

**PUBLIC ACCOUNTS COMMITTEE  
(1964-65)**

**THIRTY-THIRD REPORT  
(THIRD LOK SABHA)**

**[Appropriation Accounts (Defence Services), 1962-63 and  
Audit Report (Defence Services), 1964]**



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**LOK SABHA SECRETARIAT  
NEW DELHI**

***February, 1965***  
***Phalgun, 1886 (Saka)***

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**PUBLIC ACCOUNTS COMMITTEE**  
**(1964-65)**

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Shri H. N. Trivedi—*Deputy Secretary.*

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

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf, this Thirty-third Report on the Appropriation Accounts (Defence Services), 1962-63 and Audit Report (Defence Services), 1964.

2. The Appropriation Accounts (Defence Services), 1962-63 together with the Audit Report thereon was laid on the Table of the House on the 10th March, 1964. The Committee examined them at their sittings held on the 27th, 28th, 30th (Forenoon and Afternoon) and 31st (Forenoon and Afternoon) October, 1964. A brief record of the proceedings of each sitting of the Committee has been maintained and forms Part II\* of the Report.

3. The Committee have appointed a sub-Committee to consider the cases referred to in paras 12, 13 and 14 of the Audit Report (Defence Services), 1964. The Committee will present a separate report on these cases. They propose to include their observations on para 28 of the Audit Report (Defence Services), 1964 in this subsequent report as certain additional information on that para is still awaited from the Ministry of Transport.

4. The Committee considered and finalised this Report at their sitting held on the 23rd February, 1965.

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

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

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

NEW DELHI;

February 27, 1965.

Phalgun 8, 1886 (Saka).

R. R. MORARKA.

Chairman,

Public Accounts Committee.

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

**I**

**BUDGETING AND CONTROL OVER EXPENDITURE**

**Audit Report (Defence Services) 1964**

1. *Review of expenditure against Grants and Appropriations*  
 Page 1—Para 1.—The totals of the voted grants and charged appropriations for the Defence Services during the three years ending 1962-63 and the actual expenditure incurred against them are summarised below:—

(In crores of rupees)

	1960-61	1961-62	1962-63
<b>(i) VOTED GRANTS</b>			
1. Grants (including Supplementary Grants) . . . . .	338.25	364.76	532.12
2. Actual expenditure . . . . .	310.17	343.63	503.99
3. Savings . . . . .	28.08	21.13	28.13
4. Percentage of 3 to 1 . . . . .	8.30	5.79	5.28
<b>(ii) CHARGED APPROPRIATIONS</b>			
1. Appropriations (including Supplementary Appropriations) . . . . .	0.96	0.17	0.22
2. Actual expenditure . . . . .	0.86	0.15	0.13
3. Savings . . . . .	0.10	0.02	0.09
4. Percentage of 3 to 1 . . . . .	10.17	14.80	39.12

2. *Savings in Grants* Page 1—Para 2.—During the year there were savings under all the five grants as indicated below:—

(In crores of rupees)

Grant No.	Total Grant	Savings
9.—Army . . . . .	349.76	11.28
10.—Navy . . . . .	20.50	0.04
11.—Air Force . . . . .	87.91	10.03
12.—Non Effective . . . . .	21.00	2.64
114.—Capital Outlay . . . . .	52.95	4.14

Out of the total savings of Rs. 28.13 crores during 1962-63, a sum of Rs. 27.26 crores was surrendered.

The savings under 'Non-Effective' were mainly due to the provision for payment of arrears on account of temporary increase in small pensions having proved excessive.

Referring to the overall saving of Rs. 28·13 crores (5·28 per cent) during 1962-63, the Defence Secretary stated that the performance of the Ministry had improved as compared with the previous years.

While the Committee are glad to note the improvement in the percentage of overall savings in voted grants during the year under review (5·28 per cent), they note that the amount of the total saving during the year was the highest (Rs. 28·13 crores) for the five year period ending with 1962-63. The Committee feel that there is scope for further improvement in the standard of budgeting in order to minimise the gap between the estimates and actuals. They hope that the position will be kept under constant watch.

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

(In crores of rupees)				
Nature of item	Budget provision	Actual expenditure	Unutilised provision	Percentage of unutilised provision
(i) Manufacture of certain items in the ordnance factories	1·25	..	1·25	100
(ii) Purchase of Plant and Machinery for factory projects	5·00	3·56	1·44	28·8
(iii) Investments in the share capital of Mazagon Dock Ltd., & Garden Reach Workshops Ltd.	0·75	..	0·75	100
(iv) Construction of naval vessels	1·75	0·53	1·22	69·7
(v) Purchase of air Frames and engines from abroad.	5·87	1·41	4·46	76·0
(vi) Purchase of aviation stores :				
(a) in India	6·33	3·72	2·61	41·2
(b) abroad	6·13	4·20	1·93	31·5

Considerable savings had occurred under items (ii), (iv), (v) and (vi) during the year 1961-62 as well. Explaining the reasons for large sums obtained for implementation of manufacturing and other schemes remaining unutilised, the Secretary of the Ministry had informed the Committee last year that most of the manufacturing projects involved outlay in foreign exchange. As at the time the estimates were framed, or even much later, there was no definite indication regarding the extent of foreign exchange that would be available, accurate budgeting in matters like these was inherently difficult. He had further stated that unless the requisite foreign exchange was made available in time, given the rupee part of the expenditure could not be incurred to the extent envisaged (Cf para 3 of 17th Report—3rd Lok Sabha). While considering the savings for the year 1962-63 the Committee desired to be furnished with a note stating the details of any surrenders made in respect of items (i) to (vi) above due to non-availability of foreign exchange during the year and the extent to which the foreign exchange was provided for these items during the years 1963-64 and 1964-65. A copy of the note furnished by the Ministry is given in Appendix I.

In the note the Ministry of Defence have now stated that the manner in which foreign exchange is released by Government and the expenditure budget is framed are such that except in very rare cases, the surrender in the budget has no direct relation to the availability of foreign exchange. The foreign exchange is dealt with on what is called a "commitment" basis. Every six months, the Defence Ministry are required to forecast the foreign exchange they require in respect of indents involving foreign exchange expenditure, which they will send to the purchasing organisation during that half year and against that forecast demand as allocation is made. Therefore, the availability or non-availability of foreign exchange decides whether a particular project or purchase involving expenditure of foreign exchange should be approved at that time. This is usually much earlier than the date on which such expenditure on such a project can feature in the budget. The provision in the budget for expenditure is usually against commitments of foreign exchange made a year or more earlier. The Ministry have further stated that it is not possible to relate the surrenders specifically to non-availability of foreign exchange or to state that the requisite foreign exchange was provided for in the subsequent year. The Ministry have added that the surrenders in quite a number of cases in so far as they relate to foreign exchange again do not apply to foreign exchange availability as such. They pertain to the fact that though the foreign exchange

may have been made available a year or two earlier and an indent put forward, the delivery dates promised or anticipated in respect of the supply of goods are not adhered to for various reasons.

In respect of projects which were deferred as the projects were not ready for implementation and where the budgetary provision had been made as a result of optimistic estimation of the schedule of implementation, the foreign exchange had to be found in subsequent years when the projects were ready for implementation. But the surrenders in 1962-63 were not due to the non-availability of foreign exchange but due to optimistic budgeting.

The Committee regret to observe that the explanation given by the Defence Secretary before the Public Accounts Committee last year (1963-64) that surrenders were due to non-availability of foreign exchange involved in most of the manufacturing projects, does not appear to be consistent with the position now explained to the Committee.

The Committee feel concerned to note that in spite of the allotment of foreign exchange for these important schemes, the Ministry have not been able to utilise the funds to the extent expected, resulting in short fall in planned targets. The Ministry have urged that the surrenders were due to optimistic budgeting. The Committee find from the Ministry's note that the savings on these schemes were due to non-materialisation of supplies of stores or non-implementation of certain schemes. The Committee feel that in the light of the experience of the Ministry about the procurement of stores and implementation of various manufacturing schemes, it should be possible to achieve better results. The Committee are not happy over the shortfall of expenditure in case of these important schemes which have a direct bearing on the country's defence efforts.

In para 4 of their 17th Report, (3rd Lok Saba), the Committee had suggested that in case where a final decision about the implementation of the schemes has not been taken, only a token provision should be made in the budget. They would like to know the action taken in this regard.

4. The Committee had desired to be furnished with a statement showing the position of allotment of foreign exchange against the demands of the Defence Ministry and its utilisation, from the year 1955-56 to 1963-64 in the form given at Appendix II. The information is still awaited. In the absence of this information it is not possible for the Committee to come to any conclusion whether shortage of foreign exchange was one of the reasons for the slow progress of any

of the projects of the Defence Ministry, in the past. It has been added that Government from time to time allocate the available resources of foreign exchange to the various Ministries after taking into account the relative priorities of all demands received. The Committee feel concerned to note that on the one hand the Ministry of Defence have been requesting for more and more foreign exchange, and on the other they are not able to utilise even the reduced allotments made to them as indicated by the large surrenders made by them. Also the Committee feel that the manner in which the foreign exchange has been utilised leaves much to be desired.

*Supplementary Grants—Para 3, pages 2-3.*

5. Supplementary grants, totalling Rs. 132·61 crores (Army 104·10; Navy—0·40; Air Force—8·00 and Capital Outlay—20·11), were obtained during the year. Out of these, supplementary grants amounting in all to Rs. 132·10 crores were obtained during November, 1962 and February, 1963 to meet the situation created by the Emergency.

In view of the ultimate saving of Rs. 10·03 crores in Grant No. 11—Air Force, the whole of the supplementary grant of Rs. 8 crores obtained under this grant in November, 1962, proved unnecessary. The Committee asked for the justification of obtaining a supplementary grant for the purchase of stores for the Air Force, while a review of the requirements made within four months of the commencement of the financial year had shown that the original provision for the purchase of air frames and engines would be excessive by Rs. 200 lakhs. The Defence Secretary explained that the supplementary grant of Rs. 8 crores was taken on an *ad hoc* basis mainly for purchase of aircraft from whichever source these were available, and the saving known in August, 1962 was also taken into consideration. In the supplementary Demands for Grants placed before the Lok Sabha the following reason was given for this Demand:

“The additional provision is required to meet the anticipated extra expenditure arising from the various measures, similar to those mentioned under Demand No. 9\*, taken by the Air Force to meet the Chinese aggression”.

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\*The reason under demand No. 9 was given as follows :—

The additional provision is required to meet the increase in expenditure as a result of the measures taken to meet the Chinese aggression. Briefly these are acceleration of the measures for the expansion of the army and further augmentation of its sanctioned strength embodiment of the Territorial Army, increased movement of personnel and stores, hire of transport, procurement and manufacture of equipment and stores and operational and urgent works to be met from revenue.

**The Committee feel concerned over the supplementary demand remaining unutilised especially as it was urgently required in the wake of the Emergency.**

6. In September, 1962, a supplementary grant of Rs. 11.37 lakhs was obtained under 'Capital Outlay' to recoup the advance taken from the Contingency Fund in June, 1962, in connection with the setting up of an Undergraduate Wing at the Armed Forces Medical College, Poona. The actual expenditure on this account during the year was only Rs. 5.03 lakhs. The advance taken from the Contingency Fund in anticipation of the vote of Parliament proved to be considerably in excess of requirements.

In evidence, the Defence Secretary stated that expenditure was considered to be a 'New Service'. The funds were not utilised fully as after a further review of requirements in December, 1962 alterations in one building were considered unnecessary and the revised requirements for the other building were not completed. The witness admitted that it was a case of somewhat loose planning. The Committee pointed out that according to the normal practice the amount of an advance from the Contingency Fund should be enough to meet only the immediate requirement pending the sanction of a supplementary grant, but in the present case the advance was taken for the entire expenditure required for the scheme. The Defence Secretary, agreed that a smaller advance should have been obtained in this case and assured the Committee that the correct procedure would be followed in future.

**The Committee feel that money drawn from Contingency Fund should not generally be in excess of what is required for immediate use in anticipation of the vote of Parliament. They desire that necessary instructions may be issued by the Ministry of Finance to all the Ministries to follow the correct procedure in this respect.**

## II

### ARMY

#### (ENGINEER-IN-CHIEF'S BRANCH)

#### Audit Report (Defence Services) 1964

##### *Loss of Cement—Page 5—Para 4 (iv)*

7. As the stock ledger of cement maintained in a Garrison Engineer's office was reported lost on the 21st November, 1962, a new ledger covering the period from the 30th September, 1961 (balance on which date was known) to 20th November, 1962 was reconstructed on the basis of available documents. 1381 metric tons of cement of the value of Rs. 2.21 lakhs was found short in stock.

A Court of Inquiry reported in February, 1963, that certain employees were responsible for the loss of cement and the connected records and that there was overall lack of supervision.

The case was reported to the Special Police Establishment in May, 1963, who completed investigation in July, 1964.

The Defence Secretary stated that immediately on the loss of the stock ledger being reported on 21st November, 1962, the Barrack Store Officer sealed the cement godown, and the Garrison Engineer ordered a Board of Officers to make a physical check of the ground balances. The checking of the ground balances was completed on 30th November, 1962 and the first impression was that there was only a shortage of 100 metric tons of cement. On a request from the Garrison Engineer to the Area Commander, a Court of Enquiry was constituted on the 7th December, 1962, which completed its findings on the 23rd February, 1963. During the course of the enquiry, the cement accounts were reconstructed on the basis of a balance of 1000 tons shown on the 30th September, 1961 in the audit objection statement and the subsequent receipts and issues, information about which was available from other records. This disclosed a shortage of 1381 metric tons of cement for the period 30th September, 1961 to 20th November, 1962. The accounts were also checked by the internal audit. During this period two storekeepers had held the charge. The first-storekeeper had handed over the charge to the other on the 20th October, 1962.

The Special Police Establishment to whom the case was referred for investigation in May, 1963 submitted their report in July, 1964 stating that it was a case for departmental action, and no criminal case could be established for want of evidence. According to the S.P.E.'s findings the two storekeepers (old and new), one mazdoor, one peon and one supervisor of the Garrison Engineer's Office were responsible for failure to keep the records properly and lack of proper supervision. These officers had been served with charge sheets and their explanations were awaited. The second storekeeper had been suspended on the 7th December, 1963. The question whether there was any lapse on the part of the Barrack Stores Officer and whether action was called for against him was under examination. The witness added that the Garrison Engineer had been removed from service on 27th September, 1964 on another charge viz. excess accumulation of wealth.

Asked about the responsibility of the peon and mazdoor in the case, the witness stated that the peon was responsible for the loss of the cement ledger, and the mazdoor, who had been allowed to do clerical work, had been instrumental in fabricating and tampering with the gate pass.

The Committee asked whether the cement was actually received in the depot and then pilfered, or it did not arrive at all and only the accounts were manipulated. The Defence Secretary stated that the fact that in one case the figure in the gate pass was tampered with to read 103 tons instead of 3 tons indicated that the cement seemed to have actually arrived in the depot. But no other tampered gate pass was found. The Comptroller and Auditor General pointed out that the balance of 1000 tons shown on 30th September, 1961 in the audit objection statement referred only to the figure shown in the books and it was possible that the ground balance on that date might be less. The audit objection then was that as against the maximum authorised limit of 600 tons, the depot was holding 1000 tons according to the books.

The representative of the Central Bureau of Investigation stated that it was possible that the embezzlement was started even before 30th September, 1961. The witness added that the case was referred to the Special Police Establishment when some of the important ledgers had been missing and it was not possible to find out at that stage how the misappropriation took place. Asked whether according to the investigation by the Special Police Establishment, cement had actually arrived in the depot, the witness stated that all evidence in the records showed that the cement had been received. The Committee desired to know whether any enquires had been made

from the suppliers. In a note furnished to the Committee, the Central Bureau of Investigation have stated that according to the Railway Receipt Register cement had been received correctly. Also neither any of the suspect officers took the plea nor any body else stated that there was any shortage in connection with any receipt. In these circumstances, there was no necessity of checking the records of the suppliers.

In reply to a question, the Defence Secretary stated that according to the procedure, stores had to be physically verified by the Barrack Storekeeper once every quarter and by the Garrison Engineer and the Assistant Engineer occasionally.

In the present case the stock of cement had been verified by an officer nominated by Garrison Engineer on the 27th September, 1962, but no shortage had been disclosed. The witness added that according to the Court of Enquiry and the Special Police Establishment, the ledgers themselves had been tampered with, and so the tallying of the balances with the physical stock did not mean that there was no shortage.

Explaining the remedial measures taken, the witness stated that necessary instructions had been issued on 26th October, 1964 to the Chief Engineers to ensure that their standing orders were comprehensive and laid down the correct procedure for issue, recouplement and maintenance of stores and covered specific duties of individuals responsible for these.

The Committee are perturbed over the misappropriation of cement in such a large measure (1381 metric tons or 27620 bags) in all continuing over a period of more than a year (30th September, 1961 to 20th November, 1962) without being detected. According to the representative of the Central Bureau of Investigation, it was possible that the misappropriation might have been started even before 30th September, 1961. It is regrettable that there was no proper supervision by the higher officers over the accounts of cement maintained by two successive storekeepers, which facilitated misappropriation over a long period. What is worse, the physical stock verification carried out as late as on 27th September, 1962, i.e., only about 1½ months before the loss of the stock ledgers, did not disclose any shortage of cement. According to the Court of Inquiry and the Special Police Establishment this was due to stock ledgers themselves being tampered with. This only leads to the conclusion that the stock verification was done in a perfunctory manner. Judging from this case, the Committee are rather alarmed about the state of affairs in the Store Depots of M.E.S. It shows a complete failure of supervision by the supervisory officers, as otherwise these shortages would

have come to notice during periodical physical verification of stores. The Committee suggest that a serious view should be taken for laxity of supervision in this case against those found responsible for it. They also note that instructions had been issued to the Chief Engineers to review their standing orders in order to ensure that these lay down the correct procedure of issue, recoupment and maintenance of stores and covered specific duties of individuals responsible for these. The Committee suggest that these matters should be kept under constant review, and the higher officers should keep a close watch over the maintenance of accounts.

It is unfortunate that although the Special Police Establishment took 14 months to investigate this case, they could not establish whether such a large quantity of cement was actually received in the depot and thereafter got pilfered or it was diverted directly to the outside agencies and the accounts manipulated subsequently. The Committee are surprised that no criminal liability could be established although there was round the clock security arrangement in the Military depots and even though the official records had been tampered with.

Another unsatisfactory feature of the case is that no action was taken to suspend the officials other than the storekeeper, who had been held responsible for the loss by the Court of Inquiry. The Committee had desired to be furnished with a note stating the reasons for this lapse. In a note furnished by the Ministry of Defence it has been stated that the suspension of the other officers was not considered necessary by the CWEGE as they were posted to far away stations and were not in a position to interfere in the investigations. The Supervisor, Barrack Stores, Grade I was transferred elsewhere on 14th September, 1962 and the store-keeper on 28th December, 1962. The Committee would also like to know the outcome of the disciplinary action initiated against the two storekeepers, the mazdoor, the peon and the supervisor of the Garrison Engineer's Office, as also the Barrack Stores Officer.

*Page 15—para 20—Excess payment to a contractor.*

8. In January, 1961, a contract was concluded by the Ministry Engineer Services for the construction of 12 'D' type quarters by September, 1962, at a cost of Rs. 7.16 lakhs. The contractor did not progress the work after July, 1962 and the contract was cancelled at his risk and expense nearly 8 months later in March, 1963. In the meantime, upto March 1962, the contractor had been paid Rs. 6.22 lakhs on the basis of the certificates recorded by the Garrison Engineer. Subsequently in March, 1963, the value of work executed and stores left at site was estimated by a board of officers at Rs. 5.58 lakhs, indicating that an overpayment of Rs. 0.64 lakhs had occurred.

In respect of another building contract concluded with the same contractor in December, 1961 an overpayment of Rs. 0.63 lakhs had occurred in similar circumstances.

The works left incomplete by the contractor had been entrusted to other contractors at higher rates, involving an excess expenditure of Rs. 0.77 lakhs. Under the terms of the contract, this amount is also recoverable from the original contractor.

Thus a sum of Rs. 2.04 lakhs is due for recovery from the contractor against which the security deposit held by the Department is only Rs. 23,100.

The case has been investigated by the Special Police Establishment.

The Committee enquired about the departmental action taken against the officer responsible for making an overpayment to the contractor. The Defence Secretary stated that as the records relating to the case were still with the Special Police Establishment, no action could be initiated. Although according to the instructions, the Special Police Establishment were to be supplied with only photostat copies of the original documents, in a number of cases the entire original documents had been handed over to the Special Police Establishment.

The representative of the Central Bureau of Investigation stated that this case had been registered by the Special Police Establishment on the basis of their own information. Later they were asked by the Defence Ministry that the Special Police Establishment enquiry might be stopped till the completion of the departmental enquiry which had been proposed to be started. As by that time sufficient evidence had been collected by the Special Police Establishment for making out a case for prosecution, the Ministry were advised not to proceed with a departmental enquiry. The witness added that the investigation had been completed and it has been proposed to launch prosecution against seven persons including the contractor and the Garrison Engineer. The sanction to launch prosecution was being applied for.

Asked how the overpayment to the contractor was not detected by the Defence authorities, the Defence Secretary stated that under the existing procedure the Garrison Engineer was authorised to make on account payments and checks in this regard were made only at the time of the final adjustment of the accounts. The witness agreed that action to recover the amount of Rs. 2.04 lakhs due from the contractor could have been taken before the finalisation of the criminal investigation. He promised to obtain the relevant documents which were with the Special Police Establishment, and take depart-

mental action. The witness added that the contractor had been black-listed, and "he had declared himself as insolvent."

The Committee feel concerned over the manner in which over-payments amounting to Rs. 0.64 lakh and 0.63 lakh were made to the contractor on the basis of the certificates issued by the Garrison Engineer. The Committee suggest that in order to avoid recurrence of such cases the feasibility of augmenting the existing provisions of check by Internal Audit on account of payments made by the Garrison Engineers may be examined. The Committee would like to know the outcome of the criminal proceedings against the contractor, the Garrison Engineer and five other officials.

Another aspect of the case which worries the Committee is that against a sum of Rs. 2.04 lakhs due from the contractor, his security deposit with the department amounts to only Rs. 23,100. According to the witness, the contractor "has declared himself as insolvent". The Committee are unable to understand why action was not initiated early to recover the amount due from the contractor. The Defence Secretary agreed during evidence that action to recover this amount could have been taken before the finalisation of the criminal investigation for which all the relevant documents were still with the Special Police Establishment. He promised to obtain the relevant documents from the Special Police Establishment and take action in the matter. The Committee would like to be informed about the outcome of the action taken to recover the amount from the contractor.

The Committee had desired to be furnished with a note stating the basis for obtaining security deposits from the contractors, which is at Appendix III. The Committee suggest that gaining experience from this case the Ministry should examine whether there is a need for enhancing the recovery of security deposits from the contractors.

*Emergency Works Procedure—Page 5, para 4 (v)*

9. In November, 1962, 'Emergency Works Procedure' was introduced for the execution of works necessitated by the emergency. In respect of works authorised by the lower authorities, serious irregularities, e.g., splitting up of projects to avoid sanction of higher authorities, sanction of accommodation without proper authority or in excess of requirements, departures from appropriate scales and specifications, were reported to have come to notice of the Internal Audit.

The competent financial authorities are also empowered to order commencement of urgent works, in whole or in part, in anticipation of the administrative approval to the estimates of expenditure under specified heads. During the period of four months ending March, 1963, Government approved the commencement of 26 works at a total estimated cost of Rs. 41.65 crores. Out of these, in respect of

20 works estimated to cost Rs. 34.79 crores, administrative approval to the estimates of expenditure has not yet been issued. The expenditure incurred on these 20 works upto the end of November, 1963, was Rs. 5.37 crores.

The Committee asked for the reasons for the delay in issuing administrative approval in respect of the 20 works. The Defence Secretary stated that certain works had been approved at that time taking into account the expected increase in the size of the units. But, subsequently the organisation and the size of the units had been under consideration. In view of this uncertain situation, the requirements of accommodation had to be revised. But it was not possible to issue administrative approval until a final decision on the size of the units, on which depend the requirement of accommodation, was taken.

While the Committee appreciate the Ministry's point of view that changes in the requirements of accommodations might have taken place after the necessity for the projects was accepted, they feel concerned over the delay in according administrative approval to such works. In the case of the 20 works referred to in the Audit para, more than a year has already elapsed since their sanction. The Committee hope that necessary administrative approval will be issued soon in these cases.

10. The Committee drew attention to the irregularities in respect of works authorised by the lower authorities e.g. splitting up of projects to avoid sanction of higher authorities sanctioning of accommodation without proper authority or in excess of requirements, departure from appropriate scales and specifications. Referring to the splitting up of projects, the Defence Secretary stated that out of 3191 cases in which the subordinate authorities had been delegated powers under the emergency procedure, this irregularity occurred only in 8 cases upto March, 1964. It was urged that in the prevailing situation, the officers were anxious that the training programmes should not suffer because of delay in completion of the projects, and they exceeded their powers in some cases. In some cases splitting up resulted from phasing of the projects to meet immediate requirements. Obtaining sanction of higher authorities would have delayed the projects. The witness agreed that the officers should not have exceeded their powers. The witness added that in these 3191 cases, the types of objections and the number of occasions were: power exceeded, 80; acquisition of land, 16; unauthorised items, 37; incorrect scales of specifications, 29; and splitting of works, 8. On the irregularities being pointed out by the Internal Audit, it was impressed upon the officers not to repeat them and as a result of this there had been a

reduction in the occurrence of such cases. The witness assured the Committee that these cases would be examined by the Ministry and that each case would be dealt with on its merits.

Referring to 4 cases of the sanction of accommodation without proper authority, the Comptroller and Auditor General stated that there was one case of provision of an airconditioner in a Military Hospital. The details of the case furnished are, which are at Appendix XIX. As regards the remaining three cases, the witness stated that the objection in one case had been settled, the details were still awaited in the second case, and in the third case the sanction had been cancelled before any expenditure was incurred.

In regard to the two cases of sanction of accommodation in excess of requirement involving Rs. 75.82 lakhs, the witness stated that the matter was still under correspondence with the internal check authorities who had been asked to furnish data as to how the accommodation was in excess of the requirement. The Committee desire that the objection should be settled early and a report submitted to them.

11. The Committee also desired to be furnished with the Ministry's comments on the 4 cases of departure from appropriate scales (involving Rs. 95.18 lakhs) and 4 cases of departure from specifications (involving Rs. 24.54 lakhs). This information has been furnished (Appendix XIX).

While the Committee appreciate that in the situation prevailing during the emergency, the officers are anxious that there should not be delay in the completion of urgent projects, they desire that the officers should not exceed the enhanced powers delegated to them under the emergency procedure. The Committee note that instructions have been issued by Army Headquarters to lower formations to guard against recurrence of such defects viz. splitting of projects, sanctioning of unauthorised accommodation or accommodation in excess of requirements and departure from appropriate scales and specifications. The Committee were also assured that the cases under objection by Internal Audit would be examined by the Ministry and suitable action taken in each case. They hope that further remedial measures, if any, necessitated as a result of this examination will be taken by the Ministry.

*Extra payment due to incorrect estimation of quantity of work and non-adjustment of rates—pages 15-16, para 21.*

12. A contract for a sewage disposal work provided for 12,100 cubic feet of excavation by chiselling in hard rock in trenches at rates varying from Rs. 43 to Rs. 65 per hundred cubic feet, depending

upon the depth. One of the conditions was that deviations ordered on any item of work in the contract should not exceed plus/minus 50 per cent. of the value of that item.

