with increased production.

3. The Committee in their earlier Report had also pointed out that scrap holdings in Ordnance Factories had gradually increased from Rs. 10.19 crores at the end of March 1979 to Rs. 18 crores at the end of March 1982. While expressing their unhappiness at scrap accumulation in Ordnance Factories, the Committee had desired physical verification of stocks to be carried out and its results intimated to them. The Committee had also desired urgent steps to be taken for disposal of accumulated scrap. In their action taken note, the Department of Defence Production have pleaded that scrap holding in Ordnance

(vi)

Factories has increased on account of increased turnover in production and that disposal of scrap is receiving full attention in line with Government instructions. The Committee while expressing satisfaction at the fact that scrap holding has come down to Rs. 14.60 crores in 1982-83, have desired to be apprised of the position attained in subsequent years and desired that physical verification of stocks should be carried out regularly every year. They have further desired that the stocks of scrap presently held should be physically verified and the results of such verification be intimated to the Committee.

4. The Committee considered and adopted this Report at their sitting held on 13 February, 1986. Minutes of the sitting form Part II of the Report.

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

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

NEW DELHI ;
February 20, 1986
Phalgun 1, 1907(S).

E. AYYAPU REDDY
Chairman
Public Accounts Committee.

REPORT

CHAPTER I

1. This Report of the Committee deals with the action taken by Government on the Committee's recommendations and observations contained in their 214th Report (Seventh Lok Sabha) on Paragraphs 8 and 12 of the Report of the Comptroller and Auditor General of India for the year 1981-82 Union Government (Defence Services) on Shortfall in the Production of an Equipment and Inventories and works-in-progress in Ordnance Factories.

1.2 The 214th Report on Shortfall in the Production of an Equipment and Inventories and Works-in-Progress in Ordnance Factories was presented to Lok Sabha on 30 April, 1984. Action Taken Notes in respect of all the 26 recommendations/observations contained in the Report have been received from the Government and these have been categorised as follows :

- (i) Recommendations/observations that have been accepted by Government :
Sl. Nos. 1-4, 8-19, 24.
- (ii) Recommendations/observations which the Committee do not desire to pursue in the light of the replies received from Government :
Sl. Nos. 5-6, 23, 25 and 26.
- (iii) Recommendations/observations the replies to which have not been accepted by the Committee and which require reiteration :
Sl. Nos. 7, 20-22.
- (iv) Recommendations/observations in respect of which Government have furnished interim replies :

—Nil—

1.3 The Committee will now deal with the action taken by Government on some of their recommendations/observations.

Payment of overtime

1.4 Commenting on increase in payment of overtime bill in Ordnance Factories, the Committee in Para 1.66 (S. No. 7) of their 214th Report had observed :

“Another surprising aspect is that while on the one hand production in the factory was falling, the overtime paid was on the increase. This is evident from the fact that in 1978-79, 163 numbers of equipments were produced and the amount of overtime paid to industrial establishment was Rs. 94.15 lakhs. In 1979-80, the factory could produce only 133 numbers of equipments, but the amount of overtime paid rose to Rs. 117.19 lakhs. In 1981-82 again, the production of the equipment remained the same, but the amount of overtime rose further to Rs. 122.15 lakhs. This is, to say the least, indicative of complete absence of management and financial control. The Department of Defence Production have stated that the increased overtime was necessitated by manufacture of a large quantity of components and special jigs, tools and special fixtures for them for future production of the equipment. The total value of tools, jigs and fixtures produced during 1979-80, 1980-81 and 1981-82 were Rs. 76.76 lakhs, Rs. 83.92 lakhs and Rs. 70.41 lakhs and these are stated to have been mostly utilised in the current production programme and the value of residual items for utilisation in future are stated to be difficult to quantify. The Committee find little justification in resorting to over-time for production of items required in future when main production of the equipment was far below the rated capacity of the factory and resources under-utilised. It is a pity that in spite of resorting to systematic overtime payments, the factory could not achieve the targets and the shortfall in the supply of equipment was met by depressing the War Wastage Reserve and keeping the units at hard scale.”

1.5 In their Action Taken Note the Ministry of Defence (Depart-

ment of Defence Production) have replied as follows :

"The observation made by PAC have been noted. Overtime working has been a regular feature of the factory right from its inception. The details of overtime man hours from 1978-79 to 1981-82, are given below :

<i>Year</i>	<i>Total number of man hours (in lakhs)</i>
1978-79	33.08
1979-80	35.47
1980-81	33.87
1981-82	34.91

as can also be seen from Para 1.48 of the Committee's Report.

It may therefore be observed that the total number of man hours worked remained almost same, but increase in the payment of overtime was mainly due to increase in the emoluments of workers and staff due to grant of additional Dearness Allowance.

As PAC may be aware that all Ordnance Factories are working on systematic overtime. However, working of overtime is being monitored closely and in 1983-84, a reduction in systematic overtime to the extent of two hours per week has been effected while steps have been taken to improve labour productivity so that output is not affected.

As regards capacity utilisation reply to Sr. No. 6 Appendix III, Para 1.65 may also kindly be seen."

1.6 In their earlier recommendation, the Committee were critical of the significant increase in the payment of overtime in the face of declining output. They also did not find any justification for resorting to overtime for production of items required in future when production of main equipment was far below the rated capacity of the factory and resources

were under-utilised. The Department of Defence Production in their action taken reply have argued that overtime working has been a regular feature of the factory right from its inception. It has also been stated that increased payments of overtime had been due to increase in the emoluments of workers and staff on account of grant of additional Dearness Allowance while the total number of manhours worked had remained almost the same. As already stated, the practice of manufacturing jigs and tools for future use to maintain the level of overtime should be stopped. The Committee consider that a firm principle must be established to correlate overtime payment with increased production.

Maintenance of stocks

1.7 Pointing out glaring cases of gross neglect in the maintenance of stocks in Ordnance Factories, the Committee in Para 2.58 (S. No. 20) of their 214th Report had observed :

“From the findings of some of the Task Forces who have submitted their Reports last year, the Committee note that glaring cases of gross neglect in the maintenance of stocks in Ordnance Factories have come to light. It has been pointed out *inter alia*, that Priced Store Ledgers in 2 of the Ordnance Factories namely, Ordnance Factory, Khamaria and Gun Carriage Factory, Jabalpur were in poor shape and required detailed investigation. Incorrect ledger rates in Ordnance Factory Khamaria and discrepancies between bin card and ledger balances in Gun Carriage Factory, Jabalpur needed to be rectified. The Task Force have also recommended examination of the existing procedure of flow of documents to ensure that receipt vouchers are received in accounts and posted in the ledger prior to related issues. There had been 100 missing vouchers pertaining to the year 1978-79 and for posting in bin card and the ledger to enable quick reconciliation these were to be located. The Secretary (DP) candidly admitted that “it is not merely impropriety but it may be irregularity also” He also agreed that “there might be some pilferage also.” The Task Forces have also recommended computerisation of Priced Store Ledgers and provision of mechanical aids like calculators and posting of a separate Accounts Officer incharge of mechanical sections in each of the Ordnance Factories. While

Government have already initiated action on some of the recommendations and discrepancies have been set right, action on some of their recommendations is still stated to be under consideration. The Committee have been told that all aspects were being examined with a view to take rectificatory steps. The Committee are of the view that the irregularities pointed out by the Task Forces like missing vouchers and non-posting of bin cards, etc. are of a serious nature and these may involve defalcations and misappropriations of large amounts. The Committee recommend that these lapses should be investigated thoroughly with utmost expedition and responsibility fixed. Immediate steps should also be taken to bring about procedural improvements so as to guard against the recurrence of these lapses. The Committee will like to be apprised of the concrete steps taken in this regard."

1.8 In their Action Taken Note, the Department of Defence Production have stated as under :

"(a) The Task Forces set up in O.F. Khamaria and Jabalpur for 1982-83 have reviewed PSL folios relating to category 'A' items covering bulk of the inventory. Based on their review, the discrepancies noted in their relevant PSL folios have already been corrected. Task Forces have also been set up for 1983-84 in both these factories, this will ensure that the inventory accounts relating to 'A' items representing bulk of the inventories are maintained correctly. Action has also been taken by the Accounts Offices in both the above Factories to ensure correct maintenance of the Priced Store Ledgers in future.

(b) *Missing vouchers*

It has been ascertained that the total number of missing vouchers reported was 952. Out of these 457 have since been identified and adjustment linked. Action has been taken to expedite identification of the remaining vouchers.

(c) The Task Forces reports have revealed that bulk of the discrepancies have arisen due to errors in pricing and posting of vouchers in the relevant ledger folios. The ledger folios

relating to category 'A' items representing about 80% of the inventory have been scrutinised by the Task Forces and errors noticed have been rectified. The quantities shown in the ledgers for these items have been reconciled with the bin cards where in the ground balances have been certified by the stock verifiers.

(d) Action has already been taken by the General Managers to provide adequate number of electronic calculators to their Accounts Offices. Regarding computerisation of PSL, this is under active consideration of OFB. It has been proposed by C of A (Fys) that in the first instance the PSLs in 12 major factories involving large number of stores transactions should be computerised.

(e) One additional accounts officer each has been posted to four major Branch accounts Office, viz., Ordnance Factory Khamaria, GCF Jabalpur, O.F. Ambajhari and O F. Kanpur. This will enable these Accounts Offices to have separate Accounts Officer, I/C of their Ledger Sections.

(f) The lapses like missing vouchers and non-posting of bin cards are under investigation. A Committee has been appointed to go into all relevant aspect of stores accounts in these factories. Their report is awaited.

(g) The following steps have been taken to bring about procedural improvements so as to guard against the recurrence of lapses noticed in the maintenance of inventory accounts :

- (i) GMs have nominated an Officer of the factory at a senior level as Materials Manager who has been made responsible to present comprehensive and co-ordinated picture of inventory and in turn monitor and control procurement process, maintenance holding of records and flow of documents on day to day basis as per prescribed procedures.
- (ii) Separation of ledger binders in respect of category 'A' items for ensuring prompt and correct postings of ledger accounts.

- (iii) Introduction of separate series of vouchers for category 'A' items to ensure their prompt receipt and accounting.
- (iv) Monthly reports have also been introduced for submission by Br. AOs to C of A (Fys) giving position regarding arrears in receipt of vouchers from the Factory and arrears in the pricing/posting of vouchers in the ledgers separately for category 'A' items and for others. Based on this a consolidated report is also being rendered by C, of A (Fys) to OFB monthly.
- (v) Standardisation of formats in each Fy. and detailed analysis of working stock (active, slow and non-moving) obsolete, scrap, surplus stores and maintenance stores.

1.9 The Committee note that Task Forces set up in Ordnance Factories Khamaria and Jabalpur for 1982-83 have reviewed Priced Store Ledgers relating to category 'A' items covering bulk of the inventory. Based on their review, the discrepancies noticed in their relevant PSL folios have already been corrected. Task Forces have also been set up for 1983-84 in both these factories. The Committee further note that out of the total of 952 missing vouchers 457 have been identified and action has been taken to expedite identification of the remaining vouchers. The Committee trust that remaining vouchers would be identified expeditiously if not done already. They would also like to be apprised of the progress made regarding computerisation of Priced Store Ledgers.

Scrap holdings in Ordnance Factories

1.10 The Committee expressed their concern at continuous increase in scrap holdings in Ordnance Factories in Para 2.59 (S. No. 21) of their 214th Report as under :—

“The scrap holdings in the Ordnance Factories had gradually increased from 10.19 crores at the end of March 1979 to Rs. 18 crores at the end of March 1982 as their utilisation was restricted due to non-availability of required facilities and disposal by sale was not commensurate with the rate of their

accumulation. Out of the total scrap holding of Rs. 15.16 crores as on 31 March 1981, the holding in 4 factories alone amounted to Rs. 11.68 crores. In one of them about 09 tonnes of cupronickel scrap costing Rs. 20.68 lakhs received in March 1956 from a sister factory and 112 tonnes of fired cartridge cases costing Rs. 125.11 lakhs received during 1972 were awaiting disposal. According to Government instructions, graded scraps both ferrous and non-ferrous are first offered to melting factories before disposal through auction. It has been stated that cupronickel scrap was initially retained for eventual utilisation. However, when no outlet was found it was decided in 1971 to dispose it of. Open tenders were floated in 1971, January 1972, December 1972 and January 1983 but the rates quoted were found to be far less than the ledger rates. The offer made to National Small Scale Industries Corporation in February 1977 also did not evoke any response. Nor could any fruitful results be obtained from specialised firms approached in 1979. Lately, a Board has been constituted to assess the real worth of the store before making fresh attempts for its disposal. The Committee would like to express their unhappiness that scarce metal valued at lakhs of rupees could not be put to use for three decades. The Committee would like that physical verification of the stock to be done by independent authority and the results of the verification intimated within 3 months. After the verification is complete, urgent steps be taken for the disposal of these scraps.”

1.11 In their Action Taken Note the Department of Defence Production have stated as under :—

“Facilities exist in Ordnance Factories for recycling/utilisation of scraps for their own use. Scrap holdings in the Ordnance Factories have shown an increase on account of increased turn over in production. According to Govt. instructions graded scraps both ferrous and non-ferrous are first referred to melting factories before disposing them through auctions. Disposal scrap is receiving full attention in line with Govt. instructions. Notable achievements have been made in processing ferrous

and non-ferrous scraps by recycling in the Ordnance Factories as well as by entering into conversion keeping primarily the necessity for conserving valuable virgin metal. Data on disposal of scrap as well as its arisings from year to year suggest that notable achievements have been made by the Ordnance Factories :—

Year	Scrap held	Scrap disposed off
1978-79	10.19	3.25
1979-80	12.58	3.47
1980-81	15.16	5.39
1981-82	18.00	6.87
1982-83	14.60	10.73

—(Value in rupees crores)

Regarding 109 M/T of Cupro Nickel, the Board of Officers constituted for examining the condition of the scrap and re-fixing a realistic ledger rate has completed its examination and have fixed the ledger price at Rs. 14.28 per K.G. Advertised tender for disposal of the scrap has been opened on 9-5-1984. Offer of one firm of the Chandigarh has been considered acceptable and the firm has been asked to furnish security deposit. SRO will be concluded on the receipt of security deposit from the firm."

Instructions have been issued for special verification of disposal scraps.

1.13 On enquiry from the Committee of the latest position about the disposal of scrap, the Ministry in a further note dated 24th December, 1985 have intimated :—

"The SRO released on 23rd August, 1984, and the scrap was disposed of at the rate of Rs. 21,000 per tonne. The entire scrap was lifted by the contractor by 31 March, 1985."

1.14. The Committee in their earlier recommendation had pointed out that scrap holdings in Ordnance Factories had gradually increased from Rs. 10.19 crores at the end of March 1979 to Rs. 18 crores at the end of March 1982. In one of the Ordnance Factories, 109 tonnes of cupronickel scrap costing more than Rs. 20 lakhs was lying since 1956 while in another 112 tonnes of fired cartridge cases costing Rs. 25.11 lakhs received in 1972 were awaiting disposal. While expressing their unhappiness at scrap accumulation in Ordnance Factories, the Committee had desired physical verification of stocks to be done and its results intimated to them within three months. The Committee had also desired urgent steps to be taken for disposal of accumulated scrap. In their action taken note the Department of Defence Production have pleaded that scrap holding in Ordnance Factories has increased on account of increased turnover in production and that disposal of scrap is receiving full attention in line with Government instructions. Some action to dispose of 109 M/T of cupronickel scrap has also been initiated. It is satisfying to note that scrap holding which reached at Rs. 18 crores level in 19 1-82 has come down to Rs. 14.60 crores in 1982-83. They would like to be apprised of the position attained in subsequent years. The Committee consider that physical verification of stocks should be carried out regularly every year. The Committee further desire that the stocks at present should be physically verified and the results of such verification be intimated to the Committee. The Committee would also like to reiterate their earlier recommendation that physical verification of the stock be done and its results intimated to the Committee.

1.15 Calling for expeditious steps to bring down scrap holdings in Ordnance Factories and to make use of further arising concurrently, the Committee in para 2.60 (S. No. 22) of their 214th Report had recommended :

Similarly, 112 tonnes of Silicon Brass Scrap valued at Rs. 25.11 lakhs representing Fired cartridge cases was lying unutilised since 1972. Besides, some other scraps valued over Rs. 80 lakhs (quantity 293 89 tonnes pertaining to the period prior to 1977-78 and in a case prior to 1968 have not been utilised so far. It has been stated that some measures like running contracts and conversion contracts have been entered into for

expeditious disposal of these scraps. The Committee have already commented adversely about this fact in their 145th Report (7th Lok Sabha) on "Delay in disposal of fired cartridge cases". They hope that not only the present holdings would be disposed of expeditiously but steps would also be devised to make use of the further arisings concurrently.

1.16 In their Action Taken Note, the Department of Defence Production explained the position as under :

Regarding Silicon Bras Scrap—112 M/T, it is intimated that tender has been floated. Tender is due to open on 1-6-84 by the Factory. The position with regard to the scraps valued Rs. 80 lakhs approx. (293.89 tonnes) is as under :

(i) *Copper scrap Gr. II*

It has been decided to retain the scrap for melting.

(ii) *Copper scrap Gr. IV*

Although security deposit has been received from 3 firms whose offers were found acceptable sale of the material against the contract has been stayed by the Calcutta High Court on a writ petition filed by one tenderer. The case is being contested.

(iii) *Cupro Nickel Scrap Gr. IB*

The entire quantity has been issued to O.F. Katni.

(iv) *NF Mixed Metal scrap NM-2*

26.902 M/T has been issued against contract placed. Further issue/sale of material has been stayed consequent to a writ petition filed by one tenderer in the High Court of Calcutta. The case is being contested.

(v) *Cupro Nickel Scrap Gr. I*

The items has been retained for manufacture of Cupro-nickel bands by MSF.

1.17 The Committee are glad that some positive steps have been initiated to reduce accumulated scrap holding by Ordnance Factories. The Committee also desire that the scrap passed on to other Ordnance factories is utilised in those factories for some constructive purposes. The Committee also desire that the steps taken by ordnance factories in this direction should be reported to them. The Committee would like to be informed, in due course, of the results achieved in this regard.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

With a view to establish indigenous production of a vital defence equipment and its Parts I, II and III, Government entered into 5 collaboration agreements with some foreign firms for purchase of prototypes and production models of the equipment, licence to manufacture and for obtaining design knowledge, complete data and technical assistance in setting up of a factory and establishing production facilities. An outlay of Rs. 16.12 crores (later on increased to Rs. 17.27 crores in January 1967) was sanctioned to establish production facilities for 100 numbers of the equipment and its parts I, II and III per annum in a single shift of 8 hours. In February 1966, additional outlay of Rs. 84.43 lakhs was sanctioned for civil works considered necessary to enable the factory to run double shift to increase the production to 160 numbers or equipment a year. The Committee are however, surprised to find that when Government decided to set up production facilities for the equipment, the said equipment was simply on the drawing board and was not manufactured even by the Collaborators. Hence, there was no reliable data available about the performance of the equipment. No wonder subsequent experience with the equipment has not been happy as Part I of the equipment has been subject to frequent failures. The Committee are unhappy that Government thought it prudent to undertake production of an unproven equipment whose performance was not put to test anywhere. The Committee expect Government to draw adequate lessons from their experience in this case and ensure that only equipment of proven design and performance are chosen in future.