The work was commenced on the 20th August, 1959 and completed on the 15th September, 1960. The total quantity of excavation in hard rock done was 1,50,600 cubic feet, i.e. more than twelve times the quantity indicated in the contract agreement.

The 50 per cent. permissible limit of deviation was exceeded as early as January, 1960, but no action was taken by the authorities to negotiate a rate for the excess quantity under this item. The contractor informed the Commander Works Engineer in June, 1960, that he expected his just claim for rock cutting done in excess of the contracted quantity to be considered. The contractor did not, however, claim any higher rate upto the 12th October, 1960, by which date, eleven running account bills had been passed.

The Department issued covering deviation orders on the 15th September, and the 19th October, 1960 providing for the excess quantity to be paid at the contract rates; the contractor, however, claimed Rs. 1.01 lakhs over and above the amount due at the contract rate. This additional claim which was based on the Standard Schedule of Rates plus twenty per cent was rejected by the Department. The case was subsequently referred to an arbitrator who awarded Rs. 99,250 in favour of the contractor.

The Committee asked the reasons for not negotiating fresh rates with the contractor after the deviation exceeded the 50% limit fixed in the contract. The Engineer-in-Chief stated that in that case the Garrison Engineer would have had to stop the work and enter into lengthy negotiations with the contractor. But even then it would not have been possible at this stage to estimate the additional digging work involved, until the work was completed. The Garrison Engineer, therefore, allowed the work to be continued without deciding about the rates. At the end of the work the contractor submitted a claim, which was rejected by the Garrison Engineer saying that the extra work would be paid for at the contract rate. The dispute was, therefore, referred to arbitration. In regard to the under-estimation of the work, the witness stated that as the work was below the ground, it could not have been estimated correctly unless holes had been bored. But, since, it was only a work of laying sewage lines, this method was not adopted.

In reply to a question, the Defence Secretary admitted that the Garrison Engineer exceeded his powers in allowing the deviation of more than 50 per cent without obtaining the sanction of the higher authority.

The Committee find no justification for the failure of the Garrison Engineer concerned not to negotiate rates for the extra digging work when it was realised that the work was exceeding the quantity mentioned in the contract. It is regrettable that the Garrison Engineer also exceeded his powers in allowing more than 50% deviation in the work without obtaining the sanction of the higher authorities. The Committee were informed during evidence that instructions were being issued that where estimates were likely to be exceeded for some reason, the work should not be stopped but the rates should be negotiated immediately and necessary sanction obtained. The Committee would like to be furnished with a copy of these instructions. The Committee also hope that such cases will not recur.

*Wasteful expenditure on procurement of steam coal—Page 16—  
para 22.*

13. A contract concluded by the Chief Engineer, Western Command, in November, 1962, for the strengthening of an existing runway provided for the supply by Government, at the contractor's option, of road rollers—petrol, diesel or steam driven—and also steam coal, if steam road rollers were used. Without specifically ascertaining the type of road rollers that were being released by the Engineer-in-Chief (*viz.* steam, diesel or petrol driven), order for the supply of 2000 tonnes of steam coal was placed by the Headquarters, Western Command, on the 17th October, 1962, before the contract was concluded. The Coal Controller authorised the collieries on the 7th November, 1962 to supply the coal.

The Garrison Engineer came to know on the 27th November, 1962, that petrol driven road rollers were being supplied. On the same date he requested the Commander Works Engineer to have the undespached quantity cancelled. Before this could be done, the entire quantity was despatched by the collieries by the 28th November, 1962.

Out of a total quantity of 1884 tonnes received by the Garrison Engineer during November, 1962 to January, 1963, 78 tonnes were issued to another formation in August, 1963 and the balance remained to be disposed of.

The Defence Secretary admitted that the Garrison Engineer concerned should have ascertained about the type of road-rollers being issued for the work, before placing orders for coal. The witness added that it was proposed to take disciplinary action against the officer concerned. As regards the surplus coal the witness stated that a part of it had been utilised.

The Committee regret to note that due to lack of co-ordination between the Engineer-in-Chief and the Command authorities about the type of road-rollers being released for the work, avoidable expenditure of Rs. 1.16 lakhs was incurred on the procurement of 1884 tonnes of steam coal. The Committee would like to know the disciplinary action taken against the officers concerned.

*Extra expenditure due to acceptance of contract at high rates—Pages 17-18—para 2A.*

14. In his report for the half year ended the 31st December 1961, the Chief Technical Examiner reported that in two contracts entered into by a Commander Works Engineer for provision of sewage disposal works etc., the level of rates in one of the contracts accepted on the 19th March, 1960, was 5 per cent below the Standard Schedule of Rates and that in the second contract accepted on the 22nd March, 1960, it was 84 per cent above the Standard Schedule of Rates.

The rates relating to items involving rock cutting, in which very wide disparities were noticed, were as follows:

Sl. No.	Item of work	Unit	Rate in contract 'A'	Rate in contract 'B'
			Rs.	Rs.
1.	Excavation in trenches in rock upto 5' depth . . .	100 FC	30.00	100.00
2.	Ditto but exceeding 5' and not exceeding 10' depth . . .	"	30.00	140.00
3.	Excavation over area in rock upto 5' depth . . .	"	25.00	100.00
4.	Ditto but exceeding 5' and not exceeding 10' depth . . .	"	30.00	140.00

The Commander Works Engineer attributed this wide disparity in rates to the large quantity of blasting involved in contract 'B' and to an allowance for making good the damage that might be caused to buildings during blasting operations. It was further explained that in blasting operations no control could be kept on the volume of rock excavated and that the contractor had to repair large quantities of extra excavation for which no payment was permissible.

The Chief Technical Examiner, however, did not accept this argument and pointed out that even for an additional lift of 5 ft. of excavated rock, contract 'B' provided for an extra Rs. 40 per 100 c. ft. as against Rs. 5 in contract 'A'. He further opined that no proper scrutiny of tender was carried out before acceptance and that there was no justification for the acceptance of high rates in contract 'B'.

The Chief Engineer after discussion with the Chief Technical Examiner in March, 1962, held the view that the fair rate for item 2 above would be Rs. 50 per hundred cubic feet.

In evidence, the Defence Secretary stated that originally it had been proposed to take up the two works together. But as there was no response from any tenderer, it was decided to split up the tender and award two contracts. The tenders for the contracts had been received on the 19th March, 1960 and 22nd March, 1960 respectively. A tender for contract 'B' had also been issued to the successful tenderer of Contract 'A' but he did not tender. The successful tenderer of contract 'B' had also tendered for contract 'A' and his rates were about 50 per cent higher than the lowest tender. The rates of the successful tenderer in contract 'A' were nearly one-third of the rates of the other tenderers in the same contract. The witness agreed that after opening the tenders in contract 'B' the engineer concerned should have negotiated with the successful tenderer of the Contract 'A'. The explanation of the officer concerned for failure to do so had recently been called for and his reply was awaited. Asked why no action against the officer was taken in spite of the report of the C.T.E. the witness replied that at one time it had been felt by the authorities concerned that the case did not require any further investigation, considering that the engineer had accepted the lowest tender. When the matter came before the Ministry, they felt that the explanation of the officer should be called for and a decision taken in the light of it.

In this case, even though the lowest tender received in the first contract a few days earlier had disclosed considerably lower rates for rock-cutting work, the lowest tender in the second contract stipulating higher rates (more than three times those given in the lowest tender of the first contract) was accepted by the engineer concerned without making any effort to get the rates reduced. The proper course was to negotiate with the successful tenderer of the first contract to undertake the second contract also. Alternatively the lowest tenderer in the second case should have been impressed upon to bring down his rates. It is regrettable that the engineer concerned failed to take these normal precautions. The Committee subscribe to the view of the C.T.E. that no proper scrutiny of the

tender in the second case was carried out before acceptance and there was no justification for the acceptance of the higher rates. In spite of the fact that the contractor in the case of contract 'B' had quoted very high rates, the officers concerned were not put on their guard in scrutinising the tender, but they awarded the contract more or less mechanically. As a result Government have suffered a heavy loss.

The Committee feel concerned to note that in spite of the observations of the Chief Technical Examiner no action was taken by the Army Headquarters against the engineer concerned for this failure, till the matter came before the Ministry of Defence who ordered the explanation of the officer to be called for. The Committee desire that more serious attention should be paid by the authorities concerned to the observation of an expert organisation like the C.T.E.

The Committee would like to know the action taken against the officer concerned as a result of his explanation called for recently.

*Delay in execution of a scheme—Pages 18-19, para 25.*

15. A project relating to the improvement of the water supply at a station sanctioned by Government in December, 1954, at an estimated cost of Rs. 5.81 lakhs was commenced in May, 1956. The work was however, suspended in December, 1956, after incurring an expenditure of Rs. 1.28 lakhs, as the Central Water and Power Commission had expressed the view in August, 1956, that the project was uneconomical owing to poor storage facilities. A revised project was sanctioned by Government in April, 1959, at an estimated cost of Rs. 14.11 lakhs (increased to Rs. 17.40 lakhs in January, 1962).

An expenditure of Rs. 15.05 lakhs had been incurred upto the end of March, 1964.

It was noticed in November, 1961, that the masonry reservoirs completed in July, 1961, at a cost of Rs. 4.18 lakhs had developed leaks. The report of a specialist firm which inspected the reservoirs in November, 1962, showed that:—

- (i) the specifications stipulated by the Department had been inadequate in some respects;
- (ii) the contractor had in some case deviated from the specifications; and
- (iii) the workmanship was not up to the standard.

The Chief Engineer, however, considered that the original specifications were adequate and that no deviations had been allowed. A board of officers concluded that the workmanship was not up to the standard.

The anticipated increase in supply of water by 1,75,000 gallons per day has not yet been achieved.

The Engineer-in-Chief stated that the project for improvement of water supply consisted of raising the dam providing pipe line and construction of new storage tanks. The first phase of the project was sanctioned in 1964 at a cost of Rs. 5.81 lakhs including Rs. 2.52 lakhs for the dam. They had given a hasty estimate of the dam. After further investigation and testing it was found that raising the height of the dam was not feasible. The experts of the Central Water and Power Commission were then consulted and it was decided that the best approach would be to deepen the bed of the catchment area. The deepening of the catchment area was in progress. But the work could be done in the dry season only for 1 or 1½ months (May-June) in a year. The capacity of the reservoir would increase as the digging work proceeded, and the anticipated extra water supply of 1,75,000 gallons per day would thus be achieved progressively. All other works had been completed in June, 1964. There was some delay in the completion of work due to difficulty in obtaining pipes.

On his attention being drawn to the statement in the Audit para that work was suspended in December, 1956 after incurring an expenditure of Rs. 1.28 lakhs and a revised project was sanctioned in April, 1959, the witness stated that revision of the project related only to the dam but the amount of Rs. 1.28 lakhs related to the subsidiary work which continued.

With regard to the leaks developed in the masonry reservoirs, the witness stated that as the contractor had disputed his responsibility in this matter, the rectification of defects had been ordered at his risk and expense. Referring to the observations of the specialist firm in regard to the specifications stipulated by the Department being inadequate in certain respects, the witness stated that the Chief Engineer did not agree with these observations. As regards the conclusion of the Board of Officers regarding the workmanship not being up to the standard, the witness stated that necessary action would be taken against the officers responsible for lack of supervision.

**The Committee feel concerned over the delay in completion of the scheme for improvement of the water supply at the station, which was sanctioned about 10 years back. While the subsidiary works were completed in June, 1964, the deepening of the bed of**

the catchment area is still to be completed. The objective of the scheme to increase the water supply by 1,75,000 gallons per day has not yet been achieved. In the opinion of the Committee the delay is due to lack of planning and forethought on the part of the engineers. According to the Engineer-in-Chief's own admission, so far as the dam was concerned, they had given a hasty estimate. It is regrettable that the feasibility of raising the height of the dam was not fully investigated before sanctioning the scheme in 1954, with the result that the work had to be suspended in December, 1956 and the project estimates revised from 5·81 lakhs to 14·11 lakhs in April, 1959 (later increased to 17·40 lakhs in January, 1962).

Another disquieting feature of the project is that the workmanship of the masonry reservoirs was not up to the standard (as confirmed by the Board of officers), as a result of which there developed leaks. This indicates that there was lack of supervision over the work done by the contractor. The Committee would like to know the action taken against the officers concerned for laxity in supervision. They would also like to know the action taken to recover the extra expenditure incurred on repairs from the contractor who initially did sub-standard work.

It is regrettable that even in a project under the Army, a small project like this has taken a decade and still not completed though the necessary funds, materials and equipment were available. This shows that the system of both planning and execution is defective and needs examination with a view to eliminating delays and bad planning.

*Infructuous expenditure due to defective drafting of a contract—Page 19—para 27.*

16. For excavation and earthwork, the Military Engineer Services Standard Schedule of Rates provides for separate rates for each stratum of 5 feet (i.e. there are different rates for earthwork upto 5', 5' to 10', 10' to 15' and so on). In July, 1959 the Chief Engineer Southern Command, concluded an item rate contract for sewage disposal, which provided for the digging of trenches of varying depths upto a maximum depth of 25' at rates specified for the maximum depth of each stratum of 5' from the ground level (i.e. for trenches upto 5', 10', 15' and so on). In other respects the standard Schedule of Rates had been followed.

After accepting payment of the first six running account bills on the basis stipulated in the Standard Schedule, the contractor claimed payment at the rate corresponding to the maximum depth instead of at separate rates for different strata. The matter was referred to

an arbitrator who awarded a sum of Rs. 36,000 in favour of the contractor in addition to the sum of Rs. 43,200 payable under the Standard Schedule of Rates.

In evidence the Defence Secretary stated that the contract in this case had been entered into in the standard form which had been in existence for a long time. It was found in this case that the wording of the contract was capable of a different interpretation. In future contracts the wording would be improved.

It is however understood from Audit that the ambiguity in this case was in the wording of the description of work indicated in Schedule 'A' to the contract Agreement which was not in line with the standard Schedule of Rates. **The Committee regret to note that due to defective wording in the contract an extra expenditure of Rs. 36,000 had to be incurred in this case. They suggest that instructions be issued to the effect that utmost care is taken in wording the description of the work in the contract so that it is not capable of being given different interpretations.**

*Delay in commissioning of tube-wells—Pages 23-24, para 34.*

17. In October, 1959, Government sanctioned the installation of seven tube-wells at a station with a view to bringing an additional area of 900 acres of land under cultivation. Three were to be completed by March, 1960, and the remaining four by March, 1961. The contract for the sinking of the tube-wells was, however, concluded only in June, 1960, and the work was completed in December, 1960, at a total cost of Rs. 1.52 lakhs.

There was considerable delay in commissioning five tube-wells and these were handed over to the users during January to May, 1964.

The other two tube-wells were handed over to the users in June, 1961, fitted with old pumps obtained from the stock. During the period of over two years upto August, 1963, these wells could be used in all for 6,800 hours against about 13,000 hours for which they could have been used; the reasons being that:—

- (i) one engine could not be worked for six months for want of spares;
- (ii) the other engine had to be worked on the minimum load as it had developed defects within twelve hours of its commissioning;
- (iii) the channels were completed only in May, 1962; and
- (iv) the masonry tank and regulator cracked and had to be reconstructed.

The Manager of the farm while pressing for the early completion of the tube-wells had reported in October, 1961 that much extra expenditure was being incurred on the purchase of fodder. The shortfall in production as a result of the non-availability of the tube-wells had been estimated at 3,000. 3,197 tons of green fodder of the value of Rs. 0.98 lakh were purchased from trade during 1961-62 and 1962-63, and 615 tons of the value of Rs. 0.23 lakh from April, 1963 to August, 1963.

Explaining the reasons for delay in placing the contract, the witness stated that during the period October to December, 1959, the question whether the tube-wells should be a gravel packed tight type of strainer type had been under consideration. Tenders were invited for gravel packed tight tube-wells on the 6th December, 1959, but only one tender was received and therefore sanction of government for its acceptance had to be obtained. In the meantime the question of the type of tube-wells to be sunk was again considered, and ultimately the contract for gravel packed tight tube-wells was concluded on the 30th June, 1960 with the single tender.

As regards the delay in commissioning of the tube-wells, the witness stated that at the time of sanctioning them, it was expected that the State Government would supply the requisite power. But the negotiations with the State Government were not successful. It was therefore, decided to install diesel engines. Two engines were procured from the salvaged stores lying in two depots and installed in June, 1961. With regard to the remaining five engines, the question of their procurement was taken up with the Director General of Supplies and Disposal, but there was difficulty in the availability of foreign exchange. It was, therefore, decided to install suitable engines available in the Engineer Stores Depots and couple them with pump sets manufactured indigenously. In July, 1961 a firm offered to manufacture the pumps but the D.G.S. & D. expressed the procedural difficulty in entering into a contract for which the terms had not been settled by the Depot. Therefore tenders were invited and this firm submitted a tender in December, 1961. But the firm stipulated that they had to import certain angle gear required for coupling the engines with pumps. The firm had later some difficulty in obtaining the import licence for the store due to alleged misplacement of their application in the office of Import Controller. The angle gears were ultimately received on 15th April, 1963. But it was found that these needed certain modifications to fit into the layout of the engine. On the question being taken up with the manufacturers in U.S.A. they advised import of certain additional parts. But in order to avoid delay, local modifications were carried out and the work of the installation of the five sets completed. All the sets were

tested and taken over from the firm on the 20th September, 1963. But in the meanwhile irrigation channels were damaged by floods and thus the tube-wells could not be handed over to the users. Two tube-wells were handed over in January, 1964 and the remaining three on the 28th, 30th April and 4th May, 1964.

The Committee are not happy over the delay that has occurred in commissioning the five tube-wells with the result that there was continuous short-fall in the production of green fodder in the farm and extra fodder had to be purchased locally at high cost. It is not clear whether before sanctioning the installation of the tube-wells any firm commitment for supply of adequate power was received from the State Government. If not, action should have been simultaneously initiated to procure diesel pumping sets.

The Committee would like to be informed whether all the seven tube-wells are now giving satisfactory service.

*Petroleum tanks page 25—para 36(b).*

18. The following assets, which had been loaned to other parties during the last war, were taken back by Military Engineer Service in 1951 and 1954 respectively. These have not been put to any use resulting in avoidable expenditure of about Rs. 40,000 on watch and ward up to the 31st March, 1963. The recurring annual expenditure is Rs. 3,840:—

- (i) A bulk petroleum installation at Sanatnagar consisting of three underground tanks, erected at a cost of about Rs. 36,900.
- (ii) Six underground and five above-ground tanks at Asafnagar erected at a cost of about Rs. 58,750.

In evidence, the Defence Secretary stated that out of the total number of 472 tanks spread all over the country, 147 had been disposed of, 194 utilised and the action in regard to the remaining 131 tanks was still to be taken. In extenuation of delay in coming to a final decision about the disposal of the tanks, the witness stated that there had been uncertainty about their requirement as things like the size of the Air Force and change in the system of storage had been under review from time to time. Asked why in the present case the tanks were taken back from the private parties when these were not required, the witness promised to furnish a note to the Committee, which is at Appendix IV.

**The Committee feel concerned over the inordinate delay in coming to a final decision about the disposal of a large number of tanks.**

(131 out of 472 tanks) constructed during the last war, resulting in heavy expenditure on watch and ward. The Committee are alarmed at the magnitude of the expenditure judging from the two instances given in the Audit para. Three tanks at Sanatnagar and 11 tanks at Asafnagar taken back from other parties in 1951 and 1954 respectively have been lying unused for 10 to 13 years, and an expenditure of about Rs. 40,000 had been incurred on watch and ward upto 31st March, 1963 with recurring annual expenditure of Rs. 3,840 (the total cost of the tanks is Rs. 95,650). The Committee had desired to be furnished with a note stating the expenditure incurred on maintenance, watch and ward etc. in respect of all the 472 tanks the latest position of the disposal and the manner of disposal. The information has been furnished (Appendix IV). The Committee note that 131 tanks have now been finally decided as surplus to Defence requirements and were being disposed of. The other tanks had either been utilised or disposed of.

The Committee desire that the disposal of the unwanted tanks should be made early so that expenditure on watch and ward etc. could be avoided.

(QUARTER MASTER GENERAL'S BRANCH)

*Military Farms—Pages 5-6, para 4(vi)*

19. The proforma accounts of the Military Farms included in the Commercial Appendix to the Appropriation Accounts show that the farms made a net profit of Rs. 8.80 lakhs during the year. Of the 34 farms, 17 made profits aggregating Rs. 31.13 lakhs and an equal number incurred losses totalling Rs. 22.33 lakhs. The Military Farm, Kirkee, which incurred the heaviest loss (Rs. 3.91 lakhs) had been showing adverse trading results for the last four years.

During the year, the quantity of whole milk produced was 133 lakhs of litres. The average cost of production increased from 1.43 per litre during 1961-62 to Rs. 1.60 per litre during the year 1962-63. This was more than twice the average rate of Rs. 0.70 per litre at which purchases of additional requirements (166 lakhs of litres) were effected from the market.

The total quantity of milk issued (391 lakhs of litres) included 286 lakhs of litres of blended standard milk. The farms have taken credit in their books for the free issues of milk, which constitute 92.4 per cent of the total issue, at the average rate of Rs. 0.86 per litre against the average purchase rate of Rs. 0.70 per litre and the average payment issue rate of Rs. 0.75 per litre. If the entire quantity of free issues of milk had been priced at the average market rate of

Rs. 0.76 per litre of whole milk, there would have been a loss of Rs. 27.38 lakhs instead of a profit of Rs. 8.80 lakhs.

The Committee asked for the reasons for losses in 17 military farms during 1962-63 particularly the Military Farm Kirkee which incurred the heaviest loss (Rs. 3.91 lakhs) and had been showing adverse trading results for the last four years. The representative of the Ministry of Defence stated that losses were inherent in the present system of accounting procedure in the Military Farms. Firstly the cost of distribution of milk was included in the production cost. Secondly the Military Farms had to maintain a pattern of organisation in which expenditure on salaries and establishment was higher than those in private dairy farms. Thirdly depreciation of animals was taken into account. Fourthly interest to the tune of Rs. 3.50 lakhs to Rs. 4 lakhs had to be paid on the additional capital liability represented by the old losses accumulated during the last war.

As regards Military Farm Kirkee, the witness stated that the loss was mainly due to (i) population of river water on account of increased activities of an ordnance factory during the emergency resulting in the animals being afflicted with disease and loss in the milk yield (ii) inadequate land available with the farm and (iii) payment of heavy interest charges on accumulated losses. The Director of Military Farms stated that the M.E.S. after strenuous efforts had provided water for Military Farm Kirkee in a record time. During the year 1963-64 the loss in that farm had been reduced to Rs. 2.09 lakhs which included Rs. 88,000 on account of interest.

The Director of Military Farms further stated that the present accounting system did not reflect the working of the Military Farms at all as the price of milk and the manner of accounting were decided on an *ad hoc* basis. The Expert Committee which went into the accounting system had recommended adoption of a new system on commercial lines. The witness expressed the view that the adoption of the new system, would enable better judgement of the efficiency of the farms from year to year. The witness added that at present all cattle holding farms were showing losses. On his attention being drawn to profits shown by some farms, the witness stated that certain cattle holding farms had subsidiary depots which purchased milk locally for issue to units, and during the emergency because of increase in the size of the units dependent on those depots large purchases were made and, the farms showed profits.

Explaining the present procedure of pricing of free issues and payment issues of milk the Director of Military Farms stated that the

prices was fixed in the 6 zones on an *ad hoc* basis taking into consideration various factors *viz* market price of milk obtaining in the zone, cost of pasteurisation and distribution. The free issue rate was uniform in a zone but the payment issue rates varied from farm to farm. The free issue rate was always higher than the payment issue rate and payment issue was slightly lower than the market rate. The payment issue rate varied among the 3 different categories of customers *viz* Officers, Junior Commissioned Officers and other ranks and non-entitled customers.

The Committee pointed out that according to the figures supplied by the Ministry to Audit even after making allowance for certain adjustments (*viz* interest, depreciation of livestock, farm breed stock attaining maturity and being debited to the renewal reserve fund, expenditure on rearing unwanted calves, expenditure on pasteurisation and delivery) the cost of production in the Military Farms still worked out to Rs. 1.34 during 1962-63 as against the average market rate of Rs. 0.76 per litre. The Defence Secretary stated that certain recommendations had been made in this regard by the Reorganisation Committee, implementation of which would result in reducing the cost of production. These had been accepted in principle and proposals for the implementation in the various farms were under consideration. The witness added that out of 128 recommendations made by the Committee, 100 had already been implemented, but some of the major recommendations were still under consideration. The witness attributed the increase in the cost of production from Rs. 1.43 per litre in 1961-62 to Rs. 1.68 per litre in 1962-63 to the increase of expenditure on pay and allowances by Rs. 4 lakhs, plant and machinery by Rs. 4 lakhs, livestock by Rs. 6 lakhs, casualties by Rs. 70,000 and interest on capital by Rs. 40,000.

The unsatisfactory financial working of the Military Farms had been engaging the attention of the Committee since 1958-59. The Committee regret to find that the two fundamental problems *viz* (i) high cost of production of milk and (ii) unrealistic pricing of milk issues, have not yet been tackled.

The cost of production of Rs. 1.68 per litre during the year 1962-63 was more than twice the average market rate of Rs. 0.76 per litre. The free issues of milk which constitute 92.4% of total issues were priced at the average rate of Rs. 0.86 per litre for standard milk against the average purchase rate of Rs. 0.70 per litre for whole milk and the average payment issue rate of Rs. 0.75 per litre. The Committee feel that pricing the free issues of milk at a rate higher than the average purchase rate or the average payment issue rate is a device merely to camouflage the losses, and as such, it does not reflect correctly the working of Military Farms.

Two Expert Committees have gone into the detailed working and accounting system of the Military Farms. The Remounts, Veterinary and Farms Reorganisation Committee which went into the various aspects of the working of the Military Farms made certain recommendations in May, 1959 to reduce the cost of production. These recommendations, though accepted by Government, have not yet been fully implemented. (Out of 128 recommendations made by this Committee, 100 were stated to have been implemented, but some of the major recommendations were still under consideration). The Committee regret that the recommendations made in 1959 have not yet been fully implemented, and that some of the major recommendations still await complete examination. Another Expert Committee which went into the accounting system of the Military Farms submitted its report in November, 1962, but its recommendations have also not yet been implemented. Here again this undue delay in implementing these recommendations is regrettable.

The Committee desire that the implementation of the recommendations of the R.V. F. Re-organisation Committee and the Expert Accounting Committee which has already been considerably delayed should be expedited and the system of accounting of the Military Farms should be put on a scientific basis. The Committee also suggest that the working of Military Farms should be kept under constant review to as to reduce the cost of production of milk and to make the farms viable units.

In para 9 of their Seventeenth Report (Third Lok Sabha) the Committee had suggested that the feasibility of entrusting the supply of milk requirements of units and formations to Civil Organisations might be examined in consultation with the Ministeries of Finance and Food and Agriculture. They would like to know the outcome of this examination.

*Non-realisation of rent—page 23→para 33*

20. Under the rules administrative authorities are required to maintain a register of military buildings and to furnish periodical reports as to their utilization. The Camp Commandant, National stadium did not maintain proper records in this respect in spite of objections raised by Internal Check authorities and Statutory Audit from 1953 onwards. The Camp Commandant reported for the first time in November, 1962 that a contractor who was running a cinema within the camp had been in occupation of other government buildings comprising an area of 3,280 sq. ft. from January, 1951 onwards without any lease agreement. The contractor had not paid any rent and allied charges for over twelve years and the amount outstanding on this account for the period up to the end of September, 1963 was Rs. 1.82 lakhs.