[Sl. No. 1, Para 1.59 of 214th Report of PAC (1983-84)
(7th Lok Sabha)].

Action taken

1. The Committee's recommendations are noted for guidance.
2. To ensure that only proven equipment are recommended for procurement and productionised in the country, the following actions are taken :
 - (a) A detailed paper analysis is carried in consultation with the users Directorate.
 - (b) Short listed firms are asked for an audio visual presentation in our country.
 - (c) Selected equipment is fully trial evaluated from technical and users point of views under our environmental conditions on 'No Cost No Commitment' basis.
 - (d) The best equipment so selected is accepted for the introduction into service after approval.
3. It may however be submitted that in the vast changing technologies of Armament, where rate of obsolescence is high, certain risk of obsolescence would be involved while going for any equipment of proven design and performance.

[M of D O.M. No. 1 (2)/83/D (Proj-II) dated 28.12.1984]

Recommendation

The Agreement entered into with the foreign collaborator envisaged, *inter alia*, licence to manufacture the equipment hundred per cent indigenously. However, the Committee find that there had been a significant import of components even after 20 years of establishment of production facilities. The Agreement envisaged that there would be progressive indigenisation of components starting with 35 per cent at the initial stage of production reading to the level of 85 per cent at the production of 450 and more equipments. This level of production was reached in 1972-73, but the level of indigenisation achieved at that time was only 62 per cent (by value). Even in 1974-75, the indigenisation achieved was only 79 per cent. i.e. much below the target of 85 per cent

envisioned in the agreement. Even today, 20 years after the establishment of the initial production facilities, the country is still dependent on the Collaborators for some vital components. What is really surprising is that no phased programme or time schedule was drawn up to attain total indigenisation of the equipment. The same lapse was repeated in the indigenisation of Part I of the equipment. Over the years, 9 per cent indigenisation has been achieved by value and the country is still dependent on imports for 9 per cent of the value of components including some high value items such as piston, bearings and chemicals. This is not a happy position. With the rapid strides made in later part of the Seventies and early Eighties in building the industrial infrastructure in the country, the Committee feel, achievement of total indigenisation is not a difficult proposition. The Committee would like to process of indigenisation speeded up so as to achieve total indigenisation in the near future. The Committee further desire that in future as and when manufacturing capacity of any equipment is set up in the country, a programme of indigenisation should be prepared and target date for complete indigenisation fixed and every comfort made to achieve the targets as envisaged.

[Sl. No. 2 of Para 1.60 of 214th Report of PAC (1983-84)
(7th Lok Sabha)].

Action taken

1. It is submitted that the contracts signed with the foreign collaborators are for transfer of technologies and do not specify 100% indigenisation. Since the start of this factory emphasis has been on indigenisation and developing local knowhow of manufacture. Even at the initial stages most of the tools were locally manufactured by the tool room of the factory. It was a daring departure from the conventional approach of importing one complete set of tools to begin the production. Also, production of all major assemblies was attempted concurrently right from the beginning. The factory has achieved about 96% indigenisation by value by 1982-83.

2. It is, however, felt that it may not be possible to achieve 100% indigenisation of all the equipment/components. For items like certain types of bearings, etc. no capacity has been set up in the industry

within the country. The total requirements of these items for original equipment and spares may not be attractive enough for the manufacturers to set up additional capacity within the country.

3. The Committee's recommendation for speeding up the process of indigenisation so as to achieve total indigenisation in the near future is noted and action initiated to consider possibility for ways and means for reaching the same.

4. Recommendations of the PAC for preparation of programme of indigenisation in future as and when manufacturing capacity of any equipment is established in the country is also noted.

[M. of D., O.M No. 1 (2)/83/D (Proj-II) dated 28.12.84]

Recommendation

The Committee are disappointed to find persistent failures in the factory in achieving the production targets with the result that Army's requirements of the equipment have remained unfulfilled. Although the production in the factory had started in 1965 with a production capacity of 100 weapons a year and all the shops of the factory were working two shifts from 1967 and the production capacity was raised to 160 numbers a year, the factory could supply only 368 numbers in all during 7 years from 1965-66 to 1971-72, i.e. an average of about 53 weapons per year against the Army's total requirement of 549 numbers by March 1972. In addition, the factory produced and supplied prototype of another version of the equipment in 1967-68 and supplied 10 numbers each of this version to this Army during 1970-71 and 1971-72 against their requirement for 33 numbers during 1967-68 to 1970-71.

[S. No. 3 Para 1.61 of 214th Report of PAC (1983-84) (7th Lok Sabha)]

Action taken

1. The observation made by the PAC has been noted. However, it may be stated that a production unit initially takes time to establish a steady rate of output and yet more time to match this rate with its capacity. The realistic target that should be set for a production unit in the initial stages cannot be equal to its planned capacity. Yearly targets can only rise progressively to match the planned capacity. The

initial targets set upto the year 71-72 were exactly what the planned capacity of the factory was during those years.

2. The production situation was further aggravated with constraints like scarcity of materials, import of sophisticated machinery and plant, indigenisation, establishing sources of supply of materials, developing technical knowhow and the like, for not only an altogether foreign design product but also for a highly sophisticated type of equipment which was being attempted to be manufactured in the country for the very first time. This being the initial growth period, among other things, the labour relations had also their own teething problems.

[M. of D. O.M. No. 1 (2)/83/D (Proj-II) dated 28.12.1984]

Recommendation

The reasons for failure to achieve the targets were investigated by a study team in September-October, 1970 appointed by the General Manager of the factory. The study team found that the optimum production that could be achieved could be 120 against the target of 160 equipments as 25 per cent of the capacity would be required for manufacture of spares for which no capacity had been created.

The Committee are surprised that while laying down targets of production, it never struck the authorities to provide for the production of spares. This clearly shows the casual manner in which planning for the project was done. The Committee would like to be apprised of the reasons for such a serious omission.

[Sl. No. 4 Para 1.62 & 1.63 of 214th Report of PAC
(1983 84) (7th Lok Sabha)]

Action taken

As per the AHQ the indents for spares were being placed since the first indent for main equipment was placed on the factory. Initially when the equipment was introduced, the requirements for spares were minimal. However, with increase in the use and population of the equipment, the requirements for spares became substantial and during 73-74 supply of spares was planned on a regular basis to suit the requirements of the user. From that year onwards, the supply of

spares has increased considerably and during 74-75 spares worth Rs. 421.83 lakhs were issued and spares worth about Rs. 19 Crores were issued during 1983-84.

[M. of D. O.M. No. 1 (2)/83/D (Proj-II) dated 28.12.1984]

Recommendation

The Committee note that productivity index during these years had fallen to between 69 and 82.4 per cent i.e. much below the permissible limit of 90. The Committee would await the steps taken to improve labour productivity.

[Sl. No. 8 of Appendix III Para 1.67 of 214th Report of PAC (1983-84) (7th Lok Sabha)].

Action Taken

The following steps have been taken to improve productivity :

1. In 1983-84, a reduction in systematic overtime to the extent of two hours per week was effected. Notwithstanding the labour resentment, the matter was pursued and the reduced overtime working was established to ensure production of input man hours without reducing the output when compared to previous year.
2. Vigorous efforts are made to ensure uninterrupted supply of inputs :
 - (a) by opening additional sources of supplies of materials.
 - (b) by undertaking the repair of the items held in the repairable folios.
 - (c) by improving availability by material ex-collaborators by holding discussions with them at various levels.

[M. of D. O.M. No. 1 (2)/83/D (Proj-II) dated 28-12-1984.]

Recommendation

The Committee observe that 23 numbers of type II version of the equipment were procured from another foreign country at a cost of

Rs. 4.26 crores even when there was no pending order with the factory for this type of equipment and there was overall decline in the level of production of type I of equipment in the factory. It has been stated that the supply could be effected by the factory by further reduction in the production of the equipment which was not acceptable. No doubt, factors like short supply of certain materials and bought out components, inadequate tooling and power failures had been contributing factors for low level of production in the factory, but all the same the Committee feel that these problems were neither insurmountable nor of lasting nature. The production of type II version of the equipment could have been managed in the Factory itself with better planning and foresight and the country could save Rs. 4.26 crores in foreign exchange.

[Sl. No. 9 of Para 1.68 of 214th Report of PAC (1983-84)
(7th Lok Sabha)].

Action Taken

The observations made by PAC have been noted.

[M. of D. O.M. No. 1(2)/83/D (Proj.-II) dated 28-12-1984.]

Recommendation

The Committee are concerned to note that the installed capacity of 200 numbers of equipment was not being fully utilised at the Factory even though there were pending orders for 539 number of equipments as in March, 1982. The Department of Defence production has decided to execute these orders in four years by 1985-86 @ 130 numbers per year. It has been stated that besides production of Type-I of the equipment the factory has started production of another Type of equipment and 20 per cent of the production capacity out of the total 200 numbers has been diverted to it. The Committee are perturbed to find that even the remaining capacity of 160 numbers of equipment for Type I was not being utilised fully as the factory was not working on two shifts. The Committee have already expressed their concern on the underutilisation of the installed capacity in the preceding paragraphs. They would like Government to ensure that the installed

plant and machinery and also the man-power deployed are fully utilised.

[Sl. No. 10 of Para 1.69 of 214th Report of PAC (1983-84)
(7th Lok Sabha)].