The representative of the Ministry of Defence stated in evidence that under the terms of the contract, only the cinema hall had been leased to the contractor. It was brought to the notice of the Area authorities in November, 1962 by the local audit that the contractor was in occupation of some additional accommodation. As a result of this, a court of enquiry was instituted and they reported on the 4th May, 1964 that the successive Camp Commandants had been responsible for the gross omission in not reporting the extra accommodation occupied by the contractor in the occupation returns.

The witness added that the lease of the main cinema hall had been subject matter of arbitration and litigation since 1956. The original contract was to run for a period of 3 years from the 1st January, 1951 to 31st December, 1953, but the contractor was allowed to continue up to the end of 1955. In the meantime the contractor obtained a court injunction in May, 1955 restraining the Ministry to evict him till his claim of compensation for the improvements etc. effected by him in the building was settled by the arbitrator to be appointed under the agreement. According to the agreement the value of improvements made by the contractor was to be assessed by a Survey Board before the termination of the lease. The incoming contractor was also required to compensate the outgoing contractor for improvements effected by the latter. The contract further provided that if the decision of the Board was not acceptable to the licensee he had a right to remove the improvements without affecting the permanent structures of the premises. In March, 1956 the General Officer Commanding Incharge of Delhi-Rajasthan Area was appointed as the arbitrator to assess the cost of improvements effected by the contractor. But the officer could not complete the arbitration proceedings before his retirement in 1959. Thereafter the Law Ministry advised the Defence Ministry to settle the matter by negotiating with the contractor, as he would object to the appointment of a new arbitrator. Explaining the present position, the witness stated that as efforts made to come to a settlement with the contractor had failed, it was proposed to apply to the court for the appointment of a fresh arbitrator. In reply to a question the witness stated that the contractor was claiming about Rs. 80,000 as compensation. The witness added that the rent was accepted from the contractor upto 31st October, 1957, whereafter the Ministry of Law had advised them not to accept further rent till the question regarding the amount of expenditure incurred for improvement was settled in arbitration.

As regards the unauthorised occupation of the extra accommodation by the contractor, the witness stated that as advised by the Law Ministry, it was proposed to move the court to exclude this area from the purview of the injunction order and thereafter claim

damages from the contractor and evict him under the Government Premises Eviction Act. No rent for this accommodation had been assessed as the contractor was being treated as a trespasser.

The Committee pointed out that Audit had pointed out as early as 1954 that the Unit Accountant was not maintaining a register of buildings. If action had been taken to maintain the register at that time, the unauthorised occupation of accommodation by the contractor would have come to notice earlier. The representative of the Ministry of Defence stated that as the buildings belonged to the C.P.W.D., the Camp Commandant had asked them to furnish certain details, but he did not pursue the matter after 1955. The question was again raised by Audit in September, 1960 and again steps were taken to obtain the requisite information from the C.P.W.D. but it was not forthcoming. The Defence Secretary stated that the Camp Commandant could have prepared a list of buildings on his own. But the officer did not even report the unauthorised occupation of the accommodation by the contractor. The witness added that the question of taking disciplinary action against the officer was under consideration.

**The Committee regret to point out the following unsatisfactory features of this case:—**

- (i) **There was a failure on the part of the Camp Commandant to report till November, 1962 about the unauthorised occupation of the Government buildings comprising an area of 3280 sq. ft. from January 1951 onwards.**
- (ii) **There was a failure to appoint a survey board before the expiry of the lease agreement on 31-12-1953 to assess the compensation payable to the contractor for the improvements effected by him in the cinema hall and also failure to terminate the lease agreement on that date. This resulted in the contractor obtaining an injunction from the Court in May, 1955 restraining Government from evicting him till the dispute was settled in arbitration.**
- (iii) **There has been inordinate delay in concluding the arbitration proceedings. The arbitrator appointed in March, 1956 could not complete the arbitration proceedings before his retirement in 1959. After his retirement, no effective steps were taken to settle the dispute. The result was that the court injunction issued against Government in May, 1955 is not yet vacated even after about 10 years.**

- (iv) Under the advice of the Ministry of Law, no rent has been accepted from the Contractor since 31st October, 1957. According to Audit, the rent accumulated for recovery is Rs. 2.5 lakhs. The Committee feel that the question whether under these circumstances the rent could be accepted under protest without prejudice to the legal position should have been specifically examined.

The Committee desire that the matter should be fully investigated with a view to fixing responsibility of the officers concerned for the various lapses.

21. The Committee learnt during evidence that the same contractor was in the possession of the Race Course Cinema (New Delhi) about which also there has been a dispute since May, 1955. This case has already been dealt with by the Committee in paras 93-94 of their Thirty-fifth Report (2nd Lok Sabha). In this case also the contractor obtained an interim injunction from the Court in May, 1955 against his eviction pending settlement of his claim for compensation by an arbitrator in the terms of the lease agreement of the 1st September, 1947. The Committee had then observed that the manner in which the original contract was entered into and subsequently renewed was most unsatisfactory. In view of the inordinate delay in this case, the Committee had also urged that the case be dealt with expeditiously. In January, 1964, the Ministry informed the Committee that the matter was *sub judice*. The outstanding amount against the contractor in this case (pertaining to the Race Course Cinema) amounted to Rs. 2,96,101 as on 31st August, 1963.

The Committee are unhappy about the inordinate delay in the finalisation of both these cases. They desire that vigorous efforts should be made to finalise them. The Committee would like to be informed about the progress of these cases.

*Infructuous expenditure in disposal of surplus buildings—pages 24-25  
—para 35*

22. The audit para disclosed four cases of inordinate delays having occurred in the disposal/utilisation of vacant building resulting not only in their deterioration but also in considerable avoidable expenditure on their watch and ward.

During evidence the Committee drew attention to the recommendation made in para 21 of their Fourth Report (Third Lok Sabha) expressing their concern over the delay in the disposal of buildings

lying unutilised for long periods and considerable expenditure incurred on their watch and ward. The Defence Secretary stated that certain instructions had been issued to expedite the disposal of such properties. The witness urged that there were inherent difficulties in this regard arising from the change in the strength of the Army from time to time. It would not be proper to dispose of these properties without a thorough enquiry in each case. The witness added that under the present system each case for disposal of property had to be submitted for the approval of the Defence Minister. Certain proposals for delegation of powers to the lower authorities were under consideration.

At the instance of the Committee the Ministry of Defence submitted a note stating the details of the four cases referred to in the Audit para and the present position of the utilisation/disposal of the buildings, which is given at Appendices V to VII. The Committee find that in one case the buildings lying unutilised since May, 1951 are expected to be utilised as it was proposed to move a formation to the station in the near future. In another case the buildings declared surplus in October, 1954 were finally decided to be disposed of in August, 1964 and the land derequisitioned. The assets cost Rs. 60,971 and the expenditure on watch and ward from May, 1958 to March, 1964 is reported to be Rs. 34,996, besides payment of about Rs. 500 per annum recurring compensation for the land. In two other cases the question of utilisation of the assets was still under consideration.

While the Committee appreciate that there are difficulties in coming to a decision regarding disposal/utilisation of buildings lying unused due to changes in requirements of the Army arising from time to time and each case had to be examined fully, they feel that such examination should not take several years. In case there is no reasonable chance of the properties being required in a foreseeable future, action should be taken to dispose them of, as the delay only results in heavy expenditure on watch and ward and deterioration of buildings. The Committee hope that as a result of the instructions issued by the Ministry and the proposed delegation of powers to the lower authorities to dispose of surplus buildings, undue delay in their disposal will not occur.

*Infructuous expenditure on hiring of a building—page 25—para 37*

23. A building at a station hired on a monthly rent of Rs. 1,500 from the 1st November, 1962, for one year to accommodate an infantry battalion had remained vacant from the date of its hiring.

In September, 1963, Headquarters Bengal Area sanctioned its continued retention for a further period of one year i.e. upto the 31st October, 1964.

The expenditure on rent and watch and ward for one year upto the end of October, 1963 amounted to Rs. 19,632. The building was dehired from 30th May, 1964.

The Defence Secretary stated that this case had been investigated by a Court of Enquiry set up in June, 1964. According to the findings of the Court of Enquiry there was a requirement for this building during 1962 when it was initially hired for one year. As regards the question of its de-hiring in 1963, the Court of Enquiry observed that having regard to the increase in the requirement of accommodation after the declaration of emergency, action to de-hire the building, would have been against the general policy and trends obtaining at that time particularly when the station was being considered for location of certain formations and units. The Court of Enquiry had, however, held the Sub-area Commander responsible for the procedural lapse in not referring to the Area Commander the question of retention of the building beyond September, 1963 when the decision regarding the location of the troops had been crystallised. Another officer in the Area Headquarters had been held responsible for not obtaining the approval of the General Officer Commanding while sanctioning the extension of hiring for another year in September, 1963. The Chief of the Army Staff had approved that both the officers should be conveyed severe displeasure which should also be recorded.

The Committee find little justification for retention of the building after September, 1963 when the decision regarding the location of troops had been finalised. They feel that the expenditure on rent (Rs. 1,500 per month) and on watch and ward after September, 1963 was avoidable.

*Loss due to deterioration of hay—page 26—para 39*

24. On the 24th November, 1960, Headquarters Eastern Command placed a demand on the Farms Department for 1600 tons of hay to meet the requirements of a supply depot for the period from the 1st October, 1960 to the 31st December, 1961. According to the delivery programme, 1,200 tons of hay were to be received in the depot by the 1st June, 1961 and the balance after the monsoon in September and October, 1961. The quantity of 1,200 tons included 300 tons as reserve and 200 tons for advance monsoon stocking for which it was proposed to construct suitable storage accommodation.

Only 436 tons of hay were received before the 1st June, 1961. A further quantity of 595 tons was received during the monsoon period from the 1st June to the 31st August, 1961, which had to be kept under improvised protection in the absence of storage accommodation with the result that about 520 tons valued at Rs. 45,670 approximately deteriorated due to rains and were declared unfit for consumption in September, 1961.

The total requirement of the depot had been scaled down to 600 tons in all from 1st May 1961 owing to a revision of the scale of issues.

The Committee asked why reduction in the requirement of hay was not communicated to the consigner farm before the monsoon. The Defence Secretary stated that the requirement of the depot for hay had been revised to 600 tons on the 11th June, 1961, but by that time the supplies had already been despatched by the various Military Farms. Asked new quantity of 1200 tons scheduled to be received by 1st June, 1961 according to the original delivery programme was proposed to be stored during the monsoon, the witness stated that the intention was to issue hay to units in the forward areas as quickly as possible without its storage in the depot. But that did not happen. In reply to a question the witness stated that the scale of hay for mules was reduced by substituting it by barley, grain and linseed.

The Committee hope that gaining experience from this case, necessary action will be taken by the supply depots to maintain better co-ordination with the consignor farms in regulating supplies of hay to the depots. The supply depots should also take necessary action to provide adequate storage accommodation for hay to prevent its deterioration during monsoon.

(MASTER GENERAL OF ORDNANCE BRANCH)

*Chassis unfit for army use—para 52—pages 33-34*

25. In paragraph 96 of the 29th Report of the Public Accounts Committee (Second Lok Sabha) it was mentioned that about 650 chassis purchased prior to 1948 were lying unutilised, as bodies had not been built on them. It was reported by the Ministry of Defence in 1960 that out of 649 chassis of the book value of Rs. 97.58 lakhs as in the year 1958 (present book value Rs. 147.38 lakhs) only 228 were in fit condition and that arrangements had been made to have bodies built on them. It was also stated that 26 chassis had deteriorated to such an extent that they could not be utilised and were to be disposed of. The remaining 395 chassis required overhaul/repairs before bodies could be built on them.

Out of these, 132 more chassis (present book value Rs. 72·60 lakhs) have been found unsuitable for Army use. 76 of these vehicles have been downgraded to Class IV resulting in a drop of Rs. 16·72 lakhs in their value. The latest position is as under:—

	<i>Number of chassis</i>	
(i) Chassis disposed of between December, 1960 and July 1961—having become unfit for use.	26	(Disposal receipt Rs.74,450)
(ii) Chassis on which body building was completed.	476	
(iii) Chassis earmarked/issued for instructional and other purposes.	10	(No bodies are to be built on them).
(iv) Chassis to be disposed of.	137	(Including 132 chassis of book value Rs. 72·60 lakhs found unsuitable for Army use).
	<hr style="width: 50px; margin: 0 auto;"/> 649 <hr style="width: 50px; margin: 0 auto;"/>	

The Committee asked why bodies had not been built on 132 chassis. The Defence Secretary stated that these chassis had certain operational disadvantages. Asked why they were not disposed of earlier, the witness stated that there was a ban on the disposal of stores from 1958 to 1963. The Committee drew attention to the evidence given before them in 1959-60 (Cf. para 96 of 29th Report—Second Lok Sabha) that 132 chassis had been assigned in 1951 to special roles. The Master General of Ordnance admitted that they had been slow in coming to a final decision regarding utilisation/disposal of these chassis. As these chassis were found unsuitable for the specialised role, these were tried to be converted for General Services role. In spite of their disadvantages these 132 chassis were put on the body building programme in 1960 in order to utilise them as in lieu of vehicles. But owing to shortage of wood no bodies could be built on them. The witness added that although they did not like the vehicles of this type (Sucoe type), some of them had been in use in the Army. So, if bodies had been built on these chassis, they would have been utilised.

Referring to the present position, the Master General of Ordnance stated that these 132 chassis had been declared surplus in pursuance of the new casting off policy accepted by Government. The witness added that besides the physical disadvantages with these vehicles, there was no adequate spares backing for them, as the vehicles were of pre-1948 period. The Defence Secretary stated that the present policy was that old vehicles constituted a grave

liability to the efficiency of the forces, and it had been decided to dispose of vehicles which were over 7 years old or which had run 35,000 miles, and replace them by new ones.

At the instance of the Committee, the Ministry of Defence have submitted a note giving a summary of developments which took place at various stages in regard to the utilisation/disposal of these 649 chassis during the period 1951 to 1964, which is reproduced in Appendix VIII.\* The Committee are surprised to find how vacillating and dilatory the Ministry had been in deciding about the utilisation/disposal of these chassis. 132 Sucoe chassis had been found unsuitable for signal specialised role as early as 1952 and had been recommended for use in G. S. role. But the question of their unsuitability for the other role also and their disposal could not be finalised till 1963. The Public Accounts Committee (1959-60) were distressed at such delays as happened in this case and had expressed the opinion that only expeditious action in such matters would be in the best interest of Government. It is regrettable that even after the observations of the Committee, the question of utilisation/disposal of these 132 chassis was not finalised expeditiously. The Committee hope that such cases will not recur, and, that these chassis would now be disposed of without further delay. The Committee would further like to reiterate that prompt action in such cases would be in the best public interest.

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\*Not vetted by Audit.

### III

#### AIR FORCE

##### **Audit Report (Defence Services), 1964**

###### *Unauthorised provision of airlifts—para 4(iii)—page 4*

26. Eighty-one cases of airlifts were not covered by sanction of Government (August, 1963). Some of these airlifts were provided for carrying airmen and their families, personal effects, Government furniture and a football team.

Explaining the present position of 80 cases of airlifts not covered by sanction of Government, the Defence Secretary stated that in 29 cases audit objections had since been withdrawn, as these were covered by the existing rules, in 21 cases necessary sanction had been issued, 17 cases were under examination and in 13 cases complete data were still awaited.

Referring to the airlifts provided to airmen and their families, the witness stated that during November-December, 1962 because of uncertain conditions, certain service personnel and their families were brought from areas in Assam whenever airlifts were available. As the movements in most of the cases were made in a hurry, exact data were not available, and there had been difficulty in regularising them. With regard to the airlifts provided for carrying personal effects, the witness stated that these related to the airmen being allowed to carry personal luggage in excess of the free allowance in two cases. In one of these two cases, the luggage included partly free allowance and partly Air Force equipment. Referring to a case of movement of furniture by air, the witness stated that it was urgently required for starting a new training institution in December, 1962. The witness admitted that there was an error of judgement in this case and that the furniture could have been moved by road, the distance not being much. As regards the airlift provided for carrying a football team, the witness stated that normally service personnel could be transported under 'Organised arrangement' for participation in tournaments at unit, brigade and formation levels, although there were no formal orders to the effect. In February, 1963 it was made clear that they could move only under a railway warrant. In the present case the football team was carried in an aircraft going on a training flight, and this did not cause any additional expenditure.

Explaining the procedure regarding provision of airlifts, the Defence Secretary stated that local authorities had certain powers to carry service personnel and service effects. Prior approval of the Ministry was required to carry non-service personnel. But the actual sanction, which indicated various details, was issued after all the details were available. As these details were often not available in time, the issue of sanction was delayed. In order to overcome the difficulty in this regard, efforts were being made to issue the sanction giving basic information about the party concerned, the purpose of the airlifts, accommodation to be provided and places to be visited. It was expected that as a result of this method, in a large number of cases, delays in issuing sanctions would be considerably reduced. The witness added that in some cases Internal Audit raised objections, if they felt that these were not covered by the rules. In such cases, the question of interpretation of rules was involved.

The Committee desired to be furnished with a statement showing cases in which civilians were provided airlifts, circumstances under which these airlifts were allowed and the reasons for delay in their regularisation. The statement furnished by the Ministry of Defence is at Appendix IX.

From the facts placed before the Committee, they find that in some cases there is no justification or urgency for providing airlifts. In one case brought to the Committee's notice, an airlift was provided for carrying Government furniture for starting a new training institution, although it could have been transported by road. In another case an airlift was provided to a football team which should have travelled by train.

The Committee are surprised to note from the statement furnished that in one case the circumstances in which airlift was allowed are 'not known' and in another case a complete detail of airlifts, etc., is neither available with Army authorities nor with the Air Force authorities. These instances indicate that airlifts are being allowed without proper scrutiny and without maintaining proper records, which is objectionable. While the Committee appreciate the need for providing airlifts for mercy missions or in emergent cases, they desire that the Ministry should carefully examine and issue suitable instructions so that airlifts are allowed only in suitable cases within the framework of rules and not in violation thereof.

The Committee note that 21 cases of airlifts still remain to be regularised. The Committee also feel concerned about the delay in regularisation of the outstanding cases of airlifts not covered by sanc-

**tion of Government. They hope that suitable steps would be taken by the Ministry to minimise such delays.**

*Avoidable purchase of stores—para 18—pages 13-14 Sub-para (a).*

27. Atomisers, shrouds and sleeves, specific to pattern are required for the overhaul of certain aero-engines. In 1960, the stock of atomisers was exhausted but 1,143 number of shrouds and 576 numbers of sleeves of the pattern then in vogue were available. Air Headquarters placed orders in August, 1960 for the purchase of 1,570 atomisers of a modified pattern (estimated cost, Rs. 1·02 lakhs), which, under orders issued in December, 1959 had to be utilised only after the stocks of the unmodified spares had been exhausted. Further orders for 790 atomisers, 2,140 shrouds and 1,990 sleeves of the modified pattern were also placed during January-February, 1962, at a cost of Rs. 5·90 lakhs.

To utilise the shrouds and sleeves available in stock (in July, 1963, these were 894 and 803 respectively), 1850 atomisers of pre-modified pattern were ordered in February, 1961 and February, 1963. These stocks are expected to last upto the end of provisioning period viz. September, 1966.

The Defence Secretary stated in evidence that the mistake in provisioning in this case was due to a confusion about the interchangeability of parts of old and new models. The Air Force provisioning authorities had insufficient technical knowledge and that resulted in over-provisioning.

This case brings out avoidable purchase of imported stores (atomisers, shrouds and sleeves) of modified pattern at a cost of Rs. 6·92 lakhs, which led to unnecessary over-stocking, not expected to be needed for some years. The Committee are unhappy to note the explanation of the Defence Secretary that this mistake occurred due to the lack of technical knowledge on the part of the provisioning authorities.

In view of the fact that Air Force provisioning authorities had insufficient technical knowledge about the equipment, the question of inter-changeability of the parts of the new and old models should have been made clear with the manufacturers before placing an order for the modified parts in August, 1960. It is also not clear why this question was not settled even after receipt of supplies against the order of August 1960 and before placing further orders for the new models in January and February, 1962. As there is an overall scarcity of foreign exchange such a mistake resulting in over-provisioning of stores becomes serious. The Committee hope that adequate steps will

be taken by the Air Force Authorities to avoid such mistakes in future. The Committee also hope that suitable measures would be taken to overcome the drawback of "insufficient technical knowledge" in such important matters.

*Sub-para (b)*

28. In January, 1961, the Air Headquarters placed a demand on the India Supply Mission, for the procurement of 8 numbers of an item of ground equipment. These were received in June, 1962. In the meantime the scale of the item was drastically reduced (August, 1961), but action to reduce the demand was taken only in January, 1962, when it was too late with the result that 6 numbers valued at Rs. 38,866 were rendered surplus to requirements.

Due to an error, a further demand was placed on India Supply Mission in November, 1961, for 6 numbers of the same item valued at Rs. 35,028 which were received in March, 1963.

In evidence the Defence Secretary stated that the mistake in provisioning the same item twice occurred owing to maintenance of two cards for this item under different catalogues. It was urged in extenuation that in view of a large number of spare parts dealt with by the Air Force, such mistakes did occur. As a result of the increased operations of the particular aircraft during the Emergency, the stores in question were no longer surplus.

The Committee regret to point out that this is another case of over-provisioning involving avoidable purchase of 12 numbers of the item of ground equipment at a cost of Rs. 74,000. The Committee note that, though in August 1961 the scale of the item was drastically curtailed, a further demand was placed for the same item in November, 1961. The Committee were informed that due to the increased operations of the aircraft during the Emergency, the stores were no longer surplus. The Committee hope that such cases of maintenance of duplicate cards for the same item which resulted in over-provisioning would not recur. They also suggest that during periodical physical verifications of stores, an attempt should be made to detect duplicate cards opened for the same item of equipment.

*Unnecessary purchase of spares—para 19—pages 14-15*

29. Eight items of spares valued at about Rs. 2.42 lakhs were purchased between May, 1957 and June, 1958, for the repair of flame tubes Mk III. 313 numbers of these flame tubes were repaired upto September, 1963, but only one item of spare purchased at a cost of Rs. 1.20 lakhs was utilised in the repair work. The entire stock of

the remaining seven items valued at Rs. 1·22 lakhs was lying unutilised.

Further, the progress of repair work was not keeping pace with the accumulation of repairable tubes; there were approximately three thousand tubes of the value of about Rs. 33 lakhs at the end of December, 1963 awaiting repairs.

Referring to non-utilisation of the stock of 7 items (out of 8 items) of spares valued at Rs. 1·22 lakhs purchased during the period May, 1957 to June, 1958, the representative of the Defence Ministry stated that the spares had been ordered on the basis of the manufacturer's recommendation as the Air Force had very little experience about the aircraft. Actually only one item out of 8 had been consumed and even that in a very small number.

The Committee asked if it was proposed to acquire spares for repairing flame tubes valued at Rs. 33 lakhs. The representative of the Air Headquarters stated that, as a result of a survey, it was found that out of 3,481 tubes for repairs, only 884 tubes could be repaired economically. The rest were uneconomical to repair or beyond repair. The spare parts were so expensive that it was cheaper to buy more modern tubes. It was possible that some of the items of spares already available with the Air Force might be used when these 884 tubes were repaired.

The Committee feel concerned over the gross over-provisioning of spares which were ordered in this case on the basis of the manufacturer's recommendation. Out of 8 items valuing Rs. 2·42 lakhs, the entire stock of 7 items valuing Rs. 1·22 lakhs, has been lying unutilised ever since the purchase, and the remaining one item has been utilised in a very small number. The Committee feel that on the basis of past experience the Ministry should have taken more precaution while ordering spares at the manufacturer's recommendation. The Committee suggest that the feasibility of including a provision in such contracts that surplus spares would be returned to the manufacturers at their cost, might be examined.

The Committee also desire that the Ministry should take steps to review the position of spares and ensure that the hold up in the execution of repairs of the flame tubes is reduced to the minimum.

The Committee feel that since instances of over-provisioning of stores are the annual feature of this Ministry a positive and effective action should be taken by the Ministry to stop this.

*Avoidable expenditure due to delay in disposal of assets—para 36—  
page 25*

*Sub—para (a)*

30. Certain airfields were abandoned in 1949 but petrol tanks and steel structures (book value—Rs. 5.13 lakhs) were allowed to remain there.

During 1960 and 1962, materials valued at Rs. 2 lakhs were disposed of by auction for Rs. 41,100. The assessed value of the remaining material was only Rs. 75,000 as against the original book value of Rs. 3.13 lakhs approximately. The expenditure incurred on watch and ward of these assets during the period of 14 years ending March, 1963, was about Rs. 3.20 lakhs and similar expenditure continued to be incurred at the rate of about Rs. 10,000 per annum.

In evidence, the Defence Secretary admitted that the delays that had occurred in these cases were unconscionable. In three cases orders for disposal had been issued, and two disposals had been made.

**The Committee take a serious view of a long time taken (about 15 years) to finalise the disposal of the assets. The delay in disposal not only resulted in deterioration of the assets but also involved a heavy expenditure on watch and ward. The Committee suggest that a suitable departmental probe may be made to find out causes of delay at different stages with a view to avoid them in future and also to fix responsibility for losses resulting from deterioration of assets over a long period.**

*Delay in utilisation of imported equipment—para 44—pages 28-29.*

*Sub-para (a)*

31. Mention was made in para 153 (Proceedings) of the Forty-third Report of the Public Accounts Committee (Second Lok Sabha) about the non-utilisation of a set of crash barriers purchased in 1958 to reduce the incidence of damage to jet aircraft on landing, take-off, etc. In July, 1960, Government sanctioned the purchase of eight more sets of crash barriers from abroad on a priority basis, on the ground that their use had become an immediate and imperative necessity. One of these was meant for use at the airfield where one purchased earlier was subsequently not installed and had to be shifted elsewhere. The crash barriers costing in all Rs. 15.19 lakhs were received during the period from April, 1961 to April, 1962.

Three airfields were found unsuitable for the installation of this equipment and the sets purchased for them had to be installed elsewhere. In some others, runways had to be extended and improved and in three cases works services had still to be sanctioned in November, 1963.

Maintenance spares of the value of Rs. 3.12 lakhs, to cover 24 months' requirements were received in 1962 but due to the non-installation of the crash barriers these were lying unused.

In January, 1961 it was pointed out by the representative of the firm in India that cables without which the crash barriers could not be put into operation with remote control, had not been ordered. An order for 6,300 metres of cables, valued at Rs. 33,923 and sufficient for only one set was placed and these were shipped in May, 1962 and January, 1963.

Explaining the delay in the installation of crash barriers, the Defence Secretary admitted that there had not been proper planning in this case, and the Air Headquarters had been asked to fix responsibility in the matter. On receipt of the first crash barrier, it was found that it could not be installed without extending the runway or without changing the railway line from the end of the runway, and it had to be transferred to another place. Asked why before ordering another eight crash barriers, the difficulties already experienced were not foreseen, the Defence Secretary replied that there had been clear remission. While the crash barriers were ordered in 1960, the sitting boards were not assembled till March, 1961. It was only after the estimates came that they found that there were certain difficulties. The witness added that if this work had been initiated in 1960 itself, the delay would not have taken place.

Explaining the present position the witness stated that six crash barriers had been installed and the remaining three were yet to be installed. In reply to a question the representative of the Air Headquarters stated that the first set of crash barriers was not of automatic type, while the remaining eight sets could be operated both manually and automatically. For want of cables, the crash barriers could not be operated automatically, but they could be worked manually. Asked why cables were not ordered for all the crash barriers, the witness stated that it was proposed to procure cables for the remaining equipment from indigenous manufactures. The first sets of cables was ordered from abroad in order to get a specimen. Orders for cables for the remaining crash barriers had been placed with a firm which was collaborating with a foreign firm.

As regards the utilisation of maintenance spares, the witness stated that these spares would be partly utilised in the operation of 6 crash barriers which had recently been installed. The requirement of spares for the remaining three sets would arise when these were installed. In reply to a question, the representative of the Air Headquarters stated that one crash barrier loaned to the Hindustan Aircraft Limited in connection with developing HF 24 Supersonic fighter had been returned to the Air Force and it had been installed at an airport.

The Committee regret to observe lack of proper planning and forethought in the purchase and installation of the crash barriers. Although in the case of the first crash barrier purchased in 1958, difficulty regarding the unsuitability of the runway was experienced, no steps were taken to remove similar difficulties before or immediately after ordering 8 more crash barriers. Had necessary action been taken in time, the crash barriers would have been utilised immediately after their arrival. The Committee would like to know the action taken against the officers responsible for bad planning and delay in this case.

The Committee hope that the remaining three crash barriers which have yet to be installed would be brought into use early.

*Sub-para (b)*

32. An equipment (costing Rs. 3.78 lakhs) for providing navigation aid for the landing of aircraft in bad weather was received in a depot in May, 1959 and was sent after about a year, in April, 1960, to an airfield where it was considered essential in view of the prevailing dust haze and monsoon weather. The equipment has however not been permanently installed and put to use so far. It was stated that the equipment being very sensitive to temperature variations a fully air-conditioned building was required for its successful operation.

In evidence, the Defence Secretary admitted that in this case also there had been a certain want of coordination and advance planning. He added that there were cases in other Services also where buildings etc. required for installation of various equipment were not completed by the time the equipment arrived. The Ministry were now trying to devise certain methods by which such cases would not recur. In the present case, the latest position was that sanction had been given for the construction of the air-conditioned building and the work was expected to be completed by March, 1965. In this case, there was also difficulty in the land becoming available because of certain objections raised by the local magistrate. The proceedings to acquire the land were started in June 1962.

**This is yet another case of had planning. The equipment costing Rs. 3.78 lakhs received in May, 1959 has not yet been installed. At the time of ordering the equipment, it should have been known that an air-conditioned building would be required for its installation and necessary action initiated in that direction. It is also regrettable to note that the proceedings to acquire land for the building were started only in 1962 i.e. 3 years after the arrival of the equipment.**

**The Committee feel concerned to learn that there are similar cases in other Services also where buildings etc. required for installation of various equipment were not completed by the time of their arrival. They would like to know the methods devised by the Ministry to prevent recurrence of such cases.**

*Delay in establishing electropolishing facilities—para 45—pages 29-30*

33. In October, 1958, Government entered into an agreement with a foreign firm for acquiring technical knowledge and operational information for the electropolishing of turbine blades for 'Niene' engines.

The agreement provided for the payment of (a) £1,000 for disclosing secret knowledge and technical information; (this amount was paid in two equal instalments in December, 1958 and May 1960) and (b) a technical liaison fee at the rate of £5 each for the first 80 engines; £3 for the next 50 engines and £2 per engine thereafter, subject to a minimum of £400 per year.

As early as June, 1958, Air Headquarters had stressed the need for an early finalisation of the agreement as the time already lost had had adverse effects on the Nene overhaul line but a rectifier regarded as essential for the process and estimated to cost Rs. 58,000 was ordered on the Director General of Supplies and Disposals only in September, 1962. The Ministry of Defence intimated in January, 1964 that it had now been received and installed. In the meantime some make-shift arrangements for electropolishing the blades were made in March, 1962 but only 277 blades were electropolished during a period of one year from that date. In April, 1963 there was an accumulation of over 3,200 blades of the value of nearly Rs. 18.89 lakhs awaiting electropolishing. According to Audit the number of blades to be electropolished increased to over 4,000 by January, 1964.

In the meantime, annual payments of the technical liaison fee at the agreed minimum had been made to the company (£1600 in all upto October, 1963 in addition to the initial payment of £1,000 for the technical 'know how'). The requirements of the Air Force for

turbine blades were being met from a stock of 6,120 turbine blades ordered in 1957 and 1958 at a cost of about Rs. 38·23 lakhs.

In evidence, the Defence Secretary stated that the delay in establishing electro-polishing facilities was due to the efforts made to procure a rectifier indigenously. The technical committee had advised that it was a common user item and should be readily available in India. In order to save foreign exchange, they had suggested that an order should not be placed abroad. A period of 3-4 years was lost in finding out a suitable rectifier without any result. Finally, an indent was placed on U.K. but in the interim period a firm was found which had started manufacturing the particular rectifier towards 1962-63 under licence in India. The witness added that the actual licence for the repair of this particular blade for which the machine had been imported, came towards 1961, not earlier.

In their note the Ministry have stated that Headquarters Maintenance Command started rigging up the electro-polishing facilities sometimes in the middle of 1958. They had an idea of exploring the possibilities of utilising the rectifier already available with them at Kanpur. After carrying out exhaustive trials for nearly eight to nine months, they came to the conclusion that the facilities which they were having, were not adequate in the absence of proper specifications of the rectifier. In September, 1959, the Air Headquarters obtained more detailed specifications in respect of the needed rectifier and forwarded the same to Headquarters, Maintenance Command with a request to explore the procurement of the same from indigenous sources. In November, 1959, the Headquarters, Maintenance Command addressed two private firms (who were stated to be the sole suppliers of rectifiers in the country). But the firms stated that the rectifiers in question were not available in the country. Thereafter the Air Headquarters placed an indent on India Store Department, London on 28th July, 1960. The Air Headquarters did not approach the D.G.S.&D. as the user Command had already made efforts to obtain the same from possible stockists in India. Later it came to be known in September, 1962 from a trainee officer who had been sent to foreign country for practical training on overhaul processes in respect of 'Nene and Verdon' engines that the rectifier as recommended by the manufacturers was being made by a firm in India.

In order to save foreign exchange, Air Headquarters again made efforts to select a suitable rectifier from indigenous sources and placed an indent on the D.G.S.&D. on 24th September, 1962. The previous indent on the India Store Department, London was cancelled

without any financial loss to Government. The rectifier was received at the Repair and Maintenance Depot in October, 1963, and was installed there immediately.

The Committee are not happy over the delay that occurred in the present case in establishing electropolishing facilities for want of a suitable rectifier, which resulted in heavy accumulation of turbine blades requiring electropolishing. In addition to the large number of blades requiring electropolishing (4000 in January 1964) affecting working of the Air Force, the delay in starting the project also resulted in an extra expenditure of ₹1600 (Rs. 21,333) in the shape of payment of technical liaison fee to the foreign collaborators. While the Committee appreciate the anxiety of the Technical Committee to procure the rectifier indigenously, they regret that no serious efforts were made to obtain it. The Committee are surprised that even the correct specifications of the rectifier were not obtained from the manufacturers at the time of entering into an agreement in 1958. Again after obtaining the specifications in 1959, the D.G.S. & D. was not approached to procure the rectifier indigenously. The fact that the rectifier was subsequently available indigenously indicated that there was failure previously to find out one in the country. The Committee feel that the urgency of the project was not felt because of the large stock of new blades being available for replacing those needing electropolishing. The Committee hope that such delays would be scrupulously avoided in future.

*Mechanisation of stock records at Air Force Depots—para 47—page 31*

34. Eight automatic accounting machines and connected equipment and stationery were purchased at a cost of Rs. 3.36 lakhs during the period from November, 1960 to February, 1962 for replacing the manual system of stock recording in four Air Force depots by mechanical system. A saving of Rs. 50,000 per annum was contemplated after three months from the date of receipt of the machines by a reduction in the strength of the depot by 24 hands. Against an expected output of 420 to 600 postings per day per machine, the actual average output has been only 200 to 250.

In evidence the Defence Secretary stated that the Air Force operators had been trained to work on the machines, but their output was 200—250 postings as against 420—600 postings done by firm's operators during the demonstration trials.

**The Committee regret to note that the saving in manpower expected as a result of installation of automatic accounting machines has not**

been achieved. It is surprising that the output of the Air Force Operators is less than 50 per cent of that of the firms' operators. It is not known whether less output of the Air Force operators is due to their inexperience in operating these machines. If so, the Air Force operators should be intensively trained in operating these machines so that the anticipated saving in manpower is achieved at an early date.

*Irregular diversion of public receipts—para 48—pages 31-32*

35. On the 18th March, 1960, the Ministry of Finance (Defence) agreed to an expenditure of Rs. 15,000 in connection with an Air Force display on the 3rd April, 1960 and an Air Force static exhibition from the 2nd April to 8th April, 1960 (subsequently extended by two days) at Bombay. The actual expenditure incurred was Rs. 27,025. In March, 1960, when the Defence Ministry pressed for increase in the allotment to Rs. 20,000, the Ministry of Finance considered even the sanctioned amount as excessive in the context of the drive for economy.

The Air Force authorities realised Rs. 58,731 by charging an entrance fee for the static exhibition and from this amount utilised Rs. 12,025 to meet expenditure incurred in excess of the Government sanction and transferred the balance of Rs. 46,706 to the Indian Air Force Benevolent Association and the Unit Welfare Funds. The prior approval of the Government was not taken for charging an entrance fee and for the utilisation of the proceeds in the manner referred to. A report was made to Government in November, 1960 (about seven months after the exhibition). In January, 1963, Government, while holding that the procedure adopted was irregular, agreed not to enforce refund from private funds on the ground that that would give rise to "various difficulties".

According to the provision of the Constitution (Article 266) the gate money realised should have been credited to the Consolidated Fund; any payment to the welfare funds should have been made only against funds voted by Parliament

The Committee asked why prior permission of Government was not taken to levy the entrance fee for the Air Force static exhibition. The Defence Secretary stated that prior sanction was not taken as the expenditure had arisen at that particular time. It was only after the expenditure had been incurred that the matter came to the Ministry's notice and thereafter Government passed orders thereon. Asked why the money received as entrance fee was not credited to the Consolidated Fund of India, the witness stated that on previous occasions, the Air Force used to credit to the Benevolent Funds money collected from such displays. They followed a

similar procedure in the present case also. But since in this case the display was organised under the Government authority with Government resources, the procedure followed by the Air Force was incorrect and Government had to issue sanction to regularise it.

Asked if it was not possible to recover the money from the Benevolent Funds and to credit it to the Consolidated Fund, the witness stated that since the money credited to the Benevolent Fund might have been spent Government decided not to recover it and ordered that such irregularities should not recur. In reply to a question the witness stated that the matter was referred to the Ministry of Law after the receipt of Audit Para who advised that the gate money was income derived by Government and as such it should be a part of the Consolidated Fund of India. The witness added that since the money should be a part of the Consolidated Fund, the Ministry would have to take the vote of Parliament for regularising it.

The Committee view with concern the action of the Air Force authorities to levy entrance fee for the static exhibition without prior approval of Government and to transfer the excess receipts of gate money (Rs. 46,706) to private funds (Air Force Benevolent Association and Unit Welfare Funds). The Committee hope that such cases will not recur.

*Delay in finalization of provisional payments—para 50(a)—pages 32-33*

36. Provisional payments totalling Rs. 142.40 lakhs made to the Hindustan Aircraft Ltd. for aircraft and spares supplied and services rendered between 1st April, 1957 and the 31st March, 1962 as shown below, had not been finalised upto the end of December, 1963:—

(In lakhs of rupees)

Purpose for which made	Non-submission of final invoices by the company	Invoices under scrutiny by Internal Check authorities	Non-issue of Government orders regarding fixation of final prices	Total
Purchase of aircraft	17.72	84.46	4.20	106.38
Spares supplied by the company	5.52	1.00	..	6.52
Services rendered	22.69	3.19	3.62	29.50
	<u>45.93</u>	<u>88.65</u>	<u>7.82</u>	<u>142.40</u>

Out of the amount of Rs. 142·40 lakhs, a sum of Rs. 85·92 lakhs (Rs. 74·40 lakhs for purchase of aircraft, Rs. 3·90 lakhs for spares supplied and Rs. 7·53 lakhs for services rendered) pertained to the period prior to the 1st April, 1960.

The Ministry of Defence intimated in November, 1963 that in the case of major projects (including overhaul), the time cycle for completion of the work itself was more than a year and therefore the first stage payments would remain outstanding for over a year in most cases. It was, however, noticed that outstandings to the extent of Rs. 117·30 lakhs (purchase of aircraft—Rs. 101·52 lakhs, supply of spares—Rs. 6·52 lakhs and services rendered—Rs. 9·26 lakhs) related to projects completed by June, 1961.

In evidence, the Defence Secretary stated that the delay in finalising the provisional payments made to the H.A.L. was due to the work being done on cost plus basis. The final bills had to be received from the H.A.L. and vetted by internal Audit before being finalised. The process necessarily took time. The Ministry were, however, making efforts to expedite the finalisation of the provisional payments.

The Committee feel concerned over the delay in finalisation of the provisional payments made to the H.A.L. for purchase of aircraft, supply of spares and services rendered. The outstanding of Rs. 142·40 lakhs as on 31st December, 1963 included an amount of Rs. 117·30 lakhs relating to the projects completed by June, 1961. As desired by the Committee a note stating the latest position of the adjustment of this amount has been furnished (Appendix X).

The Committee desire that the Ministry should find out the real bottlenecks in the finalisation of the payments after completion of the jobs and take special steps to ensure that the timelag in this regard is minimised.

*Para 50 (b)—page 33*

37. In April, 1954, Government decided to entrust to the same company the overhaul of certain airframes belonging to the Air Force. The overhaul spares, tools, equipment, etc. were transferred to it and their cost *viz.* Rs. 17·15 lakhs was treated as an advance to be adjusted against the value of work to be done. In March, 1959, an advance of Rs. 60 lakhs was also authorised by Government to the company for purchasing tools and overhaul spares. The Ministry intimated in November, 1963, that it had since been decided to treat all issues made to the company as 'free issues' and that the advance would be adjusted soon after necessary verification of the bills and invoices,

submitted by the Company, had been carried out by the Internal Check authorities.

Explaining the latest position of the adjustment of the total advance of Rs. 77·15 lakhs, the Defence Secretary stated that an amount of Rs. 48·86 lakhs had already been adjusted.

**The Committee regret to note that an amount of Rs. 28·29 lakhs out of the total advance of Rs. 77·15 lakhs is still to be adjusted after more than five years. They hope that efforts would be made to expedite the adjustment of the outstanding amount.**

*Purchase of flame tubes—para 17—page 13*

38. A contract for the supply of 1,837 flame tubes (MK III) at Rs. 1,118 each was entered into with a foreign firm in June, 1957. In January, 1959, the firm proposed the substitution of flame tubes (MK III) by modified flame tubes (Mk. IV) at Rs. 1,734 each, which was not agreed to by the Air Headquarters.

The firm, however, supplied 1,433 numbers of flame tubes (Mk IV) during the period from April, 1959 to August, 1959. The Air Headquarters reviewed their requirements, decided to take 875 numbers (Mk. IV) and requested the firm to take back the balance 558 numbers.

The firm's representative who visited India in October, 1960, in his report indicated that the average life of flame tube Mk IV was 50 per cent. more than the average life of flame tube Mk III (against 20 per cent. intimated previously by the firm). The Air Headquarters decided to accept the entire quantity of Mk IV tubes and it was stated that from the financial point of view the increase in price was counter-balanced by an almost equal increase in the life of the flame tubes. The records maintained in respect of two aircraft showed that the first life of MK IV tubes was only 35 per cent higher than the first life of Mk III tubes.

In justification of acceptance of MK IV tubes in lieu of Mk III tubes for which the order had been placed, the Defence Secretary stated that the Ministry had very little option in the matter. The contract contained a provision that stores would be manufactured and completed in accordance with the latest standard of specification approved by the foreign Government. Further, if some modifications could be carried out in order to improve the store the seller would advise the buyer accordingly and if these modifications involved financial effect, the buyer should notify his decision to the seller within one month after he had been advised by the seller. In January, 1959 the firm advised that the Foreign Government had

decided to stop the manufacture of Mk III flame tubes and to replace them progressively with Mk IV tubes. Since the production of Mk. III tubes had ceased, the firm proposed to substitute Mk IV flame tubes against the order placed with them for Mk III flame tubes. The Air Headquarter asked the firm to supply Mk III flame tubes under the terms of the contract. While negotiations with the firm for supply of Mk III tubes were still going on, they despatched Mk IV tubes. On a protest by Air Headquarters the firm stated that they were entitled to supply Mk IV flame tubes under the contract.

Negotiations were again started with the firm for the return of Mk IV tubes. In the meantime, the stock of Mk III tubes was completely exhausted. The repair facility for flame tubes was established in June, 1959 but the repair output could not cope with the requirements. As some flame tubes were required to keep the aircraft in operation, there was no alternative but to accept Mk IV tubes.

At the instance of the firm, the Air Headquarters agreed to an on-the-spot inquiry by the representative of the firm to assess the actual requirements of the Air Force, without prejudice to their right to return the surplus flame tubes at the firm's cost. The representative of the firm made a detailed survey of both serviceable and repairable stocks in collaboration with the Air Force authorities. Based on foreign Government's consumption statistics and the survey of repairable stocks carried out by the firm's representative and the Air Force authorities, the requirement of the Mk IV flame tubes was found to be 1566. In order to effect economy in foreign exchange, it was decided to have a lesser quantity (1433) which had already arrived. In reply to a question, the witness stated that the particular flame tube was a proprietary item, which was manufactured by this particular firm only in the whole world and the firm had charged the same price from the foreign Government.

Referring to the firm's claim about higher average life of flame tubes Mk IV (50 per cent), the witness stated that test check had revealed that the first life of Mk IV tubes was 35 per cent higher. Its second life had not yet been tested. The average life (i.e. sum total of the first and second lives) was expected to be at least 50 per cent higher.

**Article 6 of the contract with the firm provides:—**

**"If some modifications could be carried out in order to improve the stores to be supplied as per Appendix II, the seller will advise the buyer accordingly and if these modifications involve financial effect the buyer shall notify his decision to the seller within one month after he has been advised by the seller."**

The Committee are really surprised that despite this provision in the contract the firm did neither supply any flame tubes for 18 months (from June 1957 up to January 1959) nor did they notify the buyer about the modifications made therein involving financial implications (higher cost of Mk IV) during this long period. (The firm advised about this only in January 1959 i.e. 18 months after the conclusion of the agreement).

The Defence Secretary urged that in the case of purchase of such proprietary items, the Ministry had no option even if the manufacturers charged ten times the price. Upto a certain extent, the Ministry were at their mercy. He, however, added that all the firms were not unreasonable. But if a firm took a firm line, the Ministry had either to scrap the aircraft or improvise some alternatives which were extremely difficult to effect, because the safety of the aircraft was also involved.

The Committee do not consider this a happy state of affairs under which the Defence Ministry have no alternative but to accept the terms laid down by the firms however unreasonable these might sometimes be. The Committee desire that the Ministry should take a serious note of this aspect and take necessary measures to remedy such a situation. They feel that in the matter of procurement of Defence stores the Ministry should not be at the mercy of the manufacturers.

The Committee find it difficult to appreciate the vacillating attitude adopted by the Air Headquarters in regard to Mark IV flame tubes in first refusing to accept these tubes, then deciding to accept 875 numbers and to return the balance 558 numbers and eventually accepting the entire lot of 1433 which was despatched by the firm without prior concurrence.

The Committee find that one of the considerations which weighed with the Ministry for the purchase of Mk IV flame tubes (costing Rs. 1734 each) in lieu of Mk III flame tubes (costing Rs. 1,118 each) was the claim of the firm about the technical superiority of Mk IV tubes. The average life of Mk IV tube (i.e. sum total of first and second lives) was claimed to be 50 per cent more than the average life of flame tube Mk III. The first life of Mk IV tube has proved to be 35 per cent higher. Its second life has not yet been tested. The Committee desire that the Ministry should watch the second life of the tube in order to verify whether the claim of the firm about 50 per cent higher average life of Mk IV tube over Mk III tube is substantiated in actual use. The Committee would like to be informed about the outcome of these tests

IV  
NAVY

*Shortage of cash—para 4(iv) (a)—page 4*

39. In February 1961, shortage of cash to the extent of Rs. 35,770 (including Rs. 12,627 representing the undisbursed wages of industrial establishment) was reported in the Naval Dockyard. This loss followed another cash loss of Rs. 4,001 in June, 1960 which was found to be the result of serious lapses in the observance of the prescribed rules and regulations. Departmental investigations were not proceeded with in this case on the ground that the relevant records were in possession of the Special Police Establishment and that such proceedings were likely to impinge on the evidence that is to be led in court.

During evidence the Defence Secretary stated that the offender had been convicted on 5-6-1963 and sentenced to four years' imprisonment.

**The Committee would like to know the action taken to fix responsibility of the supervisory staff for their contributory negligence which facilitated the offence.**

*Workshop facilities for reconditioning fuzes, para 11, page 9*

40. It was reported by Naval Headquarters in March, 1958, that a stock of 80,242 fuzes held by the Navy required complete reconditioning and that the work must be started immediately. It was envisaged that it would be possible to recondition fifty fuzes per day and in due course to also undertake reconditioning of another type of fuze, of which large quantities were held by the Army.

Government sanction for the procurement of the components, tools, etc. was accorded in April, 1958 and the indents for the articles to be procured from the United Kingdom were also sent forward in the same month. Articles worth Rs. 5.47 lakhs were received from the United Kingdom, upto November, 1963 (five years after the placing of the indent) and six items valued at Rs. 0.58 lakh were awaited.

Further, although it was envisaged in March 1958, that airconditioning facilities would be needed for the work, the necessary Government sanction was accorded only in July, 1961. Quotations were invited for the third time in December, 1963, as the lowest quotations received earlier in November, 1961 and May, 1962 were considered high. The work has not yet been completed.

The fuzes which were found to require urgent reconditioning in 1958 are not yet available for use although they are being shown as "assets" for the purpose of provisioning.

Explaining the reasons for delay in sanctioning the workshop for reconditioning fuzes, the Defence Secretary stated that originally this work had been included in a big project envisaged in the re-organisation scheme of the dockyard. But as the whole project could not be finalised, it was decided in 1961 to separate this particular work and a sanction therefor was given on 31-7-1961. As regards the delay in executing the work the witness stated that tenders had to be invited four times during the period November 1961—December 1963 as the quotations received were too high. As against the estimate of Rs. 1.04 lakhs the quotations received in the second, third and fourth tenders were Rs. 2.55 lakhs, Rs. 2.33 lakhs and Rs. 1.66 lakhs respectively. The witness promised to furnish a note stating the amount of the first tender and the reasons for not accepting it. From a note furnished by the Ministry, the Committee find that the first tender issued in November, 1961 brought forth the lowest quotation at Rs. 76,239 for air-conditioning of two existing buildings, as against the original administrative approval of Rs. 58,195. This tender did not cater to the airconditioning of fuze reconditioning workshop as this building was to be made by new construction. That building was constructed only by July, 1963. The tender was not accepted as the amount exceeded the administrative approval and contained certain other conditions which were not acceptable to the Department.

Explaining the present position of the work the witness stated that the various buildings had been completed, but the work was held up due to delay in the receipt of the main compressor from U.S.A., which was originally expected in July, 1964. The compressor had since been received and the work was expected to be completed by the middle of December, 1964.

The representative of the Ministry of Defence stated that the value of 80,242 fuzes for reconditioning was roughly £ 80,000. About 60 per cent of these fuzes were from War-time stocks. Asked why it was not considered necessary to recondition these war-time fuzes earlier, the representative of the Naval Headquarters stated that these had been in use after the war but there had been progressive deterioration in their functioning which necessitated their large-scale reconditioning. The witness stated the life of fuzes was taken as 12 to 15 years for the purpose of provisioning. After reconditioning these fuzes would last for another 12-15 years. It was urged

that the import of whole fuzes would involve considerable foreign exchange.

The Committee asked about the justification of the need for urgent reconditioning of fuzes in 1958, and how the requirements were met. The representative of the Naval Headquarters stated that these fuzes were of three types. The bulk of the fuzes (71,500) were of operational type and the remaining two types were used for practice purposes. The operational fuzes were required against the war reserve requirement. But, since their performance was unreliable these were required to be reconditioned urgently. As regards the practice fuzes, the witness stated that their annual requirement was 10,000. As the stock of these fuzes was only 8,000 a certain number of them had to be imported for practice purposes.

Referring to the delay in the procurement of components, the witness stated that as the fuzes pertained to 5-6 different manufacturers, spares had to be obtained from these individual manufacturers. There was a lot of correspondence with the Director General, of India Store Department, London and the manufacturers regarding the various details of the components required. The actual orders were placed only in 1960. The witness added that all the components had since been received.

The witness informed the Committee that the Army had a stock of 38,000 fuzes of another type which could be modified for use in the Navy after manufacturing bodies. An order for the manufacture of bodies had been placed on the Director General, Ordnance Factories.

The witness further stated that while the airconditioning unit had yet to be installed, the machinery acquired for reconditioning fuzes had been installed in another place and was being utilised for repairing fuzes requiring minor repairs. Two persons who had been sent abroad for training had returned and they could train other persons in repair work. The workers put on minor repairs had already gained some experience. The witness added that as soon as the building was ready the process of reconditioning fuzes would start in full swing.

During their visit to the Naval Armament Depot in the first week of January, 1965 the Study Group 'A' of the Committee found that the air-conditioned building for the workshop had been recently completed (December 1964) and the repair activities had been started in the new building. The Study Group were informed that the maxi-

mum repair output at present was 50 fuzes per day (8 hours shift). The output could be increased if more machinery and trained personnel were available.

The Study Group were also informed that a project had been undertaken to convert the surplus army fuzes for use by the Navy. Trial conversion of 100 fuzes in collaboration with private firm was being attempted, but the results of the trials were not yet known.

The Committee are far from happy at the delay in establishing workshop facilities for reconditioning of fuzes. They feel that inspite of the urgency of this project due attention was not paid to it and the work was carried on in a most leisurely fashion. In March, 1958 this work was proposed to be started urgently to meet the war reserve requirement of fuzes. The procurement of components, tools etc. for which sanction was accorded in April, 1958 took five years to materialise. (According to the information given to the Study Group during their tour some of the parts are yet to be received). An airconditioned building, the necessity for which was known in 1958 was sanctioned only in July, 1961 and it was completed in December, 1964. The Committee feel that with better planning of airconditioning facilities and closer liaison with manufacturers for supply of components, tools etc., the delay in starting the work could have been substantially reduced. The net result was that the urgent requirements of 1958 had not yet been fulfilled. The Committee suggest that important projects like the one mentioned in this para pertaining to operational requirements should be given top priority and delays at different stages should be scrupulously avoided.

The Committee also feel that the present repair output of fuzes i.e. 50 per day is not adequate to meet the urgent requirements of the Navy for these fuzes, as it would take about 5 years to repair the lot (71,500 fuzes). The repair work has already been delayed by more than 6 years. The Committee therefore suggest that immediate steps should be taken to augment the capacity adequately. For this purpose the possibility of carrying this work in collaboration with the Gun and Shell Factory at Cossipore (or any other ordnance factory) should be carefully examined.

The Committee would also like to know the outcome of the trial conversion being carried on 100 fuzes from Army stock in collaboration with the private firm.

*Non-utilisation of imported equipment—Para 40—pages 26-27 Sub-Para (a) (i).*

41. (i) Machines costing Rs. 7.39 lakhs for the training of Engineering and Electrical Officers of the Navy were received in December, 1961 and September, 1962. The foundation lay out had however not been finalised till September, 1963. The starting equipment required for working the machines was ordered only in August, 1962.