Action Taken

The Committee's recommendations has been noted for guidance and necessary action.

[M of D O.M. No. 1(2)/83/D (Proj.-II) dated 28-12-1984.]

Recommendation

The Committee view with serious concern the fact that there have been frequent break-downs of the equipment supplied to the Army due to high incidence of premature failures of Part I since its inception though it had been fitted with components produced with imported technology. Modified versions of Part I tried on the equipment also failed to improve the position. Consequently, out of the total of 1268 numbers of Part I overhauled till 31 January 1984, 230 had to be overhauled prematurely adding not only to the increased requirement of spare components but also endangering the defence of the country. It has been pleaded that premature failure of Part I had been the experience of the collaborator also. This, in the view of the Committee, is a poor consolation. The fact remains that due to this defect in this vital part of the equipment, not only there has been extra expenditure, but the battleworthiness of the equipment has become doubtful. What is a matter of still deeper concern is that in spite of efforts, it has not been found possible to overcome this defect. The Committee have no doubt that this sorry state of affairs has arisen because of selection of an unproven and untested design. The Committee urge that the Defence R & D Organisation should take up the challenge and with their technological competence should be able to overcome the defects at the earliest.

[Sl. No. 11 of Para 1.70 of 214th Report of PAC (1983-84)
(7th Lok Sabha)].

Action Taken

The Committee's observations are noted. An exercise to find an alternate Part I which is robust and reliable is already being carried out. Users' cum technical trials are being carried out and Defence R & D Organisation is actively involved in this exercise.

[M of D O.M. No. 1 (2)/83/D (Proj.-II) dated 28-12-1984.]

Recommendation

The premature failure of Part I, increased the demand for it resulting in significant imports. To build a pool of 40-50 per cent of requirement, as indicated by the Army, Government resorted to import of 232 numbers of Part I at a cost of Rs. 7.74 crores. The factory failed to meet the pool requirements of Part I even though its production facilities had been augmented at the cost of Rs. 0.85 crore by increasing capacity from 200 to 275 numbers per annum. The augmented capacity was available from 1978-79 onwards, but the factory could supply only 144 numbers of Part I during 4 years till 1981-82 against the expected supply of 300 numbers. The Committee feel that this is yet another instance of the failure to meet its obligations resulting in avoidable outgo of scarce foreign exchange.

[Sl. No. 12 of Para 1.71 of 214th Report of PAC (1983-84)
(7th Lok Sabha)].

Action Taken

The observations made by PAC have been noted.

[M of D O.M. No. 1(2)/83/D (Proj.-II) dated 28-12-1984.]

Recommendation

The Committee observe that although production had started in the factory in 1965, estimates of quantum of labour, materials etc. required for the manufacture of the equipment had not been standardised. The Department of Defence production have contended that the collaborators did not provide any standard estimate. They only supplied process schedule giving approximate process timings which did not

include essential element like set up time, standard allowance and system delays. Operations like inspection, rectification and trials were not listed. In the initial stages of production in the factory it was held that the process schedules themselves could be kept as, an ideal timing achievement to be aimed at. The General Manager, of the factory stated that "the total time that is taken is available and the attempt is there to reduce it. But we are not able to make any significant reduction on it." The Committee are not convinced of this line of argument. They feel that it would have been better if the standard estimates had been obtained standardised by the factory. The Committee hope that this will be done at least now.

[Sl. No. 13 of Para 1.72 of 214th Report of PAC (1983-84)
(7th Lok Sabha)].

Action Taken

Production of the equipment is in its last phase as it is expected that its production will come to an end by about May 1986. Notwithstanding the same, preparation of standard estimates for labour is being undertaken. However, preparation of standard estimates will be undertaken right from the beginning in respect of the new equipment planned for production in the factory.

[M of D O.M. No. 1(2)/83/D(Proj-II) dated 28-12-1984.]

Recommendation

The Committee are concerned to note that the development of modern version 'M' of the equipment which has to replace the current version of the equipment after 1985, taken up in 1974 at a cost of Rs. 56.55 crores has not made much headway. The project schedule envisaged in 1974 that four prototypes would be offered for trial by April 1980 and another 8 in the next two years by April 1982. Bulk production was planned to commence within 10 years, i.e. by April 1984. It is distressing to note that the first prototype was developed as late as in 1984, i.e. four years behind schedule upsetting the entire production plan. Even this had to be done on an imported Part I of the equipment as the indigenous Part I of the requisite capacity could not be developed. Until prototypes are evaluated, time period required for regular production cannot be precisely estimated. Thus, the regular

production of the modern version of the equipment is nowhere in sight. The Secretary (DP) frankly admitted that the projection made at that time was obviously unrealistic. He however contended that no country in the world is known to have developed de-novo such an equipment in less than 15–17 years. The Committee cannot but express their serious displeasure at the tendency of the authorities to make such unrealistic estimates thereby raising false hopes. This is still more serious when such an unrealistic estimate is made in the case of a vital equipment for the defence of the country. This is a case of very poor planning of a vital defence equipment. The emerging picture that Committee visualise is quite disturbing. The current version of the equipment which is at present in use is defect prone and cannot be relied upon ; the modern version which has to replace it, is nowhere in sight. No doubt an intermediate version has been imported and is in use but the production facilities for same have also not been set up. They hope that Government would take appropriate action not only to expedite the development of modern version of the equipment but also to make arrangements in the interregnum to be self-reliant in the production of intermediate version of equipment till the regular production of the modern version commences.

[SI. No. 14 of Para 1.73 of 214th Report of PAC (1983-84)
(7th Lok Sabha)].

Action Taken

The Committee's observations have been noted. Arrangements for the production of intermediate version of equipment are making steady progress and the development of modern version 'M' of the equipment is being expedited.

[M of D O.M. No. 1(2) /83/D(Proj-II) dated 28-12-1984.]

Recommendation

As per instructions issued by Government. Ordnance Factories are authorised to hold inventories for 9-12 months of their requirement of imported items, 9 month requirement of difficult indigenous items and 6 months' requirement of other indigenous items. These limits relate to the materials required for production purposes and do not include waste/obsolete stock or maintenance stock. However, the total inven-

tory held during the years 1980-81 and 1981-82 by the Ordnance Factories was of the order of Rs. 526 crores and 584 crores respectively while the value of production during these years had been Rs. 671 crores and 787.25 crores respectively. The overall stock holding in terms of months' consumption has gradually increased from 9.63 to 11.21 during 1978-79 to 1980-81. However, the same has registered a marginal decline to 11.08 during 1981-82. The cost of excess stock holdings beyond 9 months in 17 out of 34 factories was very high at Rs. 149 crores.

It has been argued that level of inventory holdings should be computed with reference to level of consumption for the period of or which the inventories have been procured, i.e. next year. Even after taking this factor into account, the Committee feel that level of inventories in Ordnance Factories is quite high and requires to be brought down drastically.

[Sl. No. 15, Para 2.53 of the Two Hundred and Fourteenth Report of the PAC (7th Lok Sabha)].

Action Taken

The recommendations of the PAC have been noted and necessary steps have been initiated to bring down the inventories in the Ordnance Factories.

Factories having excessive stocks have been directed to carry out an agewise identification of category 'A' items and take corrective actions under the unified control of a senior Material Manager.

Ordnance Factory Board has decided to seek reenhancing the delegation of powers to OFB as well as General Managers of OFs which is under active consideration in this Ministry.

The value of average inventory held during the year as a percentage of the gross value of production has come down from 71.77% in 1982-83 to 67.71% in 1983-84 and further to 62.46% (Provisional figure) in 1984-85.

There is also a scheme for installation of computers in Ordnance Factories under implementation. The effective use of computers will help in further reducing the levels of inventory.

[Department of Defence Production & Supplies O.M. No. 13(13)/82-D (Proj.-I) dated 24-12-1985].

Recommendation

The Committee note that the level of inventories in Ordnance Factories is reviewed at the level of Ordnance Factories Board and is monitored periodically by a high level Committee in the Department of Defence Production and Supplies headed by the Secretary (DP). Some measures like ABC analysis, staggering of deliveries to match with production requirements and disposal of non-moving/surplus/obsolete stock have been taken to reduce the level of inventories. Special Task Forces have also been set up at Factory Level to identify the problem areas and take suitable remedial measures. The Committee also note that a procedure exists for review of surplus stores and their alternative uses, declaring surplus stores to other Factories and other Defence Services. Half-yearly returns have been prescribed on the level of inventory holdings in the various Ordnacce Factories to monitor more closely the stock holdings especially the disposal of waste/obsolete/ surplus stock. Besides, there exists a well-defined procedure to prevent over-provisioning of stocks. However, the very fact that in spite of all these provisions and measures, the inventory holdings in the Ordnance Factories are at such a high level clearly shows that either these measures and instructions have not been followed strictly or these have failed to produce expected results. The Committee would like the matter to be reviewed by the Ministry of Defence (Department of Defence Production and Supplies) urgently and steps taken to bring down the inventory holdings in each factory to a reasonable level.

[Sl. No. 16, Para 2.54 of the 214th Report of PAC (7th Lok Sabha)].

Action Taken

The Deptt of Defence Production have already taken steps to bring down the inventory holdings in each Ordnance Factories to a reason-

able level. These steps have already started showing results and the position is likely to improve in the next few years. In this connection, the reply to Sl. No. 15 may also kindly be pursued which gives the various steps taken to streamline Inventory Management.

[Department of Defence Production & Supplies O.M.
No. 13(13)/82-D (Proj.-I) dated 24-12-1985].

Recommendation

The Committee understand that the public sector undertakings using, imported components in their manufacturing process are allowed to import components half yearly on the basis of their projected requirements. However, in the case of Ordnance Factories no such norms are prescribed. Instead, they are authorised to hold inventories of imported items to the tune of their 9-12 month's requirements. The Committee would like the Department of Defence Production to make a detailed study of the practice obtaining in public sector undertakings in this regard and take measures to revise their holdings on similar lines.

[Sl. No. 17, Para 2.55 of the 214th Report of the PAC (7th Lok Sabha]

Action Taken

Information/guidelines in regard to the import of components by the various Public Sector Undertakings is being collected. On receipt of the necessary information the procedure obtaining in regard to OFs for importing items will be reviewed and necessary instructions will be issued.

[Ministry of Defence O.M. No. 13 (13)/82-D (Project-I)
dated 18.6.1985]

Recommendation

The Committee note that the present scale of inventory holdings was prescribed long back. The Committee also understand that in some of the developed countries, manufacturing units keep their inventory holding as low as one day's requirement. No doubt, because of infrastructural bottlenecks and state of industrialisation it is not possible

to come down to that level of inventory holdings in this country in the near future, nor would it be desirable to keep inventory holdings in Ordnance Factories at such a level, but considering the considerable strides made by the country in the field of industrialisation since Independence and availability of transport facilities, the Committee feel that the norm of 9 months' requirement of stock-holding evolved long back, should be reviewed with a view to bring it down to a reasonable level and thus avoid un-necessary blocking of capital.

[Sl. No. 18, Appendix III, Para 2.56 of the 214th Report of the PAC (7th Lok Sabha)]

Action Taken

Ordnance Factories products covers a wide spectrum from manufacture of basic metals to finished products. There are some feeder factories and some final product assembly/manufacture factories and both these types factories and industries are inter-dependent. There is probably no other captive industry of such magnitude. However, as suggested by the PAC, the existing procedure/norms of stock holdings are being reviewed and revised guidelines will be issued in due course. In the meantime, OFB has already issued instructions regarding provision period of various items providing for revised norms.

[Ministry of Defence O.M. No. 13 (13)/82-D (Project I)
dated 18.6.1985]

Recommendation

The Committee observe that with a view to identify 'A' category items of stock in the inventory holdings of Ordnance Factories, to ensure correctness of store accounts of these items, correct discrepancies and analyse the physical stock to determine the necessity for those holdings with reference to their requirements for production. Task Forces were set up in all the Ordnance Factories. However, in only 15 out of 34 Factories, Task Forces have completed their studies so far. The reasons for non-completion of their studies are stated to be lack of additional staff and pending arrears in accounting postings and adjustments of stocks. The Ordnance Factories have again been asked to set up Task Force to study the problems. The Committee hope that all

the impediments in the proper functioning of Task Forces will be removed and all the Task Forces would be able to submit their findings on time. The Committee would like to be apprised in due course of the findings of the Task Forces and the action taken by the Department of Defence Production in the light of their recommendations.

[Sl. No. 19, Para 12.57 of the 214th Report of the PAC
(7th Lok Sabha)]

Action Taken

For the year 1982-83, all factories but one have submitted the Task Force Reports. For 1983-84 also, Task Forces were constituted in order to review/update the inventory analysis. Twenty factories have already submitted their reports and the remaining are being expedited.

As regards the implementation of the recommendations of the Task Forces for the year 1982-83, the position is given in Appendix 'A'.

[Ministry of Defence O.M. No. 13 (13)/82-D (Project I)
dated 18.6.1985]

APPENDIX 'A'

POSITION REGARDING IMPLEMENTATION OF RECOMMENDATIONS OF SHRI S.A. VENKATARAYAN CO-ORDINATING OFFICER OF TASK FORCES FOR 1982-83

Para No.	Recommendations	Comments regarding implementation
1	2	3
18.1	<p>As on moving, slow moving, obsolete and surplus stores account for roughly about 28% of the total number of 'A' category items, the main thrust should be on the utilisation/disposal of these stores so that inventory level can be brought down. As the mutual Aid Scheme does not appear to fetch any appreciable result in this regard alternate solutions should be evolved for disposal of these items, directly by offering them for public auction from the factories holding the stores.</p>	<p>Detailed Analysis of nonmoving, slow-moving, obsolete and surplus stores is being carried out by the Task Forces for 1983-84 in each factory.</p> <p>Specific instructions have already been issued to all GMs vide OFB Circular Nos. 01/6/MM dt. 29-8-83, dt. 6-1-84 and 21-4-84 on this aspect.</p>
18.2	<p>Whenever the stocks are more than the optimum level, action should be taken by staggering the delivery schedule or cancelling the order without financial repercussions, or deferring the placement of orders.</p>	<p>Necessary instructions have already been issued to the GMs vide OFB No. P&MM/BS dt. 1-1-84.</p>

1	2	3
18.3	As the state of priced store Ledgers in Ordnance Factory Khamaria and Gun Carriage Factory, Jabalpur have not improved even during 1982-83, special efforts should be made by the Management and the accounts authorities in these factories, to complete the reconciliation work of A category items. The PSL in these factories also should be taken up for computerisation.	This has been dealt with in the reply to point 2.58.
18.4	Steps to avoid or at least minimise belated transmission of documents to Accounts require to be examined as the delay in transmission of primary documents still persists.	<p>GMs have nominated Officer of the factory of fairly senior level as Material Manager who has been made responsible to monitor and control the flow of store documents to the Accounts Deptt. on day-to-day basis as per prescribed procedure.</p> <p>(b) A monthly report is being received by C. of A (Fys) from all Br. AOs indicating details of non-receipt of documents from the factories. A consolidated report is furnished thereon to OFB for taking necessary action in respect of the factories where necessary.</p>
18.5	Procurement of new items both for production and non-production purposes should be done only after conducting a detailed review of the old fo-	<p>(a) Regarding procurement of new items instructions have already been issued OFB No 01/6/MM dt. 18 9-84.</p>

lios under which the old item are stocked and the proposed utilisation of the old items in the immediate future should also be decided. However, if the introduction of the new item is for technical reasons, action should be initiated to declare the old items either as surplus or obsolete simultaneously and speedy disposal action wherever necessary should follow.

In respect of A cat. item which has got the closing balance over and above 12 months requirement should be immediately reviewed to see whether any supply order/ indents are outstanding. If so, immediate action either to stagger the delivery schedule or to cancel the supply order if necessary should be taken. If this is not possible further procurement of these items should be stopped till such time the stock reaches the ordering level.

18.6 Preparation of the list of A category items in the beginning of every year and continuous review and follow-up action based on the stock holding the consumption is necessary. As majority of

(b) Regarding holding of A cat. items in excess of 12 months' requirement, instructions have already issued to all GMs by Chairman *vide* No. P&MM/BS dt. 1-1-84.

Instructions have been issued to all GMs for preparing the list of 'A' Category items each year and having separate Skeleton list for such documents. The need for the analysis of individual items was also stressed

1	2	3
	the factories do not take the work of Task Force seriously (only 10 out of total 35 factories have given a complete report, 8 factories are yet to give the report) it is suggested that a Task Force Cell at OFB Hqrs. may be formed to coordinate and watch the progress of work.	in Chairman's instructions dt. 1-1-84.
18.7	As the staff of Accounts Office are to deal with thousands of folios and documents relating to them, chances of their committing errors in pricing/posting of vouchers in future also cannot be ruled out. It is, therefore, necessary that action should be taken to mechanise the accounting system wherever possible at the earliest.	(b) Formation of Task Force Cell at OFB Hqrs. is not considered necessary as the work is given utmost attention under the existing set up.
18.8	The time frame within which the Task Force in Factories have to finalise and complete the reports, should synchronise with the submission of Store Accounts by the 31st	The computerisation of the Priced Store Ledgers in all Accounts Offices is under examination of OFB.

1	2	3
	July. It is, therefore, necessary that the work be commenced by 1st March at the latest, so that the results of review by the Task Forces are available for incorporation in the Store Accounts.	

Recommendation

The Committee note that the works-in-progress have steadily increased to 27 per cent of the cost of production at the end of March, 1977 and further to 33 per cent at the end of March, 1981. In terms of total cost the works-in-progress at the end of March, 1982 totalled Rs. 252.75 crores against the total production of Rs. 787.25 crores. During 1980-82, the percentage of works-in-progress to cost of production in 6 Ordnance Factories has ranged between 48.74 and 92.62 individually. This indicates a very sorry state of Affairs. The Committee regret that this increase has taken place in spite of the assurance held to the Committee as early as 1968-69, that every effort would be made to reduce the time-lag between the placing of orders and supply in response to their recommendation contained in the 52nd Report (4th Lok Sabha) on the subject. The Department of Defence Production owe an explanation to the Committee in this regard. The Committee note that Ordnance Factory Board is aiming at reduction of works-in-progress to substantially less than 30 per cent and all the General Managers have been advised to bring down the works-in-progress. The Committee feel that the norm of work-in-progress at 30 per cent of the cost of production is also too high and efforts should be made to reduce it further. The Committee would also like the Ordnance Factories Board to devote particular attention to those Factories where works-in-progress are more than 50%.

[Sl. No. 24, Para No. 2.62 of the 214th Report of PAC (7th Lok Sabha)].

Action taken

Ordnance Factory Board has taken concrete measures to reduce the level of work-in-progress. Instructions have been issued to GMs of factories for liquidation of outstanding warrants and reduction in percentage of Work-in-Progress. All the General Managers have been advised to take corrective measures to bring down the Work-in-progress.