The Committee asked why an order for the starting equipment was not placed alongwith the machines. The representative of the Ministry of Defence stated that the Naval Headquarters were of the view that the starting equipment would be included in the equipment ordered for these machines. This view had also been accepted by the Admiralty, even though they had first expressed the view that there should be a separate order for that equipment. The witness added that the starting equipment had been received in August, 1964. In reply to a question the witness stated that the Naval Headquarters came to know about the omission of the starting equipment from the order after receipt of all the spares and parts which came in different instalments. The matter was taken up with the Admiralty in December, 1961 and they agreed in 1962 that the equipment could be covered by the original indent. Asked if any payment was required to be made for the starting equipment separately, the representative of the Ministry of Defence stated that it was not their case that the engine included the starter for the purpose of costing, for besides the engine there were a number of spare parts and other components ordered by the Admiralty. The only point according to the Naval Headquarters was that the starting equipment formed part of the original order, but the Admiralty while placing the order with the manufacturers did not include the starter according to their own arrangements with them.

In a note submitted to the Committee the Ministry have stated that the cost of engines based on shipping invoices and packing accounts was Rs. 7.39 lakhs. The cost of starting equipment has not been fully invoiced by the British Ministry of Defence (Navy) but it is estimated at Rs. 32,000.

As regards the delay in the finalisation of the lay out for the foundation for the machines, the representative of the Ministry of Defence stated that there was some avoidable delay in determining the type of foundations required. There was some difficulty in determining the type of girders required for the construction, which had to be specially designed and ordered. The Military Engineers Service were asked in June 1961 to design the foundation.

The Committee asked whether the training programme had suffered because of the delay in the installation of the machines. While admitting that the training programme had been delayed, the witness stated that the machines had been made use of in schools, and demonstrations had been given to the trainees from time to time. The trainees had also been taken on the ships where these machines had been installed.

The Committee regret to note the delay in installation of these costly machines which resulted in delaying the training programme. They regret to note that even though the order for machines was placed in 1956, no action was taken till the middle of 1961 for designing the foundations for installation of these machines. There appears to have been no coordination in ordering the machinery and its installation. The Committee also feel that the Military Engineers Service who were entrusted with the designing of the foundation in June 1961 have taken unduly long time in finalising the lay out. They would like to know about the progress made in the installation of the machines and their utilisation.

The Committee note that the Admiralty has agreed that the starting equipment formed part of the original order placed for the complete engine with connected equipment. The Committee, therefore, feel that the price charged for the complete engine (Rs. 7.39 lakhs) should also include the price of the starting equipment. They suggest that this question should be taken up with the Admiralty.

*Sub-para (a) (ii)*

42. Some other items costing Rs. 0.95 lakh were received in the same establishment during 1957—59. Government issued orders after four years in February, 1963, for the transfer of items costing Rs. 0.65 lakh to another training establishment where they were expected to be used more effectively and advantageously. The connected civil works for the remaining equipment costing Rs. 0.30 lakh had not been completed till September, 1963.

In evidence, the representative of the Naval Headquarters stated that the equipment had been ordered for a Naval Engineering College which was to train electrical and engineering officers. After the completion of the first course in 1959, it was found that imparting of the entire electrical training in this college would involve a complete duplication of the equipment, a lot of which was already available in another existing training establishment. The import of further electrical equipment was stopped and the equipment already

received was transferred to the other establishment. The witness admitted that there was delay in transferring the equipment as the Naval Headquarters took two years in deciding about the location of the electrical training facilities. The witness added that the equipment had been installed in the other establishment in January, 1964 and had been in use since then.

The Committee regret to observe that this case is indicative of lack of proper planning and co-ordination. Before ordering the equipment for electrical training, the desirability of introduction of electrical training facilities in this college should have been fully considered, and the facilities already available in the other training establishment should have been kept in view. The Committee regret that this was not done and it resulted in avoidable duplication. It is also regrettable that after the completion of the first training course, the Naval Headquarters took two years in deciding about the location of the electrical training facilities. The Committee are also not happy about the long time taken to start the connected civil works for the remaining equipment costing Rs. 0.30 lakh received during 1957—59. The Committee hope that such delays would be avoided in future.

*Sub-para (b)*

43. In another establishment equipment valued at Rs. 1.98 lakhs was received during 1956—60, but the necessary building, the construction of which was sanctioned only in June, 1961 was not ready upto September, 1963. The training establishment reported in April, 1959, that the equipment was liable to deteriorate in storage.

In evidence, the witness admitted that there had been some avoidable delay in obtaining Government sanction for the building required for the equipment. The sanction for construction was given on the 9th June, 1961. He added that the building was being taken over and the equipment would be commissioned in another three months. Asked if it was not possible to coordinate the construction of the building with the arrival of the equipment, the witness admitted that proper planning had not been done in a number of cases. Pursuant to the recommendations of the Public Accounts Committee made in their earlier reports in such cases, instructions had been issued in February, 1964 that connected civil works in respect of important and valuable equipment ordered from abroad should be planned well in advance so that the buildings were almost ready by the time the equipment was expected to arrive.

The representative of the Naval Headquarters stated that in the present case the delay in the construction of the building was due to

difficulty in finding a contractor to do the work. The tenders were issued on the 4th June, 1962 and were received on 8th September, 1962. The tenders received were 27—40 per cent higher than the estimates. As regards the delay in issuing the sanction, the witness stated that originally this work had been included in phase III at the station but owing to difficulties in securing suitable contractor this was postponed to phase IV. The representative of the Ministry of Defence admitted that it was a mistake to defer this work to phase IV considering the importance of the project.

On his attention being drawn to a report received from the training establishment in April, 1959 that the equipment was liable to deteriorate in storage, the witness stated that this report was not borne out by facts. The expert opinion was that the equipment was not likely to deteriorate as it was packed in tropicalised containers suitable for tropical climate which excluded humidity and air. The tests conducted on one or two packages had revealed that humidity had not entered into them. The witness added that it was not the practice to open equipment until buildings were ready. In reply to a question the representative of the Naval Headquarters stated that the guarantee period of one year had already expired, even though the equipment had not yet been opened. Asked how the delivery of the equipment valued at Rs. 1.98 lakhs only, was spread over a period of four years, 1956—60, the witness stated that such equipment ordered through the Admiralty was of current use by other users also and there was difficulty in the procurement. The delivery period depended on the load of orders with the manufacturers, and the Naval Headquarters had to wait for their turn.

**The Committee regret to note that this is yet another case of lack of planning. The equipment received during the years 1956 to 1960 had not yet been installed, with the result that the utilisation of equipment for training purpose had been inordinately delayed. It is also astonishing to note that the guarantee period of one year had long since expired even before the equipment had been unpacked. In the opinion of the Committee it is no consolation to be assured that the equipment is not likely to deteriorate. It is regrettable to note that if the equipment does not work satisfactorily after installation, the Ministry will have already forfeited the valuable right to invoke the guarantee.**

The representative of the Ministry of Defence admitted during evidence that considering the importance of the training scheme, it was a mistake to postpone the construction of the connected building from Phase III to Phase IV of construction programme at the station. The equipment was received in 1956—60, the sanction for the construction of building was accorded in June, 1961, and the

tenders were called in June, 1962. The Committee view with concern these delays at different stages. The Committee also observe that there was avoidable delay in according sanction for the construction of the building and also in calling for the tenders for the same. The Committee note that instructions have been issued in February, 1964, that connected civil works in respect of important and valuable equipment ordered from abroad should be planned well in advance so that the buildings were almost ready by the time the equipment was expected to arrive. They hope that there will be proper planning in future of civil works for installation of important and valuable equipment.

*Sub-para (c)*

44. Eight sets of an equipment costing Rs. 1.32 lakhs were received during 1955—57. The ships in which these were intended to be installed have either been converted for other roles or were decommissioned during 1955—59.

The Committee asked if it was not possible to cancel the order for the equipment (received during 1955—57) after the ships in which it was intended to be installed had been converted for other roles or decommissioned. The representative of the Defence Ministry stated that only one ship had been decommissioned in 1955 and the other were decommissioned in 1957 and 1959. No action was taken to cancel the order as it was thought that the equipment would be utilised in other ships. The witness added that the cancellation of the order would have also involved financial repercussions. As regards the utilisation of the equipment the witness stated that two sets had been installed in a new survey ship. It had been decided to instal the other sets in three ships already in service.

The Committee asked whether there was any advance planning for decommissioning ships based on their expected life. The representative of the Naval Headquarters stated that normally the life of a ship was taken as 20 to 25 years. Although a plan for replacement of ships over a period of ten years was prepared, ships were not actually scrapped until these became beyond economical repairs because of difficulty in procuring new ships.

**While the Committee note the Ministry's action not to cancel the orders because of its expected utilisation in other ships and fear of financial repercussions, they regret to find that the equipment could not be put to use for 7 to 9 years. They would like to know about the installation of the remaining 6 sets.**

*Delay in finalising an agreement—Page 27—Para 41*

45. Under an agreement entered into with an oil company, in May, 1946, three Naval storage tanks at a station were made available for use to the company. The company was to pay Government Rs. 2 per ton on all deliveries under the company's Defence Services contract and Re. 1 per ton on all other deliveries effected from the installations, but the payments were subject to a minimum of Rs. 2,000 and a maximum of Rs. 6,000 per month.

During the 1953-54, the revision of the terms agreed upon in 1946 was taken up for consideration. The company offered to pay for the installations at Rs. 3 per ton per annum for any part of the tankage surplus to Government requirements and used solely for purposes of the company without the operation of any maximum limit on the monthly payments. This offer was considered more advantageous to Government and was confirmed by the company in 1959. They also agreed to give retrospective effect to it from October, 1955. The terms were not, however, finalised on this basis either for the three installations handed over in 1946 or for the eleven additional installations which were handed over to the company in October, 1955.

Action was also not taken to obtain provisional payments from the company pending the finalisation of the agreement.

The Company made payments at the rates agreed upon in 1946 and subject to the maximum of Rs. 6,000 per month specified in that agreement up to March, 1961, when the installations were handed over to the Indian Oil Company.

Explaining the present position, the representative of the Ministry of Defence stated that the payment amounting to about Rs. 54,300 for the period October, 1955 to March, 1961 on the basis of the revised agreement had been made by the Oil Company on 19th October, 1964. As regards the delay in coming to a settlement with the Company, the representative of the Naval Headquarters stated that from 1954 to 1957 the desirability of making available the Naval installations to a private company remained under consideration in consultation with the Ministries of Law and Mines and Fuel. The question of renewal of lease of the land on which the tanks were situated and which belonged to the Port Trust also came up. In February, 1957, an enquiry was received from another Oil Company for the use of the Naval installation for sullage work, which was not agreed to. Thereafter while the agreement with the first Company was being finalised, a decision was taken by Government

in 1959 that all future installations would be given to the Indian Oil Company. Subsequently negotiations took place between the Indian Oil Company and the private company regarding the terms on which the former would take over the assets created by the latter. Pending the finalisation of these terms, the private company declined to make any payment to Government. After a settlement was reached, the private company made the payment on the basis of the terms of the revised agreement.

**The Committee are not satisfied with the delay that has occurred in this case in finalising the terms with the private oil company and making recoveries from the firm according to the revised agreement. Pending the final settlement, at least provisional payment according to the revised rates could have been obtained from the firm. The Committee hope that such inordinate delays would be avoided in future.**

*Delay in establishment of hospitals—Page 28—Para 43 Sub-para (a)*

46. In connection with a housing scheme at Pawai for the dock-yard workers, Government sanctioned in 1949 the construction of a 20 bed hospital which was completed in May, 1958, at a cost of Rs. 2.89 lakhs. The building was taken over by the Navy in two stages in December, 1958 and in June, 1960.

The staff for the hospital was sanctioned more than a year later in September, 1961, a matron was appointed after a further period of about a year in August, 1962. The Medical Officer joined later in April, 1963. An out-patient department was started from April, 1963. The objective with which the project was sanctioned in 1949 remained unrealised, even five years after the building became ready.

The Committee asked for the reasons for delay in bringing the hospital building at Pawai to use. The representative of the Ministry of Defence stated that the hospital building had been planned for the use of the industrial workers of the Naval Dockyard. At the time of approval of the proposal for its construction the question of entitlement of the industrial workers to medical treatment in the Naval Hospital was not properly examined. After the completion of the building in 1958, the Naval Headquarters proposed sanctioning of certain complement of staff for the Hospital. But at the time the industrial workers had a limited entitlement to medical treatment while their families had no entitlement at all. The matter remained under consideration till 1961 when their entitlement was accepted as an *ad hoc* measure. Thereafter there was some delay in sanctioning the staff and in their recruitment. Explaining the present position the witness stated that the hospital had since started functioning and had patients in it.

The Committee are unhappy over the inordinate delay of over 5 years in the utilisation of the hospital building which was completed in May 1958. It is surprising that at the time of approval of the construction of the building, the question of entitlement of the industrial staff to the medical facilities, for whom the hospital had been planned, was not properly examined. The Committee suggest that the circumstances in which this important lapse took place in the initial stages might be investigated and suitable action taken against persons found responsible.

The Committee are also not satisfied over a period of three years being taken in deciding the question of entitlement of industrial workers to the medical facilities in the hospital and a further delay of three years in recruitment of staff etc.

The Committee find from a note (Appendix XI) submitted to them that out of 504 quarters in the Pawai colony, 218 quarters have been allotted to non-industrial staff employed in the dockyard. The non-industrial personnel are not allowed to avail themselves of the hospital facilities. The hospital is intended to cater for the needs of all the industrial workers of the dockyard in the Pawai colony and outlying depots, and their families. The Committee suggest that the hospital facilities should be extended to the non-industrial workers also (including their families) who have been allotted 43 per cent. of the quarters in the Pawai colony. If necessary, a suitable contribution, as in the case of the Central Government Health Scheme may be realised from the non-industrial workers, for extending the hospital facilities to them.

47. During their visit to the colony in August, 1964, the Study Group 'A' of the Public Accounts Committee found that there was no ambulance car in the hospital for carrying patients needing treatment in other hospitals. The Committee suggest that for proper and effective functioning of the Hospital an ambulance car may be made available to the Pawai hospital which is situated far away from Bombay city.

48. The Study Group were also informed during their visit that in the absence of the local train stoppage near the colony (the nearest stoppage near the colony was stated to be 1½ miles from the colony), the dockyard workers experienced considerable difficulty in attending duty in the Dockyard in time. The Committee suggest that the feasibility of providing a suitable train stoppage near the colony may be examined in consultation with the Ministry of Railways.

*Sub-para (b)*

49. Construction of a building to house an operation theatre, an X-Ray room and a pathological laboratory for a Naval hospital at Bombay was sanctioned in August, 1959, at a cost of Rs. 6.24 lakhs. The construction of the building was taken up after about a year and a half in February, 1961 and was completed in January, 1963 at a cost of Rs. 6 lakhs approximately. The air-conditioning estimated to cost Rs. 1.71 lakhs was sanctioned only in December, 1962. This work was commenced only in July, 1963. Sanction was not accorded for the provision of special furniture.

The Committee asked why the airconditioning of the building was not sanctioned simultaneously with its construction. The representative of the Ministry of Defence stated that there was a difference of opinion between the Defence Ministry and the Finance Ministry regarding the scale of airconditioning, which was ultimately resolved in 1962. In the meantime the construction of the building was allowed to proceed in order to avoid delay in its completion. As regards the special furniture required for the building, the witness stated that no sanction therefor had been given on the ground that the existing furniture should be utilised, and the Defence Ministry had agreed to this. The witness added that the working of the hospital had not suffered because of the delay in airconditioning of the building, as the already existing operation theatre and X-ray room, though inadequate, were being used.

The Committee are not satisfied over the delay of more than three years in sanctioning airconditioning for the building, in the absence of which the building (completed in January, 1963) still remains to be utilised. The Committee have in the past emphasised proper planning of works so that the connected services can be completed simultaneously with the buildings. They desire that the Ministry should be more careful in planning such works in future.

## V

### DEFENCE FACTORIES

#### (DIRECTOR GENERAL, ORDNANCE FACTORIES)

##### *Shortfall in production—para 5—page 6*

50. With a view to augmenting the production of steel Government sanctioned in December, 1951, the reconstruction of an open hearth furnace in an ordnance factory, at an estimated cost of Rs. 15.20 lakhs. The sanction was revised to Rs. 30.70 lakhs in January, 1959. This covered also the purchase and erection of a gas plant at an estimated cost of Rs. 2.35 lakhs so as to facilitate the simultaneous use of the reconstructed furnace as well as an existing furnace thereby increasing the production of steel from 15,000 metric tons to over 28,000 metric tons.

Action was, however, not taken to procure the gas plant as it was anticipated that a gas producer would become available by June, 1962, from another ordnance factory on the completion of a modernisation scheme undertaken by it. The modernisation scheme has still not been completed.

The reconstructed furnace was completed in January, 1961 but in the absence of the gas plant, it could be run only alternately and not simultaneously with the other furnace; the average production was thus only about 15,000 metric tons per annum as against the planned production of over 28,000 metric tons.

The Committee asked for the reasons for delay in the construction of the open hearth furnace. The Special Secretary stated that the reconstruction of the furnace formed a part of the normal replacement plan in the factory and did not warrant high priority. The factory had two acid open hearth furnaces, requiring the use of 'A' Grade pedigree scrap. One of them had been planned to be converted into basic furnace in order to use 'B' and 'C' Grade scrap. It was also intended to increase the steel melting capacity. The witness attributed the delay in reconstruction of the furnace to the time taken in its designing. In 1951 a private firm was consulted, but their design provided for certain sections which were not available in India or U. K. To that extent the design given was defective. So the redesigning of the two furnaces took extra time. It was

also not possible to find a contractor to do the work. Orders were therefore issued in January, 1954 to do the work departmentally. It was found then that certain additional buildings were necessary for the efficient working of the furnace. Consequently a revised project report was prepared in 1955, and the estimates went up.

As regards the procurement of a gas plant, the witness stated that an imported gas plant would have involved foreign exchange worth Rs. 2 lakhs and would have taken about a year to be installed. As it was expected at that time that the gas plant would be available from the other factory as a result of installation of an oil firing furnace there, it was considered prudent to wait for its release. But there had been some delay in obtaining certain parts for the oil firing furnace and the gas plant was now expected to be released in 1965.

The Special Secretary informed the Committee that the production had not been affected as a result of less production of steel, as the additional steel requirements had to be procured from trade on 'as required basis.' The witness added that the second part of the reorganisation scheme for the factory i.e. increasing the rolling capacity, which was sanctioned in 1958, was expected to be completed by May, 1965. The increased steel production capacity by running both the furnaces simultaneously would be needed only after achieving the augmentation of the rolling capacity. Asked if while planning the increased steel production capacity in 1951 (as revised in 1959), the rolling capacity was not taken into account, the D.G.O.F. stated that it was thought at that time that the rolling capacity would be available elsewhere. In reply to a question the D.G.O.F. stated that the construction of the basic furnace had partly achieved the objective inasmuch as it had enabled the factory to use B and C grade scrap which was readily available. As regards quantum of steel production, the witness stated that during 1963-64 the production increased to 19,000 metric tons. He added that even with the provision of an additional gas plant, the simultaneous working of both the furnaces would not be possible all round the year, as each furnace had to be shut down for three months in a year for relining.

**The Committee regret to observe that though the reconstruction of an open furnace was sanctioned in December, 1951 mainly to double the production and the bulk of the sanctioned amount has been spent (Rs. 25.59 lakhs out of Rs. 30.70 lakhs) yet the production has not been achieved even after 13 years. This case indicates delay and lack of planning at every stage in the execution of the scheme. The reconstruction of a basic furnace sanctioned in December, 1951 at an estimated cost of Rs. 15.20 lakhs was revised in 1959 to Rs. 30.70**

lakhs (including Rs. 2.35 lakhs for a gas plant). This indicates how costly the delays proved to be. The basic furnace was completed in January, 1961, but a gas plant without which the furnace could not be run simultaneously with the existing furnace was not procured, although a provision of Rs. 2.35 lakhs for it had been made in 1959. A gas plant expected to be released by another factory has not yet become available. This has resulted in the steel production target of 28,000 metric tonnes per annum not being achieved. The Committee cannot approve the decision to delay the entire scheme of producing additional 15,000 tons of steel for a small item costing Rs. 2.35 lakhs for which a provision was also made in the revised scheme. This is a typical illustration of the proverb "Penny wise pound foolish". The Committee are not at all impressed by the argument that the increased steel melting capacity would be required only after achieving the increased rolling capacity. There is an ever increasing demand for steel in the country and hence it was idle to suggest that the additional capacity would be required only after the rolling capacity was increased. Besides it was also stated that the additional steel if produced could be rolled elsewhere. If so, the delay in installation of the gas plant for working the two furnaces simultaneously becomes all the more serious.

The Committee also feel that there has been inordinate delay in completion of the scheme for increasing the rolling capacity of the factory which was sanctioned in 1958. The augmentation of the rolling capacity should have been completed simultaneously with the completion of the basic furnace.

The Committee are unhappy to find delays and lack of planning at all stages in this case and hope that action would be taken to avoid them in future. The Committee feel that, such lack of planning and coordination and consequent delays easily frustrate the very objective of these schemes.

*Avoidable expenditure due to delay in installation of boilers—para 6—pages 6-7*

51. Two new boilers costing Rs. 58,870 were purchased from abroad in 1955 and 1957 for replacement purposes.

Due to heavy offtake of steam and anticipated further requirements, it was decided to install these boilers in a different location. A boiler house was constructed for this purpose in 1957 at a cost of Rs. 16,970. The Central Water and Power Commission and the Military Engineer Services, who were approached in 1957, expressed their inability to undertake the installation work. In response

to enquiries issued to private firms in October, 1959, two offers were received one in December, 1959 and the other in March, 1960; the lower quotation being Rs. 1,62,384.

The Central Water and Power Commission was approached again in April, 1960, who intimated in June, 1960, that it was not possible to state definitely whether this job could be undertaken by them. In view of this uncertainty, it was decided in August, 1960, to entrust the work to a private firm.

The acceptance of the lower quotation (received in December, 1959) was communicated to the firm after two and a half years in June, 1962; the firm, however, refused to accept the order owing to increased costs. A fresh tender enquiry was issued in July, 1962. The lowest quotation of the same firm for Rs. 2,47,327 was accepted and a contract was entered into in October, 1962, with a stipulation that the work would be completed within eight months from the date of receipt of cement and steel. The cement was received in August, 1963 and the steel was supplied by the firm from its own stock subject to replenishment.

The boilers were installed in April, 1964.

The Committee asked why the Central Water and Power Commission who had expressed their inability to do the work in 1957, were approached again in April, 1960 to undertake installation of boilers. The Special Secretary stated that the Central Water and Power Commission had earlier expressed their inability to undertake the work because of other commitments with them. When first approached in March, 1957 they had stated that there was no prospect of undertaking this work till the third or fourth quarter of 1958. In 1958 they had stated that they would be busy with other work till about the end of 1960. Inquiries were thereafter made from private firms, but the firm which tendered did not submit their proper quotation till 1960, when the second tender was also received. Because of a long time taken by the firm in submitting their quotation and the Central Water and Power Commission having agreed to install a boiler in another factory at this station, the Central Water and Power Commission were again approached in 1960 for assistance in this case. The witness urged that the idea of not accepting the firm's tender in 1960 was to save money, but it turned out to be wrong. He admitted that the original estimate of Rs. 12,600 for the work was completely unrealistic.

The Committee asked for the reasons for delay in the receipt of cement and steel which resulted in delay in the completion of the project. The Special Secretary stated that when the firm could not

get steel and cement, they approached the Defence authorities who helped them in getting cement. But there was some difficulty in getting steel. The firm ultimately agreed to issue steel from their own stock, which was meant for other jobs on the condition that the Defence Authorities would replenish the stock when steel was available. The witness added that the boilers had been installed and had been working since April, 1964.

In the absence of any firm commitment made by the Central Water Power Commission in 1957 to undertake this work, it is surprising why they were approached again in 1958 and 1960. This is yet another example of how avoidable delays have increased the cost. The Committee cannot appreciate the points urged in justification of this delay and feel that this was all avoidable. Particularly the Committee find no justification for not communicating the acceptance of the lower quotation (Rs. 1,62,384) till June, 1962 after the Central Water and Power Commission had finally expressed their inability to undertake the work in June, 1960. It is surprising that the decision to accept the tender received in December 1959 was taken only in June 1962. In the ordinary course of business the authority concerned should have requested for the extension of tender date. Prompt action in June, 1960 to accept the lower quotation might have saved Government of an extra expenditure of Rs. 85,000.

52. The Committee asked about the justification for treating the project as urgent. The Special Secretary stated that the fact that the old boilers, which were required to be replaced, were still working indicated that the officer concerned had treated the project as urgent in order to get Government sanction. The officer had put up the proposal on the basis of the expected life of the boilers, and it was accepted by the Ministry. After the receipt of the first boiler, the local authorities decided to await the second boiler and install them together for administrative and technical convenience. But on receipt of the second boiler it was found that the requirement of the factory had increased, and it was decided to install them at another place. The Committee desired to be furnished with a note stating the date of installation of old boilers which were proposed to be replaced, their expected life, and the number of years for which they had been used by 1955. From a note (Appendix XII) submitted by the Ministry, the Committee find that by 1955 the first boiler had done 30 years out of its expected life of 42—50 years. But as the boiler's pressure was reduced, the inspector demanded open inspection every year. This was found uneconomical and therefore that boiler was condemned. The second boiler had done 29

years against its expected life of 25—30 years. Since 1950 it was found to be working at progressively low pressure and extensive repairs were required and its functioning was found highly uneconomical. It was also, therefore, condemned.

**From the above facts the Committee note that in 1955 the old boilers were condemned because of their being uneconomical although they were working and are still working. Even the increased requirement arisen after 1957 was met by the existing boilers. The Committee therefore see little justification for treating the project as urgent. If the urgency attached to the project was only "for sake of obtaining the Government sanction", as admitted by the Special Secretary during evidence, it would be in the Committee's view a matter to be taken serious notice of.**

*Avoidable expenditure on the manufacture of plants—para 8—page 8*

53. In August, 1954, the Rifle Factory, Ishapore, circulated its requirement of two units of gas generators to all other factories. As there was no response, the factory was authorised by the Director General, Ordnance Factories, in March, 1957, to manufacture them departmentally. The manufacture was started in May, 1960; one was completed in September 1960 and the other in March, 1963, at a total cost of about Rs. 50,000. In another factory, however, two similar units received in 1950 had been lying unutilised ever since their installation in 1953 for want of replacement of a defective part. Moreover on receipt of electric furnaces in that factory from abroad during 1953-54 the gas generators became redundant. These generators were formally declared surplus to Director General, Ordnance Factories, only in August, 1958.

In evidence, the D.G.O.F. stated that the two gas generators held by the second factory became surplus after the induction furnaces and electric furnaces were commissioned there in 1958. The electric furnaces had been received during the period 1953—56, but the gas producers could not be spared till all the electric furnaces had been installed in place of the gas operated furnaces. The Committee drew attention to the statement contained in the Audit para that the two gas generators had been lying unutilised ever since their installation in 1953 for want of replacement of the defective parts. The witness stated that the only defect with the gas generators was that they could not store gas but they could produce gas. They were lying unutilised because of insufficient orders for manufacture of stores in the factory.

It is not clear why no action was taken by the Director General, Ordnance Factories to cancel the order for the manufacture of two new gas generators required by the Rifle Factory, Ishapore, after two gas generators became surplus in another factory in August, 1958. (The manufacture of these two new gas generators started only in May, 1960). Such a course would have saved expenditure on the manufacture of two new generators. The Committee regret to observe that lack of proper co-ordination between Director General, Ordnance factories and the two factories resulted in this avoidable expenditure of Rs. 50,000. The Committee also asked the reasons for delay of three years in taking up manufacture of the two new gas generators. The D.G.O.F. stated that these gas generators were required for replacement of the existing ones in the factory in accordance with the normal prescribed procedure. But during the period 1956-60 there was hardly any work in the factory. Even assuming that the Rifle Factory, Ishapore, had no knowledge about the two surplus gas generators available from the second factory in August, 1958, the Committee are perturbed to note that there was inordinate delay in taking up the manufacture of new gas generators. The two generators were taken up for manufacture in May, 1960 and November, 1962 and were completed in September, 1960 and March, 1963, respectively.