[Ministry of Defence O.M. No. 13 (13)/82-D (Project I)
dated 18.6.1985]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The Committee find that according to the study team, even this reduced production of 120 equipments a year could not be achieved because of several factors viz. timings recommended by the collaborator having not materialised and required upward revision; no separate provision having been made for development work for establishing production of different components of the equipment and its other versions; inadequate allowance made for un-avoidable machine breakdowns and uneven flow of materials; extra machining of the components required due to non-availability of materials of correct sizes and inadequate material handling facilities. To overcome these deficiencies further investment of Rs. 36.55 lakhs for procurement of certain balancing machine tools and additional material handling equipment was made. The Ministry have explained that these factors could not be thought of at initial stage of establishing production facilities because 'the collaborators were assigned the task of designing the layout only for 100 equipments per year.' The Committee find this argument unconvincing as they feel that the authorities should have visualised the need for this additional equipment while expanding the capacity to 160 numbers of equipment per year on the basis of double shift. Why it was not done needs explanation.

[Sl. No. 5, Para 1.64 of 214th Report of PAC (1983-84) (7th Lok Sabha)]

Action taken

The first equipment came out of the factory production line in Dec. 65 and regular production activity started only around 67-68. The design of the equipment was foreign and it was the first time the

country had undertaken the manufacture of a sophisticated equipment of this nature and complexity. Plant and Machinery procured and installed was based on timings recommended by the collaborators. These timings were only assessments made by the collaborators and were not based on their production experience. In certain cases where case studies were conducted, collaborators themselves have agreed to increased timings. As such when the production agency gained adequate experience, the deficiencies came to light. The study of Sept./Oct. 1970 was thus timely and useful based on actual experience of a few years. The Committee would thus appreciate why the factory authorities could not make a realistic assessment of plant and machinery at the initial stages.

[M of D O.M. No. 1 (2)/83/D (Proj-II) dated 28-12-1984]

Recommendation

After reviewing the requirements of the Army, a long term production programme was drawn up for the factory in January 1971 and it was decided to step up the production to 200 numbers by 1974-75 alongwith adequate spares. An additional investment of Rs. 10.10 crores was made periodically till 1978 to overcome the various deficiencies in the planning of capacity to 100 numbers of the equipment per annum in two shifts. The expanded capacity of 200 equipments a year was established in 1976-77, but there had been shortfall in production ranging from 11.5 per cent to as high as 33.5 per cent from the period 1976-77 to 1981-82. It is indeed disturbing that after attaining a production of 163 numbers in 1978-79, the production started falling and the number of equipment manufactured was 133, 140 and 133 in 1979-80, 1980-81 and 1981-82 respectively. Because of the under-utilisation of capacity during the first 17 years of production the average production was only 109 numbers of equipments a year. Thus, despite heavy capital investment totalling Rs. 27.37 crores over the years and remedial action taken to streamline the production on the recommendations of the factory's study team in 1970 and the high level committee set up in 1975, the project failed to achieve the targeted production. The Committee consider it deplorable. They desire that the reasons for the failure of the factory to achieve targeted production should be investigated by a high level committee in order to fix responsibility.

[Sl. No. 6, Para 1.65 of 214th Report of PAC (1983-84) (7th Lok Sabha)]

Action taken

Although the capacity was increased to 200 equipments per year in two shifts from 1976-77 onwards, it got reduced to 160 equipments per year in two shifts from 1979-80 onwards. The main reason was that it was decided to manufacture type III equipment in the factory which was required by the Army for which no capacity was created in the country. Accordingly, one of the five manipulators was converted for manufacture of type III equipment resulting in reduction in capacity to 160 equipments per year. The capacity for type III for 1979-80 onwards was 14 Nos. per year. For type I & II the capacity utilisation from 1976-77 till 1981-82 was 88%, 88%, 82%, 83%, 83% and 77% respectively. Thus the shortfall varied from 12 to 23 per cent and was not as high as 33.5% as pointed out by the Committee. As the capacity utilisation of any plant is dependent upon the various complex and diverse internal and external factors (e.g., availability of inputs, industrial relations within the factory, working situation prevailing in the country and timely availability from outside resources etc.) it is considered that the performance of the factory as a whole is creditable and compares favourably with any other heavy engineering industry in the country.

2. Incidentally, it may also be submitted that factory is rendering assistance for manufacture and development of the new equipment 'M' for which no capacity has been created.

3. It is also pointed out that a detailed study of the structure and functioning of the factory (including slippages in production and remedial measures) has been carried out in Nov.—Dec. 75 by the High Level Committee headed by Shri V.G. Rajadhyaksha, then Chief Consultant, Planning Commission, and many of its recommendations have already been implemented.

4. In the light of above it is requested that Committee's recommendations to appoint a high level Committee for investigation may kindly be reconsidered.

Recommendation

The Committee note that non-ferrous scraps which cannot be put to useful production by Ordnance Factories are sold to trade. According to the instructions issued by Government in 1978, while disposing of non-ferrous scraps special reservations upto 30 per cent of copper and copper based alloys including brass scraps are to be made for units in the Small Scale Sector and export-oriented units each at a concessional rate of 10 per cent. The scrap so reserved for SSI units is offered in lots of 5 tonnes, each and in case the total quantity offered is less than 5 tonnes, the lots may be of one tonne each. In case no SSI unit comes forward to bid for scrap than the entire quantity is considered as non-reserved. The Committee feel that quite often it may not be possible for small scale units on account of their smallness to consume the entire raw material offered to them in lots of 1 to 5 tonnes and financially also on account of their limited resources to bid for such large quantities of costly metals. This is amply clear from the fact that of the total quantity of a little over 1000 tonnes scrap offered for sale in 1981-82, the share of SSI units was only 180 tonnes. The Secretary (DP) assured the Committee during evidence that "we will see to it. We shall see what we can do about it". The Committee would like Government to examine the matter and amend the procedure in this regard suitably with a view to enable small scale units to purchase copper and copper-based alloys including brass for their requirements in small lots.

[Sl. No. 23, Para 2.61 of the 214th Report of PAC (7th Lok Sabha)]

Action taken

As regards the question of issue of scraps to SSI units even in lots less than 1 M/T, action is in hand to get suitable orders issued.

[Ministry of Defence O.M. No. 13 (13)/82-D (Project I) dated 18.6.1985]

Recommendation

According to the prescribed procedure manufacturing warrants are normally to be completed within 6 months and stores which can be produced during this period are to be included in them ; in exceptional

cases duration of manufacturing warrants may be extended by the Ordnance Factories Board at factories' request, but such cases should be limited to the minimum. However, the Committee find that 9279 manufacturing warrants issued prior to 1977-78 on which Rs. 12.73 crores had been expended still remained incomplete at the end of March, 1981, even after 3 years or more after issue. Warrants which are one year more old numbered 23,412 involving a locked capital of Rs. 47.80 crores. To make the things worse there were 146 development works and 2900 other works-in-progress and a sum of Rs. 5.04 crores had been expended on them. The Secretary (DP) contended before the Committee that cases the overall outstanding of warrants as on 1.1.84 show considerable improvement when compared with 1.1.82. He further clarified that in most of these cases it was documentation which remained to be done and required clerical work. Efforts have made in the last 2 years to wipe out all old warrants. The Committee would like Government to devise measures to ensure that not only the arrears of old warrants are wiped out ; but the fresh accumulation of warrants is also not allowed to take place. Moreover, steps should be taken to improve the documentation work in respect of these works-in-progress. This assumes greater importance in view of the fact that in case of delay in completing these warrants, there is considerable risk of these becoming obsolete and entire expenditure becoming infructuous. To prevent such eventualities, the Committee would like the Department of Defence Production to review the position periodically in consultation with the indentors for the stores being manufactured by them against such warrants.

[Sl. No. 25, Para 2.63 of the 214th Report of PAC (7th Lok Sabha)]

Action Taken

Monthly progrss reports are being sent by the factories to the Ordnance Factory Board regarding liquidation of warrants during previous months. Warrants liquidated in the previous months as well as fresh accumulation of warrants is discussed in the monthly liaison meetings with the Accounts Officer. As regards work-in-Progress, it is reiterated that positive review can be held only once a year after closing of financial year when the semi statements

are prepared. However, since closure of warrants are closely linked with Work-in-Progress it is expected that with wiping out of all old warrants/outstanding warrants work-in-progress at the end of the year is likely to come down.

[Min. of Defence O.M. No. 13 (13)/82-D (Project I) dated 18.6.1985]

Recommendation

The Committee are disturbed to note that 111 manufacturing warrants have been cancelled upto March, 1981, involving financial repercussion amounting to 55.33 lakhs. Further, in a case orders placed on a factory in 1969-70 for two types of ammunition were cancelled in 1980, i.e. after 11 years due to delay in establishment of their manufacture and involving financial loss of Rs. 107.32 lakhs including cost of documentation obtained from a foreign Government. It has been stated that the delay occurred because of delayed approval of specifications by the Research and Development Organisation after finalisation of design of the propellant prime combination, delayed supply of components by sister factories etc. Yet in another case orders were placed in December 1971 for supply of one lakh numbers of an ammunition by March 1972, only a part supply of 49835 numbers of ammunition could be effected till June 1974 due to inadequate supply of components by sister factories and failure of lots in proof. As the ammunition was phased out, the order was shortclosed involving financial repercussions of Rs. 34.33 lakhs. The Committee feel that with better planning and coordination such eventualities could have been avoided. They expect that suitable mechanism would be built in to minimise such infructuous expenditure in future.

[Sl. No. 26 Para 2.64 of the 214th Report of PAC 7th Lok Sabha)]

Action Taken

The observations made by the Committee have been noted for guidance. Steps have been taken for better Planning and Coordination

and these will be constantly reviewed. The fixation of annual targets and revisions of delivery schedules are now more closely monitored in the various production review meetings and this helps in minimising infructuous expenditure of the type brought out by the Committee.

[Department of Defence Production of Supplies O.M.
No. 13 (13)/82-D (Project-I) dated 29.12.1985]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES OF WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

Another surprising aspect is that while on the one hand production in the factory was falling, the overtime paid was on the increase. This is evident from the fact that in 1978-79 163 numbers of equipments were produced and the amount of overtime paid to industrial establishment was Rs. 94.15 lakhs. In 1979-80, the factory could produce only 133 numbers of equipments, but the amount of overtime paid rose to Rs. 117.19 lakhs. In 1981-82 again, the production of the equipment remained the same, but the amount of overtime rose further to Rs. 122.15 lakhs. This is, to say the least, indicative of complete absence of management and financial control. The Department of Defence Production have stated that the increased overtime was necessitated by manufacture of a large quantity of components and special jigs, tools and special fixtures for them for future production of the equipment. The total value of tools, jigs and fixtures produced during 1979-80, 1980-81 and 1981-82 were Rs. 76.76 lakhs, Rs. 83.92 lakhs and Rs. 70.41 lakhs and these are stated to have been mostly utilised in the current production programme and the value of residual items for utilisation in future are stated to be difficult to quantify. The Committee find little justification in resorting to overtime for production of items required in future when main production of the equipment was far below the raised capacity of the factory and resources under-utilised. It is a pity that in spite of resorting to systematic overtime payments, the factory could not achieve the targets and the shortfall in the supply of equipment was met by depressing the War Wastage Reserve and keeping the units at hard scale.

(Sl. No. 7 Para 1.66 of 214th Report of PAC (1983-84)
(7th Lok Sabha)]

Action Taken

The observation made by PAC have been noted. Overtime working has been a regular feature of the factory right from its inception. The details of overtime manhours from 78-79 to 81-82 are given below :—

Year	Total number of man hours (in Lakhs)
78-79	... 33.08
79-80	... 35.47
80-81	... 33.87
81-82	... 34.91

as can also be seen from Para 1.48 of the Committee's Report.

It may therefore be observed that the total number of manhours worked remained almost same, but increase in the payment of overtime was mainly due increase in the emoluments of workers and staff due to grant of additional Dearness Allowance.

2. As PAC may be aware that all Ordnance Factories are working on systematic overtime. However, working of overtime is being monitored closely and in 83-84, a reduction in systematic overtime to the extent of two hours per week has been effected while steps have been taken to improve labour productivity so that output is not affected.

3. As regards capacity utilisation reply to Sr. No. 6 Appendix III, Para 1.65 may also kindly be seen.

[M of D O.M. No. 1(2)/83/D (Proj-II) dated 28.12.1984]

Recommendation

From the findings of some of the Task Forces who have submitted their Reports last year, the Committee note that glaring cases of gross neglect in the maintenance of stocks in Ordnance Factories have come to light. It has been pointed out *inter alia* that Priced Store Ledgers in 2 of the Ordnance Factories namely, Ordnance Factory, Khamaria and Gun Carriage Factory, Jabalpur were in poor shape and required

detailed investigation. Incorrect ledger rates in 'Ordnance Factory Khamaria and discrepancies between bin card and ledger balances in Gun Carriage Factory, Jahalpur needed to be rectified. The Task Force have also recommended examination of the existing procedure of flow of documents to ensure that receipt vouchers are received in accounts and posted in the ledger prior to related issues. There had been 100 missing vouchers pertaining to the year 1978-79 and for posting in bin card and the ledger to enable quick reconciliation these were to be located. The Secretary (DP) candidly admitted that "it is not merely impropriety but it may be irregularity also". He also agreed that "there might be some pilferage also". The Task Forces have also recommended computerisation of Priced Store Ledgers and provision mechanical aids like calculators and posting of a separate Accounts Officer incharge of mechanical sections in each of the Ordnance Factories. While Government have already initiated action on some of the recommendations and discrepancies have been set right, action on some of their recommendations is still stated to be under consideration. The Committee have been told that all aspects were being examined with a view that the rectificatory steps. The Committee are of the view that the irregularities pointed out by the Task Forces like missing vouchers and non-posting of bin cards, etc are of a serious nature and these may involve defalcations and misappropriations of large amounts. The Committee recommend that these lapses should be investigated thoroughly with utmost expedition and responsibility fixed immediate steps should also be taken to bring about procedural improvements so as to guard against the recurrence of these lapses. The Committee will like to be apprised of the concrete steps taken in this regard.

(Sl. No. 20, Para 2.58 of the 214th Report of the PAC (7th Lok Sabha)

Action Taken

- (a) The Task Forces set up in O.F. Khamaria and Jabalpur for 1982-83 have reviewed PSL folios relating to category 'A' items covering bulk of the inventory. Based on their review, the discrepancies noticed in their relevant PSL folios have already been corrected. Task Forces have also been set up for 1983-84 in both these factories.

This will ensure that the inventory accounts relating to 'A' items representing bulk of the inventories are maintained correctly. Action has also been taken by the Accounts Offices in both the above Factories to ensure correct maintenance of the Prices Store Ledgers in future.

(b) *Missing vouchers*

It has been ascertained that the total number of missing vouchers reported was 952. Out of these 457 have since been identified and adjustment linked. Action has been taken to expedite identification of the remaining vouchers.

(c) The Task Forces reports have revealed that bulk of the discrepancies have arisen due to errors in pricing and posting of vouchers in the relevant ledger folios. The ledger folios relating to category 'A' items representing about 80% of the inventory have been scrutinised by the Task Forces and errors noticed have been rectified. The quantities shown in the ledgers for these items have been reconciled with the bin cards where in the ground balances have been certified by the stock verifiers.

(d) Action has already been taken by the General Managers to provide adequate number of electronic calculators to their Accounts Offices. Regarding computerisation of PSL, this is under active consideration of OFB. It has been proposed by C. of A (Fys) that in the first instance the PSLs in 12 major factories involving large number of stores transactions should be computerised.

(e) One additional accounts officer each has been posted to four major Branch accounts Office, viz. Ordnance Factory Khamaria, GCF Jabalpur, O.F. Ambajhari and O.F. Kanpur. This will enable these Accounts Offices to have separate Accounts Officer, I/C of their Ledger Sections.

(f) The lapses like missing vouchers and non-posting of bin cards are under investigation. A committee has been appointed to go into all relevant aspects of stores accounts in these factories. Their report is awaited.

(g) The following steps have been taken to bring about procedural improvements so as to guard against the recurrence of lapses noticed in the maintenance of inventory accounts :

- (i) GMs have nominated an Officer of the factory at a senior level as Materials Manager who has been made responsible to present comprehensive and co-ordinated picture of inventory and in turn monitor and control procurement process, maintenance holding of records and flow of documents on day to day basis as per prescribed procedures.
- (ii) Separation of ledger binders in respect of category 'A' items for ensuring prompt and correct posting of ledger accounts.
- (iii) Introduction of separate series of vouchers for category 'A' items to ensure their prompt receipt and accounting.
- (iv) Monthly reports have also been introduced for submission by Br. AOs to C. of A (Fys) giving position regarding arrears in receipt of vouchers from the Factory and arrears in the pricing/posting of vouchers in the ledgers separately for category 'A' items and for others. Based on this a consolidated report is also being rendered by C. of A (Fys) to OFB monthly.
- (v) Standardisation of formats in each Fy. and detailed analysis of working stock (active, slow and non-moving) obsolete, scrap, surplus stores and maintenance stores.

[Min. of Defence O.M. No. 13 (13)/82 D (Project-I) dated 18.6.1985]

Recommendation

The scrap holdings in the Ordnance Factories had gradually increased from Rs. 10.19 crores at the end of March, 1979 to Rs. 18 crores at the end of March 1982 as their utilisation was restricted due to non-availability of required facilities and disposal by sale was not commensurate with the rate of their accumulation. Out of the total scrap holding of Rs. 15.16 crores as on 31 March, 1981, the holding in

4 factories alone amounted to Rs. 11.68 crores. In one of them about 109 tonnes of cupronickel scrap costing Rs. 20.68 lakhs received in March 1956 from a sister factory and 112 tonnes of fired cartridge cases costing Rs. 125.11 lakhs received during 1972 were awaiting disposal. According to Government instructions, graded scraps both ferrous and non-ferrous are first offered to melting factories before disposal through auction. It has been stated that cupronickel scrap was initially retained for eventual utilisation. However, when no outlet was found it was decided in 1971 to dispose it of. Open tenders were floated in 1971, January 1972 December 1972 and January 1983 but the rates quoted were found to be far less than the ledger rates. The offer made to National Small Scale Industries' Corporation in February 1977 also did not evoke any response. Nor could any fruitful results be obtained from specialised firms approached in 1979. Lately, a Board has been constituted to assess the real worth of the store before making fresh attempts for its disposal. The Committee would like to express their unhappiness that scarce metal valued at lakhs of rupees could not be put to use for three decades. The Committee would like that physical verification of the stock to be done by an independent authority and the results of the verification intimated within 3 months. After the verification is complete, urgent steps be taken for the disposal of these scraps.