*Manufacture of civil trade items—para 9, page 8—sub-para (b)*

54. Against orders for 330 numbers of pallet trucks (280 for possible use in the factories and 50 for sale to civil trade) placed by the Director General, Ordnance Factories, on the same factory, manufacture was taken up in 1955-56. In March, 1957 Government issued general orders laying down the nature and number of items to be manufactured for civil trade. Under these orders the number of pallet trucks was restricted to 10. The manufacture was stopped in 1960 after 225 completely finished trucks and 105 trucks in a semi-finished condition had been produced. Up to October, 1963, 195 trucks were issued to other factories and 10 trucks sold to Bharat Electronics Ltd. leaving 20 trucks valued at about Rs. 15,000 in stock. The value of the finished and semi-finished components was about Rs. 74,000.

In evidence, the Special Secretary stated that the Director General of Ordnance Factories had ordered in 1954 the manufacture of 280 pallet trucks for meeting the requirements of Ordnance Factories, but there were no firm orders at that time. He also ordered 50 pallet trucks for stock purpose for civil trade the maximum number which he could order for civil trade at that time. In 1957, the limit of storage of trucks for civil trade requirement was

reduced from 50 to 10. In 1960, the actual demand of Ordnance Factories was 195, which the D.G.O.F. was able to meet. In addition the D.G.O.F. had 20 assembled trucks which were in excess of the limit of 10 allowed by Government for stock purpose. Further production was therefore stopped. Subsequently the D.G.O.F. received orders for 13 more pallet trucks from the Ordnance Factories. The remaining 7 trucks were also issued during November-December, 1963. The present position was that the factory had received further orders for 117 pallet trucks, as a result of which the components lying in the factory would be fully used.

**The Committee are unable to understand how the Director General, Ordnance Factories placed orders in 1954 for 280 pallet trucks for possible use in the factories in the absence of any firm requirements. (The actual requirement of the Ordnance Factories upto October, 1963 was only 195). Further, after the production for civil trade was restricted to 10 trucks under the Government orders issued in March, 1957, no action was taken by the D.G.O.F., to reduce the order placed on the factory accordingly. This, the Committee feel, was a serious lapse. The Committee also cannot appreciate the components valuing about Rs. 74,000 lying in stock for 4 years, thus locking up funds and blocking much needed storage accommodation with attendant risk of losses. The Committee hope that, as assured by the Special Secretary, these components would now be utilised. They would like to be informed when the components are fully utilised.**

*High Cost of manufacture—para 10—pages 8-9, sub-para (a)*

55. During the period from November, 1959 to June, 1962, the Master General of Ordnance Branch placed eleven demands on the Director General, Ordnance Factories for the manufacture of 77,915 numbers of nets camouflage, 24'X24' (58,915 nets for supply during March, 1960 to July, 1963 and the balance 19,000 during April, 1964 to July, 1965). Upto the end of June 1963 only 47,277 nets were manufactured at a cost which ranged from Rs. 80 to 89 each during the years 1959-60 to 1962-63.

6,000 numbers of the same item were obtained during October, 1962 to January 1963 through the Supplies and Disposals organisation at Rs. 29.71 each. The extra cost of manufacturing 77,915 numbers in the ordnance factory (as compared with the amount computed at the rate for market purchases) was about Rs. 40 lakhs.

The following statement shows the comparative cost of production by the D.G.O.F., cost of material and market price.

Cost of production in ordnance factory	Cost of material included in the cost of production figures	Market price	Extra cost incurred/ likely to be incurred by the factory on the basis of the market price
Rs.	Rs.	Rs.	Rs.
79·68 (1959-60)	27·04	29·71	The extra cost on the manufacture of 77,915 nets is of the order of Rs. 40 lakhs.
80·13 (1960-61)	27·26	(Supplies through the D.G.S. & D. effected during Oct., November and December, 1962 and January, 1963)	
89·16 (1961-62)	34·29		
81·10 (1962-63)	35·87		

In evidence the Special Secretary stated that high cost of production of camouflage nets 24' x 24' in the ordnance factories was due to overheads. The cost of production by the ordnance factories was Rs. 76·75 each in 1963-64 which was made up of Rs. 34·41 for material, Rs. 17·29 for labour, Rs. 25·05 for overheads\*. As regards the low market price of the nets, the witness stated that these nets were made by fishermen in their spare time, and they could produce them much cheaper, but their capacity was very small. On his attention being drawn to the higher cost of material in the case of ordnance factories, the witness stated that according to D.G.S. & D. this was due to handling charges, middle-men's profit and other things included in the cost of material procured through the tender system, while the fishermen could buy it straightaway. The D.G.S. & D. had been asked to investigate this aspect further.

The witness further informed the Committee that the Ministry came to know about the low market price of the camouflage nets only as a result of the first trial order for 6000 nets 24' x 24' placed through the D.G. S. & D. in December, 1961, against which a supply of only 3000 nets was received in November, 1962. As the demand of the Army for nets was much larger as compared with supplies available from trade, they insisted especially after the emergency that the nets should be produced quickly whatever the price. Large

\*According to the Annual Accounts for 1963-64 in respect of Harness and Saddlery Factory, the cost of production was Rs. 74·88 which was made up of Rs. 34·22 for material, Rs. 17·56 for labour and Rs. 23·10 for overheads.

supplies had therefore to be obtained from the D.G.O.F. After a substantial part of the demand of the Army had been met, it was decided that only 25% of the future requirements should be met from the Ordnance Factories, and the remaining 75% should be met from trade. The witness urged that if 100% orders were placed on the civil trade, they might increase the prices unduly, and secondly the Ordnance Factories should have knowledge and experience of making these nets for emergencies. Even in 1963 an order for 1,07,810 nets placed on the D.G.O.F. was off-loaded to trade, which the D.G.S. & D. had been able to cover to the extent of 94,000 numbers so far. No supplies had yet been made against this order. The price quoted by trade against this order ranged from Rs. 30.25 to 38 each as against Rs. 29.71 each at which these nets were procured during October 1962 to January, 1963. In reply to a question the witness stated that the quality of the nets produced by the D.G.O.F. and those procured from trade was above the minimum standard laid down.

The Committee are surprised to know that the cost of production of camouflage nets in the Ordnance factories, is more than 2½ times that of the market price. What is more surprising, is the fact that the cost of material included in the production cost in 1961-62 and 1962-63 in Ordnance factories is more than the market price of finished nets. The Committee feel that due to various advantages of a large scale production, the cost of production of camouflage nets in Ordnance factories should be less than the prevailing market prices. The Committee were, therefore, not satisfied with the reasons given by the representative of the Ministry justifying this excessive cost of production in Ordnance factories. They desire that the Director General, Ordnance Factories should analyse the cost of production of these nets and take suitable steps to reduce it. The Committee would also like to know the outcome of the investigation by the Director General, Supplies and Disposals regarding higher cost of the material procured for these nets through him.

*Sub-para (c)*

56. The cost of safes meat and milk manufactured in the Ordnance factories from December, 1959 onwards was Rs. 194 each. Against this, the cost of procuring them from the trade during 1960 was Rs. 41 each.

The cost of materials alone included in the factory cost was about Rs. 73 which was 78 per cent higher than the cost of procurement of the completed article from the trade.

The extra cost in the manufacture of 2,245 safes completed upto August, 1962, was of the order of Rs. 2 lakhs. According to Audit, the extra cost in the case of 2,199 other safes, either manufactured thereafter or which were in the course of manufacture in the Ordnance factories would be about Rs. 1.98 lakhs.

In evidence the Special Secretary stated that the safes meat and milk referred to in the Audit para was purely a local purchase store, which had not been inspected by the inspectors. The meat safe produced by the D.G.O.F. conformed to the appropriate standard. The witness added that in another case in which 1300 safes meat and milk had been ordered from a private firm at the rate of Rs. 60 each plus sales-tax, the entire first lot tendered by the firm had to be rejected, having as many as 35 defects. The agreement with the firm had, therefore, been cancelled, and it was decided to procure that quantity from the Ordnance Factories. The witness added that in order to procure meat safe of prescribed specifications at a lower price from trade, it was proposed to meet 25% of the requirement from trade. But the D.G.S. & D. who was approached to meet 25% of the requirements had stated that this item of furniture did not fall within his line of supply.

While the Committee appreciate that the safes meat and milk manufactured by the Ordnance Factories conform to the appropriate standard laid down for this item, they cannot help feeling that the cost of production of Rs. 184 each is very much on the high side. The Committee desire that the D.G.O.F. should analyse the cost and explore the possibility of bringing it down to a reasonable level. The Committee would also like to know the outcome of the proposal to meet 25% of the requirement from trade and the price paid as a result thereof.

The Committee had desired to be furnished with a statement showing the comparative costs of manufacture of various important civil trade items produced by the D.G.O.F. and by trade in India. From the statement furnished by the Ministry the Committee find that in some other cases also, cost of production by trade is less than the cost in Ordnance Factories. The Committee hope that efforts will continue to be made to bring the cost of production of these items to the level of market prices. When, despite such efforts, it is found that the cost of a particular item cannot be brought down reasonably near the level of market price, the question of discontinuing manufacture of such an item in the Ordnance Factory should be carefully examined.

*Non-utilisation of a machine—para 16—page 13*

57. In March, 1957, 'baling' machine was purchased and installed in January, 1959 at a total cost of Rs. 37,226 for baling scrap in the factory so that it could be sent to the associate factories for utilisation for production purposes. The machine had remained unutilised after its installation except for baling only one wagon-load. The scrap continued to be sold to private dealers on "as is, where is" basis.

In evidence the Special Secretary stated that when the baling machine was ordered, the scrap was required by another factory. But after its installation it was found that this particular type of scrap (sheet metal cuttings) which comprised large pieces and which could be used for various purposes, could be sold at a very good price locally i.e. Rs. 400 per ton. The type of scrap required for the other factory was locally available at the other station at much cheaper rates. The witness added that the local sale of scrap had resulted in a profit of Rs. 6 lakhs. The baling machine had since been transferred to the other factory where it was required. Asked whether the favourable sale price of the scrap obtaining locally was not taken into consideration at the time of ordering the baling machine, the witness stated that in 1956-57, the price of scrap was Rs. 55 to Rs. 130 per ton but in 1959-61 it rose to Rs. 400 per ton. To a question how the scrap was sold at a higher price in spite of the imposition of statutory control on its price the witness stated that in this case the permission of the Iron and Steel Controller had been obtained for selling the scrap at a high price. The witness added that the scrap had since been decontrolled, (August, 1962), and it was available at the price of Rs. 185 per ton, whereas the particular type of scrap was being sold by the factory at Rs. 400 per ton.

In the opinion of the Committee the price of the particular type of scrap (sheet metal cuttings) which could be used for various purposes would always be higher than the market price of ordinary scrap. It is surprising that the D.G.O.F. discovered this only after the installation of the baling machine in the factory in January 1959 as a result of which the baling machine became redundant immediately on its installation. The Committee regret to note that there was an initial lapse, in determining the utility of baling machine in this case.

*Contract for manufacture of Shaktiman trucks—Para 29—Pages 20-21  
Sub-para (a)—Unintended benefit*

58. The agreement for the manufacture of Shaktiman trucks in India, entered into with Messrs. M.A.N. of Germany on the 11th September, 1958, contained the following among other provisions:—

- (i) the total price of components parts for each unit together with packing and f.o.b. charges will not exceed Rs. 21,429; and
- (ii) the break-up of the price of Rs. 21,429 by major parts and components will be submitted within one month of the signing of the agreement i.e. by the 10th October, 1958.

From the break-up furnished, it was seen that the total price of each complete unit f.o.b. German port included Rs. 675 on account of packing and forwarding charges.

With the progressive indigenous manufacture of the various parts/components, the components per vehicle ordered on the firm have undergone a decrease in number, bulk and weight (it was stated that at the end of June, 1963 43 per cent of the components in value were of indigenous manufacture and that the cost of imported components was about Rs. 12,214 per vehicle), but the packing and forwarding charges continued to be paid at the rate of Rs. 675.

According to Audit on a rough assessment the un-intended benefit which would accrue to the firm in respect of 5,840 trucks ordered till October, 1963 in the shape of excessive packing and forwarding charges worked out to Rs. 15 lakhs.

In the evidence, the Special Secretary stated that the question of reducing the packing and forwarding charges in proportion to the reduction of imported parts had been taken up with M/s MAN two years back. But the firm had pointed out that the cost of packing components was much more than that of packing a whole assembly. As a result of pressure from the Ministry, the firm had, however, agreed to revise the packing and freight charges to 10% of the cost of imported components as soon as it went below 5000 D.M. (Rs. 6000). The witness added that the original packing charges of Rs. 675/- worked out to 3% of the total price of Rs. 21,429/- for all the components as against 10% paid by TELCO to another German Firm. The usual packing charges in the automobile industry ranged from 6 to 12 per cent.

The Committee are not convinced of the logic that the packing and forwarding charges of imported components which have substantially reduced in quantity and bulk should be the same as for the complete unit. They feel that the agreement was defective on this point and gave an unintended benefit to the firm. According to audit the unintended benefit accruing to the firm in respect of 5,840 trucks upto October, 1963 would work out to Rs. 15 lakhs. The Committee are not satisfied over the marginal reduction in the packing charges (i.e. the charges would be 10 per cent. of the cost of components when it goes below Rs. 6,000) which the Ministry have been successful to secure from the firm. The Committee trust that the Ministry will be more careful while entering into future agreements.

In reply to a question the Special Secretary stated that the indigenous contents in the trucks was 69.41 per cent as on 30th October, 1964. This percentage was relatable to the price of the truck as laid down in the Contract, taking into consideration the increase in price in Germany under the escalation clause. The witness added that the percentage of the indigenous contents would be higher if it was calculated on the basis of the present rupee value of the truck.

Asked if the progress of the indigenous content was according to schedule, the witness stated that it was slightly below the expectations. The progressive increase in the indigenous content was stated as follows: 28.9 per cent. in 1960, 35 per cent. in 1961, 48.8 per cent. in 1962, 56.3 per cent. in 1963, 64.5 per cent. in March, 1964 and 69.41 per cent. at present.

The Committee desired to be furnished with:

- (a) a statement showing the number of persons trained by the Collaborators and duration of training given;
- (b) a note stating the progress regarding achieving the indigenous contents of trucks and whether it was according to the revised programme.

The information furnished by the Ministry of Defence is given in Appendix XIII. The Committee find that the programme for the manufacture of trucks originally drawn up in 1959 had to be revised twice, in 1961 and 1963. In spite of the revisions, the actual production of trucks has been below expectation. During the two years 1961-62, and 1962-63 the production was a little over 1500 trucks as against the expectation of this quantity in a period of one year.

The actual production against the original and revised programmes is as follows:

Period	No. of trucks to be manufactured	Indigenous percentage as per Plan	No. of trucks manufactured	Indigenous percentage achieved
<i>(i) Original Programme (1959)</i>				
1st year (1-7-59 to 30-6-1960)	1200	30	739	30
2nd Year (1-7-60 to 30-6-61)	1200	50	1201	42
<i>(ii) Revised Programme (1961)</i>				
3rd Year (1-7-61 to 30-6-62)	1500	39.3	803	48.8
4th Year (1-7-62 to 30-6-63)	1500	68	745	57.21
<i>(iii) Revised Programme (1963)</i>				
5th Year (1-7-1963 to 30-6-64)	1200	62	1,022	62.55
6th Year (1-7-64 to 30-6-65)	1500	72	314*	69.61*
			(*for 4 months, 1-7-64 to 31-10-64).	

It is anticipated that during the remaining period of 8 months of the current year (i.e. from November, 1964 to the end of June, 1965, the outturn of production of trucks would be 1,000 thus raising the total production to 1314. The percentage of indigenous content expected to be achieved is stated as 71.67.

The Committee had in their Seventeenth Report Third Lok Sabha) expressed their concern over the production of trucks lagging behind the planned targets and had expressed the desire that every effort should be made to adhere to the revised programme of production. The Committee regret to note the shortfall in production even according to the latest revised programme. They hope that vigorous steps will be taken to adhere to the revised programme. The Committee would like to watch the progress in this behalf through future Audit Reports.

*Sub-para (b)—Avoidable expenditure*

59. Under the contract referred to above, the firm also guaranteed the satisfactory performance of the truck and the engine under 'normal prevailing Indian conditions.'

The tests carried out in the presence of the engineers of the firm showed some defects, one of them was excessive engine oil temperature. To remove this defect the firm's representative suggested the fitting of an oil cooler.

When the firm submitted the break up of the total cost on the 29th October, 1958, it was noticed that the oil cooler for which they quoted a price of Rs. 229 had been excluded from the list of parts and components to be supplied within the total cost of Rs. 21,429. The firm contended that this price for the whole unit was a rock-bottom minimum for the standard military version of the truck and that extra fitments such as the oil cooler could not be included within that price; they, however, supplied free of cost 1,200 oil coolers 'as a matter of goodwill'. In October, 1960, the Minister of Defence accepted this contention. Upto the end of May, 1963 orders were placed for 4,300 oil coolers at a cost of Rs. 9.84 lakhs.

The Committee asked why the guarantee clause provided in the contract was not enforced against the suppliers for provision of the oil cooler which was necessary for satisfactory performance of the engine under normal prevailing Indian conditions. The Special Secretary stated that according to the Ministry's interpretation of the relevant clause, it could not be enforced for this purpose. The Oil Cooler was not an essential item for the satisfactory performance of the engine. It was considered only a desirable item. During the trials held under the worst possible conditions i.e. in a stationary condition under the hottest temperature, the oil had reached a temperature of 115°. It was assessed that on running the vehicle under the similar conditions the temperature would come down to 110° when some oxidation would take place. As a result the oil would have to be changed a little earlier than usual, although the performance of the engine could not be affected. The witness added that ordinarily the oil temperature would not exceed 105°, at which temperature on oxidation took place. On the advice of the firm, an order was placed for the oil cooler, the cost of which was small. The oil cooler was not one of the items included in the standard catalogue. The witness added that the Law Ministry's advice was that provision of the oil cooler under the contract could be insisted upon if it was included in the catalogue and specification. After considerable persuasion, the firm agreed to supply 1200 oil

coolers free of cost to cover a period of one year within which the item was expected to be produced indigenously. But the factory was not able to produce the item within 12 months.

In reply to a question the witness stated that the agreement with the firm was signed on the 11th September, 1958, and the trials had been held earlier but a report about them was available a few days after the conclusion of the agreement. Asked whether the requirement of the oil cooler was intimated to the Collaborator within 14 days of signing the agreement as stipulated in article thereof, the witness stated that this requirement was known only in the second week of October, 1958, i.e. after the expiry of the period of 14 days.

In a note (Appendix XIV) submitted by the Ministry the dates of holding trials and receipt of reports thereon have been stated as below:—

Nature of trials	Dates of Trials	Dates of receipt of trial report
(a) Dynamometer Trials on MAN Multifuel Engine	7th May 1958 to 31st May 1958.	10th June 1958.
(b) Standard Performance road trials on the truck.	8th August 1958 to 23rd August 1958.	(i) Special Report 30th August 1958. (ii) Detailed Report 7th October 1958.

It has also been stated in the note that the defect regarding excessive oil temperature was detected during Dynamometer trials carried out on engine during 7th May 1958 to 31st May 1958. The Dynamometer trials are carried out on engine only (when the engine is on the bench and separate from the vehicle) and the report on this test indicated that the engine oil temperature should come down after fitment of the engine on the truck on account of cooling by current of air. The Special Report of 27th August 1958 received on 30th August, 1958 on road trials of this truck did not mention this defect. However, in the detailed report of 3rd October, 1958 received in Directorate of Vehicles on 7th October, 1958, this defect was mentioned and recommended to be rectified. The defect was immediately intimated to the representative of Messrs. M.A.N. in New Delhi on 10th October, 1958.

**The Committee cannot understand why the defect regarding excessive oil temperature was not included in the Special Report of**

**27th August, 1958 on the standard performance road trials on the truck. The oil cooler which was necessary for the satisfactory performance of the truck should have been included in the list of items required under the agreement. It is regrettable that the detailed report about the performance of the truck was available only after the expiry of the stipulated period of 14 days of the conclusion of the agreement. As the Ministry were aware of this provision in the agreement regarding communication of any defects in the performance of the truck, the special report should have been available within this period. The Committee are also of the opinion that the agreement should have been signed only after the receipt and study of the detailed report. The Committee desire that the responsibility should be fixed in this case.**

*Delay in revision of rent of quarters attached to the ordnance factories—para 30—pages 21-22.*

60. General Managers of factories were authorised in 1926 to fix concessional rents for quarters subject to certain minima ranging from Rs. 0.75 to Rs. 17.50 per quarter depending on the type of the quarter. In 1944, similar discretion with minima ranging from Rs. 0.75 to Rs. 7 was vested with the General Managers in respect of war-time accommodation. In both cases, they were authorised to charge higher rents when they considered it reasonable to do so keeping in view the rents prevailing in the particular district and the class of employee in occupation of the quarter. In actual practice, only the minimum concessional rent had continued to be charged.

In view of the rise in rent levels and also the substantial increase in the emoluments of the individuals concerned, the desirability of reviewing the minimum rates was suggested in audit in August, 1949. A re-assessment of rent was finally agreed to in principle by the Ministry in July, 1955.

A board of officers was, however, constituted for the purpose only after about three years in June, 1958, for re-assessment of rent.

The board submitted their report in February, 1961. They recommended the discontinuance of the concessional rents in respect of both the pre-1939 permanent quarters and the post-1939 renovated hutted type quarters and added that the normal rules should be followed in all cases, due allowance being given wherever all or any of the amenities (water, power and sanitation) were lacking. The final decision of the Government on the recommendations of the board is still to be taken.

According to Audit the difference between the rent of the quarters recoverable under the normal rules and the rent recovered from the occupants, works to about Rs. 3.60 lakhs per annum.

In evidence the Special Secretary stated that although there was justification for increasing the rent of quarters according to the rules, the accommodation was extremely unsatisfactory. Out of 19,423 quarters in all, 2897 were permanent, 4510 renovated and 12,016 unrenovated. Most of them were war-time hutted accommodation and had no electrification. The permanent accommodation was more than 40 years old and its book value was negligible. The hutted accommodation was in a dilapidated condition. The bulk of these quarters were occupied by the ordinary workers. The Board of Officers had recommended 95% increase in rent of permanent accommodation and 500% increase in the case of war-time hutted renovated and unrenovated accommodation. The witness expressed the view that this increase in rent was grossly wrong from the point of view of administration, and added that he proposed to review the earlier decision.

The Committee asked the reasons for delay at various stages in reviewing the rates of rents. The Special Secretary stated that after Audit had suggested a review of the rates in 1949 the matter remained under consideration for about 6 years, as the officers at every stage were reluctant to enforce an increase in the rent. As regards the period of 3 years taken by the Board of Officers, the witness stated that they had to collect statistics and visit various places. With regard to delay after 1962 in implementation of the recommendations of the Board regarding revision of rates, the witness stated that the matter was held in abeyance because of the emergency.

The Committee also noted that the Ministry had informed Audit in September, 1964 that instructions had been issued to the Director General, Ordnance Factories to implement the recommendations of the Board of Officers and arrange for revision of rents for the quarters. The Special Secretary stated that instructions had been issued on the 22nd September, 1964, but subsequently he had discussed the matter with the Director General Ordnance Factories who was of the considered view that it would not be possible to implement the decision especially during the emergency because it would cause agitation among the workers. The witness added that as a result of further consideration of the whole matter, he was of the opinion that the earlier decision was wrong and he proposed to get Government sanction to reverse the same.

The Committee are distressed at the halting manner in which the question of revision of the rent for the quarters had been dealt with by the Ministry after the need for revision was pointed out by Audit in August, 1949. The reassessment of rent was agreed to in principle by the Ministry after six years in July, 1955. There was a delay of another 3 years in appointing a board of officers to advise on reassessment of rent. The Board took another 3 years and submitted their report in Feb., 1961. The final decision on their recommendations has not yet been taken. The Committee are surprised that after this question had been thoroughly gone into by the Board of Officers, the Ministry again want to review the matter at this stage. The Committee find a little justification for not implementing recommendations of the Board. The Committee desire that the final decision in the matter should be taken without any further delay.

*Extra expenditure on security arrangements—para 49—page 32.*

61. With a view to reducing the expenditure on security arrangements in the ordnance factories, Government sanctioned in March, 1959, the purchase and training of four dogs. In February, 1960, the employment of five handlers was also sanctioned. It was anticipated that (i) the training of the dogs would be completed within three months; (ii) the recurring expenditure per dog will be Rs. 115 per mensem; and (iii) that each trained dog would replace about 12 men.

According to Audit, the training of the dogs purchased in March, 1959, for Rs. 1,500 took more than two years and they were placed on duty in two factories in September, 1961.

According to Audit the scheme has been in force for more than two years since September, 1961, but no reduction in the strength of the security personnel had been effected as it was found that these dogs could work only conjointly with the security personnel during night time and in areas which were not guarded previously. Up to the end of Aug. 1963, an expenditure of about Rs. 49,000 had been incurred on the salary of the handlers and feeding charges etc. of the dogs.

Referring to the economy in the security staff as a result of the introduction of the dogs, the Special Secretary stated during evidence that although a second shift had since been started in one of the two Factories, there had been no increase in the security staff. The Director General Ordnance Factories stated that actually 11 posts had been surrendered. The Committee, however, observed from a letter dated 1-8-1963 of General Manager of the Factory, that the posts were abolished in 1959 i.e. two years before the introduction of the dogs. The Special Secretary stated that it was possible

that the posts were not filled in anticipation of the introduction of the dogs. On his attention being drawn to the statement contained in the Audit para that the dogs could work only conjointly with the security staff, the witness stated that it would not have been prudent to reduce the staff in the beginning, and better results could be achieved only after the factory had gained some experience about the guard duties performed by the dogs. The Committee desired to be furnished with a note stating the number of posts not filled as a result of or in anticipation of the employment of dogs. In a note submitted to the Committee, the Ministry have stated that in one of the two factories posts of 4 Site Wardens and 3 Durwans were replaced by the team of 2 security dogs. The posts of Site Wardens were surrendered in October, 1959. As regards Durwans, the three vacancies arose on 20-5-1961, 14-11-1962 and 22-1-1962. Further, a post consisting of one NCO and 3 ORs was abolished and these men were released from their responsibility at the Stockyard. (These guards were utilised elsewhere and the posts were not actually surrendered). The Ministry have not been able to collect similar statistics from the other factory where from August 1962 a team of 2 security dogs has been functioning. The Ministry have, however, urged that before any effect of the two teams could have been noted and consequent steps taken to reduce any posts, the Emergency was declared and this resulted in increased activities. It is, therefore, difficult to assess exact savings, though what must have happened is that lesser number of additional posts would have been created to meet the additional demands.

As regards the delay in training of the dogs, the Special Secretary stated during evidence that although it was expected to train them in three months, the actual experience showed that the training facilities for the purpose were not easily available in the country. The D.G.O.F. had tried to utilise the training facilities available in the Army but their capacity was fully employed. Therefore, he had to approach the Government of West Bengal for the purpose. Asked about the justification of employing five handlers for four dogs, the witness stated that there should have been four handlers, and added that actually one handler had resigned.

The Committee regret to point out that there was inordinate delay in training the dogs. The dogs purchased in March, 1959 were placed on duty in September, 1961. (The second team of dogs started functioning from August, 1962). The Committee are also disappointed to note that the original expectation that each trained dog could replace about 12 men does not appear to have been fulfilled.

**In case of one of the two factories from which statistics have been collected, the reduction in strength has been stated as 11 posts (4 posts were actually surrendered in October, 1959 long before deployment of the dogs). The Committee suggest that the economies effected as a result of deployment of the security dogs, as also the improvement effected, if any, in security arrangements, should be properly assessed with a view to examining the desirability of introducing the system in other factories.**

## VI

### MINISTRY OF DEFENCE

*Store accounting—para 4(i) pages 3-4.*

62. The number of vouchers in respect of which credits for stores could not be traced in the ledgers of the consignees during the last two years are given in the following table:—

	1961-62*	1962-63*
Army . . . . .	3221	2110
Navy . . . . .	988	1056
Air Force . . . . .	4774	4911
Factories. . . . .	..	5873

The outstandings against the Army included 426 vouchers relating to two Commands covering stores of the value of about Rs. 74 lakhs (including stores valued at about Rs. 6.69 lakhs supplied by the trade).

In evidence, the Defence Secretary stated that the outstanding vouchers were mainly due to (i) late receipt or non-receipt of issue vouchers, (ii) short receipt of stores which became a subject matter of long correspondence (iii) diversion of stores to other units and (iv) difficulty in identification of stores with the issue vouchers. The Controller General, Defence Accounts stated that in cases where stores were received in a depot without vouchers, these were taken on charge on certified receipt vouchers and entered into the ledgers. Subsequently when the issue vouchers were received, there was some difficulty in linking them with certified receipt vouchers. Pending their linking with certified receipt vouchers, the issue vouchers remained outstanding.

Referring to the heavy accumulation of vouchers in the Air Force, the representative of the Ministry of Defence stated that the staff in most of the equipment depots was not adequate to handle

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\* (This position was as on 30-6-62 and 30-9-63 respectively).

the work as sanctioned posts could not be filled up due to difficulties in recruiting and additional posts were not sanctioned until several years afterwards. Explaining the present position the witness stated that the number of outstanding vouchers had been brought down by the local audit officers to 2072 as on 30-1-1964, but this figure was yet to be accepted by the Controller of Defence Accounts. Asked how the number of outstanding vouchers had increased to 4,911 as on 30-9-1963 from 1,899 as on 23-7-1963, as reported to the Committee last year, the Defence Secretary stated that this might be due to subsequent supplies received from abroad.

**The Committee regret to note that the position of the outstanding vouchers in respect of the Air Force, credits for which could not be traced in the ledgers of the consignees continued to be unsatisfactory. The number of outstanding vouchers increased from 1899 as on 23-7-1963 to 4911 as on 30th September, 1963 which was stated to have been brought down to 2072 as on 31st March, 1964. While the Committee appreciate that the outstandings may be partly on account of current vouchers which take some time to be cleared, they feel concerned about the backlog of old vouchers pending for a number of years. In para 87 of their 17th Report (Third Lok Sabha) the Committee had recommended that a special drive should be undertaken to bring the stores accounts to a satisfactory level. The Committee regret to learn that the problem of shortage of staff to handle the work in equipment depots has not yet been tackled effectively. The Committee desire that effective steps should be taken to recruit additional staff, where necessary. They also suggest that in future additional posts should be sanctioned to cope with increased work immediately and not after several years as delay in such cases leads to accumulation of arrears in stores accounts. The Committee further desire that serious attention should be paid to store accounts in Air Force equipment depots.**

63. Referring to 5,873 vouchers mentioned in Audit para as outstanding against the Ordnance Factories, the Special Secretary (Production) stated that up to the year 1962-63, these vouchers were not reported in that manner. Out of these vouchers, 5700 related to inter-factory transactions. The witness added that steps were being taken to ensure that the number of outstanding vouchers was kept to the minimum.

**The Committee are alarmed to learn for the first time about heavy accumulation of outstanding vouchers in the Ordnance factories. They trust that every effort will be made to clear the outstanding vouchers and avoid this accumulation in future.**

**The Committee suggest that an officer may be placed on special duty both in the case of Air Force as well as the Ordnance Factories to clear the accumulation of outstanding vouchers.**

64. Explaining the present position of 426 vouchers relating to two Commands covering the value of about Rs. 74 lakhs, the Defence Secretary stated that the number of outstanding vouchers had come down to 328 covering value of Rs. 58 lakhs. The witness added that out of an amount of Rs. 6.69 lakhs on account of stores supplied by trade, 46 vouchers covering the value of Rs. 5.33\* lakhs had yet to be traced. 21 vouchers covering the value of Rs. 1.4\*\* lakhs relating to one particular supplier had not actually been received. The case was stated to be *sub-judice*. **The Committee are perturbed to note from the statement furnished by the Ministry (Appendix XV) that 20 vouchers out of these 21 had been outstanding since 1956—59. They would like to know the outcome of the court proceedings.**

**The Committee also find from the statement that 4 vouchers of the value of Rs. 69,034 relating to another private firm have been outstanding since 1952-53. They would like to know the reasons for non-clearance of these vouchers for such a long time.**

*Irregular use of transport—para 4(ii)—page 4*

65. Cases of irregular use of Government transport have been reported by the Controller General of Defence Accounts year after year. Despite remedial instructions issued by the Army Headquarters in February, 1958 and June 1961, the irregular use of transport was reported to have continued. In 20 out of 27 cases so reported, the amount recoverable at normal rates worked out of Rs. 0.98 lakhs. In five cases the unauthorised use of transport was continued even after the irregularity had been pointed out by the Internal Check authorities.

The Committee asked for the action taken on the recommendation made in para 89 of their 17th Report (Third Lok Sabha) that whenever any facility in regard to use of Government transport, not contemplated by the existing orders, was proposed to be allowed to service personnel, it should be done by a revision of the existing orders rather than in contravention thereof. The Defence Secretary stated that the revised rules were about to be finalised.

**The Committee desire that the revised rules should be finalised early.**

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\*According to the statement furnished by the Ministry the figure is Rs. 5,21,942.

\*\*According to the statement furnished by the Ministry the figure is Rs. 96,250.

*Avoidable outlay on buildings—para 32—page 22*

66. In January, 1962, the Ministry of Defence sanctioned a project which included the construction of 169 civilian quarters at an estimated cost of Rs. 26 lakhs. This estimate was prepared on the basis of the scales for plinth area which had been prescribed by the then Ministry of Works, Housing and Supply in 1959 and made applicable to the civilians in the Defence Services in January, 1960.

In July, 1962, the then Ministry of Works, Housing and Supply prescribed revised and reduced scales of plinth area for officers of different grades. The Ministry of Defence was requested by Audit in October, 1962 to review the requirements of each class of quarters in this project in the light of the revised scales but no action was taken on this suggestion.

The tenders for the project on the basis of the original scale of plinth areas were, however, issued nine months later in July, 1963 and the contracts were concluded on the 19th August, 1963. Immediately thereafter, on the 20th Aug., 1963, the Ministry of Defence issued orders that the revised scales laid down by the Ministry of Works, Housing and Supply in July, 1962, would be applicable to civilians in the Defence Services in all cases where contract action had not been taken till then.

According to audit the capital outlay on buildings for civilians in the project referred to would have been reduced by Rs. 5 lakhs if the Ministry of Defence had not taken more than a year to adopt the scales laid down by the Ministry of Works, Housing and Supply in July, 1962.

In evidence, the Special Secretary admitted that after the receipt of a suggestion from Audit in October, 1962 to review the requirements of quarters in the light of the revised scales prescribed by the Ministry of Works, Housing and Supply the officer concerned should have put up the matter for orders of the higher authorities. The witness added that despite the revision of scales by the Ministry of Works, Housing and Supply, in a number of cases accommodation had been allowed to be constructed on the basis of old scales in order to avoid delay in the construction as a result of revision of plans etc. The witness further stated that in the present case the actual construction was somewhat short of the plinth area envisaged in the original plans and that resulted in a reduction of expenditure by Rs. 1.39 lakhs. Nevertheless some additional expenditure had been incurred on the construction of the quarters.

The special Secretary also informed the Committee that the various types of quarters included in these 169 quarters had actually been allotted to the officers who were entitled to them under the revised scales. Only in the case of one quarter of C-I type the officer occupying it was not entitled to that type. As there was a proposal to upgrade that post, this quarter would also come within the revised scales. The Committee pointed out that as a result of the allotment according to the revised scales the staff for whom the quarters had been built would be left without quarters. The Special Secretary stated that any shortage of accommodation was being made up.

The Committee are not happy over the delay of one year in taking action by the Ministry of Defence to apply to the civilian officers on the Defence side, the revised scales of accommodation prescribed by the Ministry of Works, Housing and Supply in July, 1962. It is regrettable that no action was taken in the present case on the suggestion made by Audit in October, 1962 to review the requirements of each class of quarters in the light of the revised scales prescribed by the Ministry of Works, Housing and Supply in July, 1962. Since the tenders for the project were issued nine months later in July, 1963, the Ministry should have revised the requirements. This failure resulted in the extra expenditure of Rs. 5 lakhs on the project. The Committee suggest that failure to bring to the notice of higher authorities the revised scales of accommodation in October, 1962 on being pointed out by Audit, may be investigated and responsibility fixed.

The redeeming feature of the case is that the quarters have actually been allotted to the officers who were entitled to them under the revised scales except in the case of one quarter of C-I type. But, the Committee regret to note that as a result of this, the lower staff for whom the quarters had been built would remain without accommodation. The Special Secretary had assured the Committee that any shortage of accommodation as a result of this was being made up. The Committee would like to be informed of the action taken in this regard.

*Purchase of Stores in excess of requirements—para 51—page 33*

67. In May, 1950, the Hindustan Aircraft Ltd., was authorised to place indents on manufacturers abroad, for raw materials, etc. required for the fabrication and supply of an equipment to the Air Force. Payments totalling Rs. 9.52 crores were made by Government direct to the foreign manufacturers for the materials supplied.

After adjusting the cost of stores utilised in the manufacture of equipment ordered by Government, stores of the value of Rs. 58 lakhs have been left in stock and had been lying unutilised for about three years. According to Audit, these were not likely to be required for the manufacture of the equipment, as no fresh orders have so far been placed on the company by Government. The possibility of their use on other Air Force projects and/or their transfer to the Air Force was stated to be under examination (December, 1963).

In evidence the Special Secretary stated that according to the present estimate out of Rs. 51.47 lakhs worth of components held as on 31st August, 1964, about Rs. 16 lakhs worth of components were likely to be utilised and about Rs. 35 lakhs worth of stores were not likely to be used. The witness added that these stores had been ordered during the period 1950—58 on the advice of the collaborators. The over estimation of the requirements was partly due to lack of experience and partly to the anxiety to over-ensure against any difficulty in supplies. The witness urged that in the case of such orders there was usually some redundancy factor. In the present case the value of surplus stores (Rs. 35 lakhs) worked out to only 3.5 per cent of that of the total quantity ordered (Rs. 9.52 crores). The witness added that in case the particular type of aircraft was continued in service for another 10 years a substantial part of the components would be used. It was also stated that the components not required for use would be declared surplus.

The Committee feel concerned to note that the aircraft components valuing Rs. 35 lakhs (out of Rs. 51.47 lakhs) are surplus to the requirements according to the present estimate and are not likely to be utilised. It is not clear whether the over-provisioning of components was due to their having been ordered on the advice of the collaborators or due to lack of experience on the part of the Hindustan Aircraft Limited, as these two statements appear to be inconsistent. If the over-provisioning is due to the advice of the collaborators; the possibility of returning the surplus components should be explored.

The Committee hope that necessary measures would be taken to avoid recurrence of such cases of over-provisioning.

## VII

### MISCELLANEOUS

#### **Appropriation Accounts (Defence Services) 1962-1963**

*Pages 8-9, Para 16, Certificate of the Controller General of Defence Accounts Outstanding on account of work done or stores supplied, sub-para 11*

68. Outstanding dues on account of stores supplied and services rendered on payment by the Defence Services (other than Ordnance Factories) upto 31st March, 1963 to outside parties, including Central Civil Departments and State Governments amounted to Rs. 1.68 crores (approximately) as on 30th September, 1963. In respect of work done or stores supplied by the Ordnance Factories upto 31st March, 1963 to civil Departments, Railways and private bodies etc. the amount due for recovery was approximately Rs. 4 crores on 30th September, 1963.

The Committee desired to be furnished with a note stating the amounts which had been outstanding for more than (a) one year and (b) two years, and the steps proposed to be taken to bring down the outstanding dues. The note furnished by the Ministry is given in Appendix XVI.

The Committee find that a sum of Rs. 106 lakhs was outstanding as on 30th June, 1964 in respect of the stores supplied and services rendered by the Defence Services (other than Ordnance Factories) upto 31st March, 1963, out of which Rs. 51 lakhs have been outstanding for more than 2 years. The outstanding amount includes Rs. 74 lakhs due from Central Civil Departments and State Governments. The main reason for the non-clearance of dues from Ministries/State Governments is stated to be that the debits could not be raised for want of accepted copies of issue vouchers/statements. A revised procedure was introduced in June, 1961, whereby debits for the cost of stores are raised on the basis of "proof of despatch" of stores without waiting for accepted copies of priced issue vouchers. In the case of issues to private bodies, etc., in many cases, the cost could not be adjusted so far for want of treasury receipts. The Committee regret to observe that in spite of introduction of the revised procedure from June 1961 whereby debits are raised against

**Government Departments on the basis of proof of despatch, the outstanding dues continue to be heavy. They desire that vigorous efforts should be made to liquidate the outstanding dues relating to Government Departments and also private parties.**

69. The outstanding dues in respect of the work done by Ordnance Factories upto 31st March 1963 have been brought down to Rs. 205 lakhs as on 30th June, 1964, out of which a sum of Rs. 134 lakhs was more than two years old. The bulk of outstanding dues relates to the Central Civil Departments (Rs. 150.35 lakhs) and private parties (Rs. 47.42 lakhs). A substantial part of the outstanding dues from the Central Civil Departments relates to the Iron and Steel Controller (Rs. 114 lakhs). This amount is due for recovery from the Equalisation Fund of the Iron and Steel Controller. Sums of Rs. 23 lakhs and 6 lakhs are due from the Dandakaranya Development Authority and National Project Construction Corporation respectively. In regard to dues from private parties, the bulk of the amount (Rs. 41 lakhs) is due from Messrs. Telco, representing mainly the cost of Seam Road Roller components supplied to the firm. The matter was under dispute and on the basis of an inter-departmental meeting it has been decided that the claim of the Ordnance Factories should be finally settled on payment of Rs. 32.10 lakhs by M/s Telco. The Committee understand from Audit that the scaling of the claim from Rs. 41 lakhs was mainly due to deduction of Rs. 8.60 lakhs for "short fall items". The Committee would like to know when the settlement with M/s. TELCO was arrived at, the circumstances in which a large deduction of Rs. 8.60 lakhs had to be made for "short fall items", and when the amount as finally settled was received from the firm.

The Committee desire that the recoveries of outstanding dues from Government departments and private parties should be expedited. The Committee hope that necessary measures will be taken to avoid heavy accumulation of outstanding dues from private parties and Government departments in future.

*Outstanding rent dues—sub-para 12*

70. Outstanding dues on account of rent upto 31st March, 1963 from Central Ministries, State Governments, Private Bodies, Messes, Clubs and Officers etc. as on 30th September, 1963 amounted to Rs. 2.28 crores approximately.

The Committee desired to be furnished with a statement showing the break-up of the amounts as on 31st March, 1964 outstanding for (a) more than one year and (b) for more than two years under

the above categories. The Ministry have furnished a statement showing the position of outstandings as on 30th June, 1964, which is given in Appendix XVII.

According to the statement, the total outstanding dues on account of rent and allied charges upto the end of March, 1963 (in respect of rent bills to the end of February, 1963) were brought down to Rs. 1.99 crores as on 30th June, 1964, as per details given below:—

	Rupees
(i) Government Depots. (Central)	1,24,83,671
(ii) Government Departments (State)	25,12,757
(iii) Department Messes or Clubs	6,69,779
(iv) Officers—	
(a) Departmental officers in service	47,529
(b) Departmental officers released/retired or left India	2,02,078
(v) Private bodies—	
(a) Private parties including M.E.S. Contractors/ private clubs	25,79,503
(b) Other categories such as Cantonment Boards/ Municipalities, Quasi Govt. Bodies etc.	13,71,378
TOTAL —	1,98,66,695

The Committee feel concerned over the heavy outstanding dues of rent. They note with regret that a sum of Rs. 2.02 lakhs is outstanding against Departmental Officers released/retired or who have left India. The Committee would like to know the circumstances in which recoveries of rent etc. could not be made in such cases before these officers were released, retired or were allowed to leave India. (Normally a no demand certificate has to be issued before the pension or other dues in such cases are finalised). Another distressing feature in this case is the heavy outstanding of Rs. 25.80 lakhs against private parties who are required to pay rent in advance as per Regulations of M.E.S. The Committee feel that there is a failure in observing the prescribed rules. They suggest that the outstandings against private parties may be reviewed afresh and immediate action taken to effect the recoveries.

The need for expeditious recovery of outstanding rent dues has been emphasized by the Committee from time to time, but there is

no perceptible improvement in the position. The last Committee c.f. Para 28 of Seventeenth Report of P.A.C. (Third Lok Sabha) were informed that special staff was being appointed both at the Headquarters and in the Commands to tackle the problem. The committee also desire that effective steps may be taken to realise the outstanding from all the parties. The Committee desire that (a) a special officer for this duty of clearing these dues should be appointed forthwith (b) he must make this progress report every fortnight; and (c) the Committee should be informed of progress made in due course.

*Annexure II to the Controller General of Defence Account's Certificate, Pages 14-15.*

**Serial No. 3**

71. In Cantonment Board, Dehu Road, a loss of cash to the extent of Rs. 2,23,726 which was suspected to be due to misappropriation, was noticed on 18th August, 1962. A special audit of the Cantonment Board accounts for the period 5th July 1961 to 18th August, 1962, was conducted at the request of Director of Military Lands and Cantonments, after which the unsatisfactory state of accounts involving delay in depositing security deposits, irregular expenditure, delay in recoveries and improper maintenance of accounts, was reported to higher administrative authorities on 7th June, 1963. The matter was also investigated by the Special Police Establishment.

In a note submitted to the Committee, the Ministry of Defence have stated that the Special Police Establishment have completed their investigation into the case. On the recommendation of the Special Police Establishment, the Cantonment Executive Officer and the Head Clerk of the Cantonment Board are being prosecuted. The case is *sub-judice*. The Cantonment Executive Officer has been under suspension since 25th August, 1962. The Head Clerk is also under suspension on his being arrested by police on 22nd June, 1964.

The Committee are unhappy at the loss of cash in the Cantonment Board Dehu amounting to Rs. 2,23,726. They desire that necessary remedial measures including the tightening up of supervision should be taken to avoid recurrence of such cases. The Committee would like to know in due course about the outcome of the criminal proceedings against the accused officers and the departmental action taken in this case. The Committee would also like the Ministry to examine carefully how the misappropriation of such a large amount occurred without prompt detection and whether there is any lacuna in the existing procedure for supervision and internal check which requires to be filled up.

The misappropriation in this case came to light in August, 1962 but the head clerk was arrested and suspended from duty in June, 1964. It is not clear to the Committee why it took nearly two years to establish a suspicion of complicity against the head clerk. The Committee desire that the circumstances leading to the delay should be examined with a view to ensuring that the completion of investigation in future cases of this nature does not take an unduly long time.

**Serial No. 5**

72. At Bhagalpur, a property requisitioned from 28th January, 1947 at a monthly rental of Rs. 500, was dehired on 7th August 1948. Vacant possession was not, however, given to the owner as demanded, since certain War Department assets worth about Rs. 161 were lying over there. These assets could only be disposed of on 2nd June, 1952. The fact that the building was not handed over to the owner soon after dehiring resulted in dispute which was later referred to an Arbitrator. The award went in favour of the owner for the payment of rent at Rs. 500 per mensem from 7th August 1948 to 2nd June 1952. The award was also upheld by the High Court which decreed that interest should be paid at 6 per cent. with effect from 19th February 1962. The expenditure, on payment of rent from 7th August 1948 to 2nd June 1952 and interest from 19th February 1962 to 21st May 1962 amounting to Rs. 33,314 together with the cost of suit (not yet assessed) in the High Court, has become infructuous.

In a note\* submitted to the Committee, the Ministry have stated that after the building had been handed over to the owner's representative on the 7th August 1948, he made an offer of Rs. 500 on the 10th August, 1948 for the Government assets. The owner, however, continued sending bills monthly on the plea that only the building was taken over and that the vacant possession of the premises was not given due to which the building could not be let out. The MES authorities maintained that the existence of the assets neither interfered nor was hindrance to the occupation of the building by any tenant. But the owner's representative did not agree and maintained their claim under the terms of the Lease Agreement which laid down that 'the Government of India may at any time during the tenancy make such structural alterations and erect such buildings or installations provided that Government shall hand over the premises in the same condition they were at the time of commencement of tenancy, fair wear and tear and damages owing to act of God expected.'

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\*Not vetted by Audit.

The offer for the assets remained under protracted correspondence between the MES and the Lands and Hiring authorities. The offer was finally accepted with the concurrence of the audit authorities, subject to the condition, as required by the Audit authorities, that the owner withdrew claims for the rent since August 1948. The owner went back on her word and did not substantiate the offer made by her authorised representative. Hence the assets were eventually disposed of by auction for Rs. 130 and these were cleared on the 2nd June, 1952.

The Committee are surprised that in spite of a clear provision in the lease agreement that Government shall hand over the premises in the same condition as they were at the time of commencement of tenancy, the officers concerned failed to clear the Government assets before handing over the building to the owner, and there was inordinate delay in accepting the offer of the owner's representative for the Government assets. In view of the fact that the owner had been sending rent bills monthly even after taking over the building, necessary action should have been taken either to accept her offer or dispose of the assets otherwise. The Committee are alarmed at the gross negligence on the part of the officers concerned which has resulted in unnecessary payment of rent and interest amounting to Rs. 33,314 together with the cost of suit (not yet assessed) in the high court, merely because some small assets (which fetched only Rs. 130) were not disposed of in time.

The Ministry have stated that the question of failure to take timely and adequate action in the matter of handing/taking over of the premises was investigated by the Commander Works Engineer in 1956. It was then felt that the question of rent due to not giving vacant occupation of the compound did not strike the then Garrison Engineer probably because handing/taking over certificate signed by both parties was in his possession and that due to changes in staff no further explanation was forthcoming. The Committee are not satisfied over the casual manner in which the investigation was made in 1956. They note that the Ministry have called for relevant papers for further examination of the case with a view to pinning down responsibility. Since this has already become an old matter, the Committee desire that the examination should be completed within six months and action finalised without further delay. The Committee would also like to know the outcome of further investigation and action taken against the officers concerned.

*Pages 57 of Appropriation Accounts—Serial No. 5 of Appendix C.*

73. An expenditure of Rs. 45,219 was incurred in payment to a contractor on account of an arbitration award and incidental ex-

penses in regard to non-supply of 2,400 charpoys by the contractor against a contract concluded on 3rd February, 1950 but obtained through another contractor at the risk and cost of the former. The contractor was alleged to have delivered 2,000 charpoys against which no receipts were given. He based his claim with reference to entries made in works diary and measurement book. The works diary could not be produced to the arbitrator as it had been lost. The measurement book produced to the arbitrator contained entries for 2,000 charpoys which were made by Military Engineer Services representative in anticipation of receipt of charpoys to avoid lapse of funds. These entries were cancelled when the mistake was realised. The entries in the measurement book and their subsequent cancellation prejudiced Government claim and led to an unfavourable award against the Government.

The Committee desired to be furnished with a note explaining why no disciplinary action was taken against the officer who made entries in the Measurement Book in anticipation of receipt of stores to avoid lapse of funds and later cancelled them. In their note the Ministry have stated that the matter was examined by the Chief Engineer, Western Command and he decided that as there was no *mala fide*, no disciplinary action was called for.

His findings were as under:—

“It has transpired that a large sum of money was left unspent at the close of the financial year on account of delay in supply of charpoys by the contractor. In order to avoid lapse of funds, the CWE directed that the money should be kept in deposit for adjustment against bills for charpoys to be supplied later. This was sought to be done by making the entry in question in the M.B. on 27th March 1951. The irregularity of this procedure was however, immediately realised and the entry in the M.B. to which the contractor's signatures had not been obtained was cancelled the same day. The funds left surplus were allowed to lapse.

In these circumstances this cancelled entry in the Measurement Book meant nothing at all and I am of the opinion that there is no justification for taking any action against the subordinate who made and cancelled this entry”.

**The Committee are unable to agree with the view of the Chief Engineer. The action of the subordinate in making entry in the Measurement Book in anticipation of the receipt of the ‘Charpoys’**

was a serious irregularity as it involved the deliberate falsification of an important initial record. All this happened as there was an attempt to show the available funds as utilised even though the materials had not actually been received. The attempt to evade rules to cover up the matter by making a false entry resulted in loss of Rs. 45,219 in this case. The Committee desire that non-observance of rules in such cases should be viewed seriously in future and suitable action taken in this case both against the subordinate and against the officer who directed that the funds should be withdrawn and kept in deposit. The Committee would also like to know whether any departmental action was taken against the contractor.

*Outstanding Audit Objections—sub-para 13 of para 16—page 9*

74. The number of audit objections raised upto 31st March, 1963, but outstanding on 30th September, 1963, was 59,721 (Army 33,657, Navy 1,403, Air Force 13,889, Ordnance Factories 1,502; 9,270 objections are on account of irregular issue of Railway Warrants and Military Credit Notes, against Railway authorities and Services). Out of these 59,721 outstanding audit objections, 1073 were raised by Statutory Audit.

The Committee feel concerned to find increase in the number of outstanding objections to 59,721 as on 30th September, 1963 from 55,188 (as on 30th June, 1962) when the Committee considered the matter last year (*vide* para 92 of their Seventeenth Report—Third Lok Sabha). The Committee were then informed that it had been decided to constitute a small committee at each Command Headquarters and also at the Centre to dispose of audit objections expeditiously.

The Committee suggest that the Controller General, Defence Accounts should examine the feasibility of indicating in his future certificates the number of cases in which substantial amounts are awaiting recovery or (b) have been irregularly spent and/or lost and are awaiting regularisation for more than one year.

*Canteen Stores Department (India)—Page 83, para 20 of Appropriation Accounts.*

75. During the year under review, there was no increase in the number of Defence Services Cinemas run by the Department which remained at twenty. The working of these cinemas had resulted in a net surplus of Rs. 2,56,860 after providing for depreciation, administrative expenses, losses, etc., as against a surplus of Rs. 2,03,239 during the previous year. As per the decision of the Board of Control, taken in October, 1959, this surplus has not been merged with the general surplus and had been carried forward to the next year's Accounts of cinema business.

The Committee desired to be furnished with a note stating the number of cinemas which were still run by private contractors and when the Canteen Stores Department (India) expected to take over these cinemas as well. In a note submitted to the Committee the Ministry of Defence have stated that on the basis of information so far received from Service Headquarters, nine cinemas are at present run by private contractors. It has also been stated that while it is not possible to state with certainty the date by which cinemas at present run by private contractors will be taken over by the Canteen Stores Department (India), the Department keeps in continuous touch with Service Units concerned to enable it to take over a cinema whenever practicable. Cinemas offered by the Unit/Station Commanders after the expiry of the contracts already concluded, are taken over after examining various factors like the economics of running the particular cinema and the availability of trained personnel for operating it.