[Sl. No. 21, Para 2.59 of the 214th Report of the PAC (7th Lok Sabha)]

Action Taken

Facilities exist in Ordnance Factories for recycling/utilisation of scraps for their own use. Scrap holdings in the Ordnance Factories have shown an increase on account of increased turn over in production. According to Govt. instructions graded scraps both ferrous and non-ferrous are first referred to melting factories before disposing them through auctions. Disposal scrap is receiving full attention in line with Govt. instructions. Notable achievements have been made in processing ferrous and non-ferrous scraps by recycling in the Ordnance Factories as well as by entering into conversion keeping primarily the necessity for conserving valuable virgin metal. Data on disposal of

scrap as well as its arisings from year to year suggest that notable achievements have been made by the Ordnance Factories :—

Year	Scrap held	Scrap disposed of
1978-79	10.19	3.25
1979-80	12.58	3.47
1980-81	15.16	5.39
1981-82	18.00	6.87
1982-83	14.60	10.73

—(Value in rupees crores)

Regarding 102 M/T of Cupro Nickel, the Board of Officers constituted for examining the condition of the scrap and re-fixing a realistic ledger rate has completed its examination and have fixed the ledger price at Rs. 14.28 per K.G. Advertised tender for disposal of the scrap has been opened on 9.5.84. Offer of one firm of the Chandigarh has been considered acceptable and the firm has been asked to furnish security deposit. SRO will be concluded on the receipt of security deposit from the firm.

Instructions have been issued for special verification of disposal scraps—

[Min. of Defence O.M. No. 13 (13)/82-D (Project) dated 18.6.8985]

Recommendation

Similarly, 112 tonnes of Silicon Brass Scrap valued at Rs. 25.11 lakhs representing Fired cartridge cases was lying unutilised since 1972. Besides, some other scrapes valued over Rs. 80 lakhs (quantity 293.89 tonnes) pertaining to the period prior to 1977-78 and in case prior to 1968 have not been utilised so far. It has been stated that some measures like running contracts and conversion contracts have been entered into for expeditious disposal of these scraps. The Committee have already commented adversely about this fact in their 145th Report (7th Lok Sabha) on "Delay in disposal of fired cartridge cases". The hope that not only the present holdings would be disposed of expeditiously

but steps would also be devised to make use of the further arisings concurrently.

[Sl. No. 22, Para 2.60 of the 214th Report of the PAC (7th Lok Sabha)]

Action Taken

Regarding Silicon Brass scrap—112 M/T, it is intimated that tender has been floated. Tender is due to open on 1.6.84 by the Factory. The position with regard to the scraps valued Rs. 80 lakhs approx, (293.89 tonnes) is as under :—

(i) *Copper scrap Gr. II*

It has been decided to retain the scrap for melting.

(ii) *Copper Scrap Gr. IV*

Although security deposit has been received from 3 firms whose offers were found acceptable sale of the material against the contract has been stayed by the Calcutta High Court on a writ petition filled by one tenderer. The case is being contested.

(iii) *Cupro Nickel Scrap Gr. IB.*

The entire quantity has been issued to O.F. Katni.

(iv) *NF Mixed Metal scrap NM-2*

26.902 M/T has been issued against contract placed. Further issue/sale of material has been stayed consequent to a writ petition filled by one tenderer in the high Court of Calcutta. The case is being contested.

(v) *Cupro Nickel Scrap Gr. I.*

The items has been retained for manufacture of Cupro-nickel bands by MSF

(Min. of Defence O.M. No. 13 (13)/82-D (Project I) dated 18.6.1985]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

—Nil—

New Delhi ;
The February 20, 1986
—
1 Phalgun, 1907 (s)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

PART II

MINUTES OF THE 46TH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 13 FEBRUARY, 1986

The Committee sat from 10.00 hrs. to 13.45 hrs. in Committee Room 'C', Parliament House Annex, New Delhi.

PRESENT

Shri E. Ayyappu Reddy—*Chairman*

2. Shri J. Chokka Rao
3. Shri Amal Datta
4. Shri Ranjit Singh Gackwad
5. Shri Rameshwar Neekhra
6. Shri Rajmangal Pande
7. Shri H.M. Patel
8. Shri Girdhari Lal Vyas
9. Shrimati Amarjit Kaur
10. Shri Nirmal Chatterjee
11. Shri K.L.N. Prasad
12. Shri Ramanand Yadav

SECRETARIAT

1. Shri K.H. Chhaya—*Chief Financial Committee Officer*
2. Shri Brahmanand—*Senior Financial Committee Officer*
3. Shri O.P. Babal—*Senior Financial Committee Officer*

REPRESENTATIVES OF THE C&AG OF INDIA

1. Shri T.M. George, ADAI (RC)
2. Shri C.P. Mittal, DACW&M
3. Shri B. Sengupta, DA, Ordnance Factories
4. Shri D.K. Chakravarti, DACR I
5. Shri V.S. Jakhmola, Jt. D. ACWM

2. × × × ×

3. The Committee, thereafter, considered Draft Report on action taken by Government on the recommendations contained in their 214th Report (7th L.S.) on 'Shortfall in the production of an Equipment & Inventories and Works-in-Progress in Ordnance Factories' and adopted the same with amendments/modifications shown in Annexure I.

4. × × × ×

5. The Committee also approved some modifications/amendments arising out of the factual verification of the draft Reports by Audit.

6. The Committee authorised the Chairman to finalise the draft Reports and present the same to the House.

The Committee then adjourned.

ANNEXURE I

AMENDMENTS/MODIFICATIONS MADE BY THE PUBLIC ACCOUNTS COMMITTEE IN DRAFT REPORT ON ACTION TAKEN ON THE 214TH REPORT (7TH LOK SABHA)

<i>Page</i>	<i>Para</i>	<i>Line</i>	<i>Amendment/Modifications</i>
4-5	1.6	16 For "This state- on- wards ment runs counter... work load involved."	Read "As already stated, the practice of manufacturing jigs and tools for future use to maintain in the level of overtime should be stopped. The Committee consider that a firm principle must be established to correlate overtime payment with increased production".
9	1.9	12-17 For "The Com- mittee would like to be ...The Com- mittee would"	Read "The Committee trust that remaining vouchers would be indentified expeditiously, if not done already. They would also".
13	1.12	1-7 For "They would also... intimated to the Committee".	Read "The Committee consider that physical verification of stocks should be carried out regularly every year. The Committee further desire that the stocks at present should be physically verified and the results of such verification be intimated to the Committee."
16	1.16	1 For "note"	Read "are glad"

1	2	3	4
16	1.16	3-16 For "Tenders were invited ...in the earliest"	<i>Read</i> "The Committee desire that the scrap passed on to other ordnance factories is utilised in these factories for some constructive purposes. The Committee also desire that the steps taken by the ordnance factories in this direction should be reported to them."

APPENDIX

Summary of Conclusions/Recommendations

Sl.	Para No.	Ministry/Dept. concerned	Recommendation/conclusions
1	2	3	4
1	1.6	Defence Production	<p>In their earlier recommendation, the Committee were critical of constant increase in the payment of overtime in the face of declining output. They also did not find any justification for resorting to overtime for production of items required in future when production of main equipment was far below the rated capacity of the factory and resources were under-utilised. The Department of Defence Production in their action taken reply have argued that overtime working has been a regular feature of the factory right from its inception. It has also been stated that increased payments of overtime had been due to increase in the emoluments of workers and staff on account of grant of additional Dearness Allowance while the total number of manhours worked had remained almost the same. As already stated, the practice of manufacturing jigs and tools for</p>

future use to maintain the level of overtime should be stopped. The Committee consider that a firm principle must be established to correlate overtime payment with increased production.

2 1.9 Defence Production

The Committee note that Task Forces set up in Ordnance Factories Khamaria and Jabalpur for 1982-83 have reviewed Priced Store Ledgers relating to category 'A' items covering bulk of the inventory. Based on their review, the discrepancies noticed in their relevant PSL folios have already been corrected. Task Forces have also been set up for 1983-84 in both these factories. The Committee further note that out of the total of 952 missing vouchers 457 have been identified and action has been taken to expedite identification of the remaining vouchers. The Committee trust that remaining vouchers would be identified expeditiously if not done already. They would also like to be apprised of the progress made regarding computerisation of Priced Store Ledgers.

99

3 1.14 —do—

The Committee in their earlier recommendation had pointed out that scrap holdings in Ordnance Factories had gradually increased from Rs. 10.19 crores at the end of March 1979 to Rs. 18 crores at the end of March 1982. In one of the Ordnance Factories, 109 tonnes of cupronickel scrap costing more

than Rs. 20 lakhs was lying since 1956 while in another 112 tonnes of fired cartridge cases costing Rs. 25.11 lakhs received in 1972 were awaiting disposal. While expressing their unhappiness at scrap accumulation in Ordnance Factories, the Committee had desired physical verification of stocks to be done and its results intimated to them within three months. The Committee had also desired urgent steps to be taken for disposal of accumulated scrap. In their action taken note the Department of Defence Production have pleaded that scrap holding in Ordnance Factories has increased on account of increased turnover in production and that disposal of scrap is receiving full attention in line with Government instructions. Some action to dispose of 109 M/T of cupronickel scrap has also been initiated. It is satisfying to note that scrap holding which reached at Rs. 18 crores level in 1981-82 has come down to Rs. 14.60 crores in 1982-83. They would like to be apprised of the position attained in subsequent years. The Committee consider that physical verification of stocks should be carried out regularly every year. The Committee further desire that the stocks at present should be physically verified and the results of such verification be intimated to the Committee. The Committee would also like to reiterate their earlier recommendation that physical verification of the stock be done and its results intimated to the Committee.

1	2	3	4
4	1.16	Defence Production	<p>The Committee are glad that some positive steps have been initiated to reduce accumulated scrap holding by Ordnance Factories. The Committee also desire that the scrap passed on to other Ordnance factories is utilised in those factories for some constructive purposes. The Committee also desire that the steps taken by ordnance factories in this direction should be reported to them. The Committee would like to be informed, in due course, of the results achieved in this regard.</p>