The Committee are surprised that although a decision was taken as early as 26th May, 1953 by the Board of Control of the Canteen Stores Department (India) to take over the service cinemas run by private contractors, some cinemas are still being run by private contractors even after lapse of about 12 years. (According to the information received from the Services Headquarters so far, 9 cinemas are still run by private contractors). The Committee would like to know when the leases of these 9 cinema contractors expired after May 1953, and why on expiry of their leases, it was not possible to implement the decision of the Board of Control of the C.S.D. The Committee would like to know the present position in all these cases.

76. *Cases investigated by the Special Police Establishment.*—During the course of the examination of the Audit Report, the Committee desired the representative of the Ministry of Home Affairs to furnish a statement showing the number of cases of misappropriation, frauds, etc. referred by the Ministry of Defence to the Special Police Establishment for investigation as also those taken up by the S.P.E. direct from the year 1956-57 onwards and their present position of investigation. The Ministry of Home Affairs (Central Bureau of Investigation) have submitted a detailed statement. An abstract of the cases for disposal by the S.P.E. from the years 1956 to 1964 is given in Appendix XVIII.

The Committee find that during the period 1956—64, 766 cases in all relating to the Defence Organisation were taken up by the S.P.E. for investigation. Out of these cases only 155 cases were

registered for enquiry or investigation on the basis of a report received from the Ministry of Defence or the Departments under the Ministry, and the remaining 611 cases were registered on the basis of information collected or received by the S.P.E. officers themselves. The Committee are alarmed at the occurrence of such a large number of cases of misappropriation, frauds etc. in the Defence organisation in spite of rig'd security measures and vigilance arrangements existing therein. What is more surprising, the Defence Departments could detect only about 1/5th of these cases, the remaining were taken up by the S.P.E. on their own. This indicates that there is some slackness in supervision and vigilance in the Defence Department. They suggest that the Ministry should review the present vigilance arrangements at various levels and take necessary action to strengthen them.

77. The Committee also find that out of 343 cases which had been recommended by the S.P.E. for departmental action, 142 cases are pending with the Ministry of Defence. Some of these cases are more than three years old as will be seen from the break-up given below:—

Year			No. of pending cases
1957	..	..	2
1958	..	..	2
1959	..	..	4
1960	..	..	2
1961	..	..	13
1962	..	..	25
1963	..	..	75
1964	..	..	19
			<hr/>
TOTAL	..	..	142
			<hr/>

The Committee feel concerned over the delay in the disposal of the cases for departmental action, some of which have been pending for more than three years. They desire that the Ministry of Defence should examine the difficulties in the disposal of these cases and take necessary action to overcome them. The Committee would like to be informed about the progress made in this behalf.

NEW DELHI;  
February 27, 1965.  

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Phalguna 8, 1886 (Saka).

R. R. MORARKA,  
Chairman,  
Public Accounts Committee.

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**APPENDICES**

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**\*APPENDIX I**

(Vide para 3 of Report.)

**MINISTRY OF DEFENCE**

**PAC's Observations**

“(a) Note stating the details of any surrenders made in respect of items (i) to (vi), referred to in Audit Para due to non-availability of foreign exchange during the year 1962-63; and

(b) the extent to which the foreign exchange has been provided for these items during the years 1963-64 and 1964-65.”

(a) 2. The items referred to are the following:—

Nature of items	Budget provi- sion	Actual expen- diture	Unuti- lised provi- sion	Percent- age of unuti- lised provi- sion
	(In crores of rupees)			
(i) Manufacture of certain items in the Ordnance factories . . . . .	1.25	..	1.25	100
(ii) Purchase of plant and machinery for factory projects. . . . .	5.00	3.56	1.44	28.8
(iii) Investments in the share capital of Mazagon Dock Ltd., & Garden Reach Workshops Ltd. . . . .	0.75	..	0.75	100
(iv) Construction of Naval vessels. . . . .	1.75	0.53	1.22	29.7
(v) Purchase of air frames & engines from abroad. . . . .	5.87	1.41	4.46	76.0
(vi) Purchase of aviation stores . . . . .				
(a) in India . . . . .	6.33	3.72	2.61	41.2
(b) abroad. . . . .	6.13	4.20	1.93	31.5

\*Note not vetted by Audit

3. The observation of the PAC seems to suggest that the surrenders of the budget provision in any year may have a direct relation to non-availability of foreign exchange. The manner in which foreign exchange is released by Government and the expenditure budget is framed are such that except in very rare cases, the surrender in the budget has no direct relation to the availability of foreign exchange. The foreign exchange is dealt with on what is called a "commitment" basis. Every six months, the Defence Ministry is required to forecast the foreign exchange it requires in respect of indents involving foreign exchange expenditure, which it will send to the purchasing organisation during that half year and against that forecast demand an allocation is made. Therefore, the availability or non-availability of foreign exchange decides whether a particular project or purchase involving expenditure of foreign exchange should be approved at that time. This is usually much earlier than the date on which such expenditure on such a project can feature in the budget.

4. The budget for a year is usually framed between November of the preceding year to January. The budget being an expenditure budget makes an estimate of the probable expenditure that will be incurred in the ensuing financial year. In respect of foreign exchange, this means the amount that will have to be paid out in terms of contracts of deliveries for purchase of goods or services, entered into some time back as the lead time for the ISM London/Washington to place an indent and secure delivery is anything from 12 to 36 months (i.e., from the time the indent is despatched, which is the time the foreign exchange is committed, to the date of the delivery of the goods, which is the date of payment). Thus the provision in the budget for expenditure is usually against commitments of foreign exchange made a year or more earlier.

5. There is, however, an *ad hoc* provision in our estimates for any year to meet expenditure on purchases to be made abroad where the commitment of foreign exchange may be made even after the budget is framed. No ready figures of such items are available because they are usually small, and relate to off-shelf purchases of spares required very urgently (normally provisioning of spares is done assuming a pipeline of 18 months or more) or similar small items. These purchases being of limited amount, they are accommodated within the provision of foreign exchange made to the Ministry by the Department of Economic Affairs from time to time.

6. On the question of foreign exchange, the following statement will indicate the request for foreign exchange made from time to

time and the actual amounts released:

	Demand	Date of Demand	Amount released	Date of release
(In crores of Rs.)				
April—Sept. 1961	26·70		20·16*	5 Apr.
	2·16 NCR	16 Mar.	2·16 NCR	
Oct. 1961—March 1962	40·98	18 Sept.	21·00	2 Nov.
	13·74		1·75 NCR	
	1·75 NCR			
Apr.—Sept. 1962	25·00	5 Mar.	22·00	9 May
	17·48			
	4·50 NCR		3·00 NCR	
Oct. 1962]	48·00	21 Sept.	15·00	3 Nov.
Mar. 1963	3·00		1·00	20 Dec.
			5·00 NCR	

\*Non-convertible Rs.

It should be added, however, that the overall foreign exchange position of the country is well known and the Government from time to time allocates the available resources to the various Ministries after taking into account the relative priorities of all demands received.

7. It would follow that it is not possible to relate the surrenders in paragraph 2 above specifically to non-availability of foreign exchange or to state that the requisite foreign exchange was provided for in a subsequent year.

8. The surrenders in quite a number of cases in so far as they relate to foreign exchange again do not apply to foreign exchange availability as such. They pertain to the fact that though the foreign exchange may have been made available a year or two earlier and an indent put forward, the delivery dates promised or anticipated in respect of the supply of goods are not adhered to for various reasons.

9. The details in respect of each of the surrenders mentioned above are given below:—

(i) *Manufacture of certain items in the Ordnance factories.*

The provision of Rs. 125 lakhs was meant for the importation of certain components and materials for the manufacture of Brandt Mortars, the self-loading rifles and carbines and motor graders.

When the budget provision was made in December, 1961, negotiations were under way with Messrs. Hotchkiss Brandt. The provision was made in anticipation that not only the negotiations would be successfully completed early enough but the orders for the import of components would materialise within the financial year 1962-63. It was also envisaged at that time that the design of the self-loading rifles and the carbines would be completed in time for placing orders for the import of semi-processed materials. For these two purposes, a sum of Rs. 109 lakhs was expected to be spent during 1962-63. A sum of Rs. 30 lakhs was provided for the manufacture of motor graders during 1962-63.

The agreement with Messrs. Hotchkiss Brandt was concluded in March 1962. There was delay in receiving drawings and documentation. There was also some difficulty in obtaining clearance for importation from the French Government. Orders for import of stores for Rs. 43.18 lakhs were placed in July 1962, but supplies did not materialise during 1962-63. In respect of both rifles and carbines, some changes in the design were found to be necessary and they were finalised only late in 1962-63 after user's trials. In the case of the carbines, a collaboration agreement with Sterling was later decided upon. Due to these factors, the placing of orders for the import of material and special tooling took place only in the latter half of 1962-63 and did not materialise during 1962-63.

In the case of the motor graders, the expected demand from the Army did not materialise. Therefore, there was no need for any purchase of stores.

(ii) *Purchase of Plant and Machinery for Factory Projects—  
Rs. 500 lakhs.*

The break-up of the provision of Rs. 500 lakhs is as follows:—

*Break-up of the estimate of Rs. 3.75 crores.*

(In lakhs of Rs.)

Item	Budget Provision
1. Explosives Project . . . . .	129.08
2. Carry in—Foreign Supply . . . . .	15.32
3. Carry in—Central & Local . . . . .	15.20
4. N. D. Foreign Supply . . . . .	4.00
5. N.D. Central & Local Purchase . . . . .	5.00

(In lakhs of Rs.)

Item	Budget Provision
6. Departmental Works . . . . .	2.00
7. Vehicles . . . . .	1.50
8. G. R. Plant. . . . .	0.50
9. M. P. F. Mfn. . . . .	4.00
10. SUK Project . . . . .	1.32
11. Heavy Calibre Q.F. Cartridge Case . . . . .	1.17
12. Med. Cal. Ord. Barrels . . . . .	22.49
13. Truck & Tractors. . . . .	6.26
14. 30 MM Aden Gun & Links. . . . .	80.40
15. Tail Units. . . . .	0.61
16. Tracer for Gun Ammunition . . . . .	1.85
17. Light Artillery . . . . .	3.71
18. 1/2" Nitro Cellulose . . . . .	1.62
19. L-70 Bofors Gun & Ammunition . . . . .	14.86
20. Shell Forging Plant . . . . .	47.00
21. 106 RCL Heat Ammn. . . . .	3.54
22. Bar & Rod Mills. . . . .	1.63
23. Med Det. Filling . . . . .	0.88
24. C. F. Avadi . . . . .	1.25
25. White phosphorous . . . . .	5.30
26. Med. kits for Uppunning Sherman Tanks . . . . .	2.23
27. Parachute at C.F.S. . . . .	0.46
28. Parachute at OPF. . . . .	1.15
29. Shot & Sand Blasting Empty Shell . . . . .	0.23
30. Electroplation A.F.K. . . . .	0.34

*Break-up of the estimate of Rs. 1.25 crores.*

1. Tank Factory . . . . .	40.00
2. L-70 Bofors . . . . .	15.00
3. Heavy Calibre Q.F. Case. . . . .	30.00
4. Special Steel Plant at Kanpur . . . . .	} 40.00
5. Cable Factory . . . . .	
6. Brandt Mortars. . . . .	
7. 30 Ammunition . . . . .	
8. Modernisation at O.F.M. . . . .	
9. Automatic Rifles . . . . .	
10. Carbines. . . . .	

Out of Rs. 500 lakhs of budget provision made, Rs. 375 lakhs, was for the continuing projects and Rs. 125 lakhs was for new projects and some additional provision of facilities for existing projects. This Rs. 500 lakhs included the provision to cover expenditure on the imported stores as well as the local costs. There were delays both in the materialisation of the imported stores as well as in the progress of the various projects. These delays were due to the non-materialisation of indents due to difficulty in procurement of specialised items of equipment by the purchasing agency, lack of shipping facilities and delay in finalisation of contracts. The delays in respect of the Brandt Mortar Project, the Carbines Project and the self-loading Rifle Project have already been referred to. There were also significant shortfalls in respect of medium calibre ordnance barrels project, 30 MM Aden Gun Ammunition and links Project, L-70 Bofors Gun and Ammunition Project and the Tank Factory. In most of these cases, the foreign exchange commitments had already been entered into during 1961-62 and the expenditure was expected to be incurred during 1962-63 when the budget provision was made. In the case of Brandt Mortar Project an semi-Automatic Rifles Project, the foreign exchange commitments were made in 1962-63.

(iii) *Investment in the share capital of Mazagon Dock Workshop Ltd., and Garden Reach Workshop Ltd.*

At the time budget was framed, proposals were under consideration for the development of the yard in the Garden Reach Workshop to provide for construction of a Coastal Collier. It was felt that Rs. 1 crores would be needed by way of capital outlay during 1962-63. Budget provision of Rs. 25 lakhs by way of additional investment in the share capital and Rs. 25 lakhs by way of loan was made. Subsequently, the Collier Construction Project was linked up with the assessment of Coastal and other shipping construction and was referred to the Planning Commission which set up a Committee on ship construction. Two technical groups were formed for this purpose. The deliberations of these groups could not be finalised and the work for the expansion of the Garden Reach Workshop was, therefore, not taken up during 1962-63.

*Mazagon Dock.*—A project report was prepared regarding the expansion of the yard for the improvement and augmentation of ship repairing as well as ship building capability by Sir Alexander Gibb and Partners. The expenditure on this project was envisaged at Rs. 3.26 crores. The Government sanction for the expansion was accorded in September, 1962. At the time of framing the budget for 1962-63, it was felt that there would be an expenditure of about Rs. 75 lakhs during the year on this work. A sum of Rs. 50 lakhs

was, therefore, put in as additional investment in share capital and Rs. 25 lakhs in the form of loan.

However, the expansion programme was linked up with the Frigate Project and, therefore, was not implemented at that stage. Rs. 50 lakhs provided for investment was, therefore, surrendered.

(iv) *Construction of Naval Vessels*

Rs. 175 lakhs was provided for the construction of Survey Ships, Inshore Minesweepers, Seaward Defence Boats, Water Boats, Fleet Tankers, Tubs, etc. All these were to be constructed in India. The budget estimates were framed on the basis of the assessment/appreciation of the shipbuilders as to the quantum of work they were likely to complete during the course of the year. However, there were delays all round in the progress of construction of all these ships. The broad reasons for these delays are as follows:—

- (a) Shortage of Steel.
- (b) Inexperience of the shipbuilders in certain building techniques.
- (c) Delay in finalisation of contracts for technical and other reasons.

As it was felt that Messrs. Garden Reach Workshop and Mazagon Docks were over-loaded with orders and this resulted in certain delays in construction, it has been decided in future to invite tenders not only from Garden Reach Workshop and Mazagon Dock but also from other Shipyards and the orders will be placed on the basis of dates of delivery as well as the cost.

(v) & (vi) (b): *Purchase of Air Frames and Engines from abroad.*

For the purchase of air frames and engines abroad, budget provision of Rs. 5.87 crores was made and for the purchase of aviation stores, a budget provision of Rs. 6.13 crores was made. Against this provision of Rs. 12 crores, the expenditure was Rs. 5.61 crores, and the unutilised provision was Rs. 6.39 crores. The major shortfalls were due to the following reasons:—

Two Canberras expected to be delivered during the financial year did not materialise. The advance payments for T-4 Canberras and PR 57 Canberras were also not made as was earlier expected during the financial year. This resulted in a saving of Rs. 147.64 lakhs. On the delivery of various stores connected with the Gnat

Project, there was a shortfall of Rs. 25 70 lakhs. There was also shortfall to the extent of Rs. 35.81 lakhs on the deliveries of stores connected with the AVRO Project. There were also similar shortfalls in the supply of spares for Vampires, Mysteres, etc., to the extent of Rs. 321 lakhs.

These estimates were made on the basis of estimates furnished by the High Commission of India, London, on their anticipation of the deliveries of various air frames, engines and stores. The anticipation did not materialise.

(vi) (a) *Purchase of aviation stores in India—Rs. 6.33 crores.*

The original budget provision was made on the basis of the estimates received from the Commands and for local and direct purchases likely to be authorised during the course of the year. Subsequently, there were reductions on account of the delays in the materialisation of indents and delay in finalisation of certain contracts with USSR. Some amount of spares and connected equipment which could not be supplied by trade were received from the United States Air Force under the Aid Programme. There was also lesser materialisation of supplies from HAL and BEL and delays in adjustment of certain debits.

(b) Provision of foreign exchange in respect of the above items which did not materialise during the financial year and consequently resulted in surrender of funds was not necessary during the subsequent years as the foreign exchange had already been committed either in 1962-63 or earlier. In respect of projects which were deferred as the projects were not ready for implementation and where the budgetary provision had been made as a result of optimistic estimation of the schedule of implementation, the foreign exchange had to be found in subsequent years when the projects were ready for implementation. But the surrenders in 1962-63 were not due to the non-availability of foreign exchange but due to optimistic budgeting.

R. J. REBELLO,  
*Joint Secretary (P & C).*

M. of D u. o. No. 11(16) |64|DB, 30-11-64.

28-11-1964.

## APPENDIX II

(Vide para 4 of Report)

Year	Amount of foreign exchange asked for	Brief description of projects for which it was asked for	Foreign exchange actually allotted to Defence Ministry	Brief description of projects for which it was asked	Foreign exchange actually utilised	The project for which utilised	Reasons for not utilising the remaining allotment i.e. (4-6)	Explanatory remarks, if any
1	2	3	4	5	6	7	8	9
1955-56	.							
1956-57	.							
1957-58	.							
1958-59	.							
1959-60	.							
1960-61	.							
1961-62	.							
1962-63	.							
1963-64	.							

### APPENDIX III

(Vide para 8 of Report)

**Further information desired by the Public Accounts Committee in their sitting on 28th October, 1964 in regard to Para 20 of the Audit Report (DS) 1964—Excess Payment to a contractor—Wellington.**

The Public Accounts Committee desired further information on the following points:—

“What is the basis for obtaining security deposits from contractors? On what basis was contractor in the present case asked to deposit Rs. 23,100 as security?”

2. The reply is given below:—

A note explaining how securities are fixed is enclosed. In this case the contractor was in Category 'D' (Rs. 2 lakhs limit) of Chief Engineer, Air Force Works and had executed a bond and standing security of Rs. 4,000.

The value of work under CA No. CE/AFW/WEL/4 of 1960-61 (accepted in January, 1961) was Rs. 7.10 lakhs and an additional Security of Rs. 10,200 was demanded.

The value of work under CA No. CE/AFW/WEL/14, of 1961-62 (accepted in December, 1961) was Rs. 6.43 lakhs and an additional security of Rs. 8,900 was demanded.

Thus the total additional security demanded was Rs. 19,100. The total security including the standing security of Rs. 4,000 thus came to Rs. 23,100. This amount is consequently in accordance with the scales laid down in this respect.

3. DADS has seen.

L. S. LULLA,  
*Joint Secy. Ministry of Defence.*

## SECURITY TO BE DEPOSITED FOR INDIVIDUAL MES CONTRACTS

1. Scale of security for individual work is shown below:—

Value of work not exceeding Rs. 10,000/-	10 % of the value of work.	Minimum Rs. 25/-
Value of works exceeding Rs. 10,000/- but not exceeding Rs. 30,000/-.	7 % of the value of work.	Minimum Rs. 1,000/- Maximum Rs. 2,000/-
Value of work exceeding Rs. 30,000/- but not exceeding Rs. 1.2 lakhs.	5 % of the value of work.	Minimum Rs. 2,000/-
Value of work exceeding Rs. 1.2 lakhs but not exceeding Rs. 2.0 lakhs.	Rs. 6,000/-	
Value of work exceeding Rs. 2.0 lakhs but not exceeding Rs. 5.0 lakhs.	Rs. 10,000/-	
Value of work exceeding Rs. 5.0 lakhs.	2 % of the value of work.	Maximum Rs. 25,000/-

2. Enlisted contractors who have deposited Standing Security are exempted from depositing security for individual work within their tendering limit as mentioned below:—

Class	Standing Security	Tendering Limit.
A . . . . .	Rs. 20,000/-	No. limit.
B . . . . .	Rs. 10,000/-	Rs. 10 lakhs.
C . . . . .	Rs. 6,000/-	Rs. 5 lakhs.
D . . . . .	Rs. 4,000/-	Rs. 2 lakhs.
E . . . . .	Rs. 2,000/-	Rs. 1 lakh.
F . . . . .	Rs. 1,000/-	Rs. 40,000/-

If value of any work exceeds tendering limit of a contractor he is required to deposit additional security which is the difference between the amount as per para 1 above and that of his standing deposit.

## APPENDIX IV

(Vide para 18 of Report)

### MINISTRY OF DEFENCE

#### Further information required by the Public Accounts Committee at their sitting held on 28th October, 1964

Para 36 (b)—*Avoidable expenditure due to delay in disposal of assets—Petroleum tanks*

- (i) Why were the petroleum tanks taken back from the SVOC when these were not required for Army use

The petrol tanks were not purchased from the Oil Company. The tanks were loaned to M/s Standard Vacuum Oil Coy under the Scheme 'JUPITER' during the World War II free of hire charges. Their possession was taken back on termination of hostilities.

- (ii) A note stating the expenditure incurred on the maintenance, watch and ward etc. in respect of all the 472 tanks, the latest position of their disposal and the manner of disposal may be furnished.

As can be traced from the available records, the 472 tanks were situated in abandoned sites after World War II. Their disposal/utilisation has been as follows:—

- I. 147 of these have been disposed of by auction on various dates as per Statement 'A'.
- II. 90 tanks were utilised on Army installations *vide* Statement 'B'.
- III. 104 have been utilised on Air Force installations as per details in Statement 'C'.
- IV. The balance of 131 tanks as per Statement 'D' (this includes 78 Nos. originally proposed for installation on Air Force Works) have now been finally decided as surplus to the Defence requirements and are being disposed of.

Out of the 131 tanks on hand today as per Statement 'D' attached herewith, expenditure of Rs. 968 per month (as per Statement 'E' attached herewith) is incurred on watch and ward in respect of 48 tanks. The remaining 83 tanks are located in their present locations along with other assets, and no extra expenditure is being incurred on watch and ward in respect thereof.

As regards the 341 tanks covered by statements 'A', 'B' and 'C' it is regretted that it has not been possible to trace the records and particulars of the Watch and Ward expenditure if any, incurred in respect thereof. The matter pertains to the period immediately after the World War II. Due to the closure of numerous MES formations, the amalgamation and re-organisation of formations and also due to lapse of time, it has not been possible to trace the said information.

It is also not possible to say whether any expenditure was incurred on the maintenance of the 472 tanks.

L. S. LULLA.

*Jt. Secy. (Q)*

**STATEMENT 'A'**

*List of BPI tanks disposed of by auction*

Sl. No.	Location	No. of tanks	Size of each tank	Date of disposal
1	Sookerating . . . . .	10	10,000	15-4-50
2	Rupsi . . . . .	8	10,000	Do.
3	Chabua . . . . .	3	10,000	Do.
4	Do. . . . .	7	10,000	Do.
5	Dinjan . . . . .	6	10,000	Do.
6	Bongaigaon . . . . .	4	10,000	Do.
7	Do. . . . .	11	10,000	Do.
8	Nichugaon (IB) . . . . .	2	5,500	Do.
9	Do. (old 139 Gpt. Coy). . . . .	1	5,500	Do.
10	Rowriah . . . . .	5	10,000	Do.
11	Do. . . . .	2	10,000	Do.
12	Kancharpara . . . . .	1	35,000	Do.
13	Dinjam . . . . .	2	6,000	Do.
14	Do. . . . .	2	4,500	Do.
15	Manipur Road . . . . .	1	1,000	24-4-50
16	Manipur Road . . . . .	1	1,000	Do.
17	Do. (RE Dump) . . . . .	1	1,000	Do.
18	Do. . . . .	2	1,000	29-4-50
19	Dinjan . . . . .	1	35,000	7-7-50
20	Dergaon . . . . .	1	1,75,000	3-8-50
21	Do. . . . .	1	35,000	Do.
22	Dinjan . . . . .	1	85,000	23-8-50
23	Mohanbari . . . . .	1	35,000	Do.
24	Chalkhowa . . . . .	1	1,75,000	Do.
25	Do. . . . .	2	85,000	Do.
26	Dibru Mukh . . . . .	1	1,75,000	Do.
27	Do. . . . .	1	35,000	Do.
28	Ledo . . . . .	1	85,000	Do.
29	Chabua . . . . .	5	35,000	Do.
30	Missamari . . . . .	3	35,000	Do.

Sl. No.	Location	No. of tanks	Size of each tank	Date of disposal
31	Missamari . . . . .	1	1,75,000	23-8-50
32	Mohanbari . . . . .	3	35,000	19-1-51
33	Karwar . . . . .	3	5,000	1952
34	Hindustan Air Craft Factory, Bangalore . . . . .	2	35,000	1952
35	Cholavaram . . . . .	1	35,000	1952
36	Arkonam . . . . .	3	34,000	Do.
37	Ulundupet . . . . .	2	35,000	Do.
38	Trichinopoly . . . . .	1	8,000	Do.
39	Trichinopoly . . . . .	2	12,000	Do.
40	Trichinopoly . . . . .	2	15,000	Do.
41	Pundu . . . . .	2	1,600	9-4-53
42	Dinjam . . . . .	2	1,600	29-7-53
43	Mohanbari . . . . .	1	35,000	Do.
44	Sonsbheel . . . . .	1	10,000	Do.
45	Chabua . . . . .	2	1,600	Do.
46	Faridabad . . . . .	2	10,000	5-2-54
47	Chabua . . . . .	1	1,600	11-1-56
48	Goshkara . . . . .	1	35,000	17-3-56
49	Dehubri . . . . .	1	3,98,681	18-9-56
50	Dehubri . . . . .	1	2,24,341	18-9-56
51	Rupsi . . . . .	1	1,75,000	Do.
52	Goshkara . . . . .	2	10,000	15-12-56
53	Pandu . . . . .	2	35,000	18-1-57
54	Socketrating . . . . .	5	35,000	11-1-57
55	Goshkara . . . . .	2	10,000	12-2-57
56	Missamari . . . . .	9	10,000	17-4-57
57	Bihta . . . . .	3	10,000	24-7-57
58	Nawadih . . . . .	1	10,000	25-7-57
TOTAL		147 tanks		

**STATEMENT 'B'**

*List of Old Petroleum Tanks used on Army Installations*

Sl. No.	Station	No. of old tanks used	Capacity of each tank in gallons	Date of admin. approval
1.	Jhansi . . . . .	12	10,000	4-6-55
2.	Babina . . . . .	4	10,000	9-6-55
3.	Kirkee . . . . .	6	10,000	27-10-55
4.	Allahabad . . . . .	11	10,000	12-11-55
5.	HAL Bangalore . . . . .	9	10,000	6-1-56
6.	Jodhpur . . . . .	4	10,000	3-5-56
7.	Barrackpore . . . . .	11 } 4 }	10,000 } 15,000 }	} 29-12-56
8.	Pathankot . . . . .	7	10,000	21-1-57
9.	Jullundur . . . . .	15	10,000	25-2-57
10.	Jamnagar . . . . .	4	10,000	21-5-57
11.	Ramgarh . . . . .	1	10,000	NK
12.	Jubbulpore . . . . .	1	10,000	NK
13.	Panagarh . . . . .	1	15,000	14-1-60
<b>TOTAL</b>		<b>90 tanks</b>		

STATEMENT 'C'

*List of Air Force Bulk Petroleum Installations sanctioned and old tanks used therein*

Sl. No.	Station	No & Size of tank (in gal.)	Date of admin. approval
1.	Kalaikunda . . . . .	26 10,000	11-4-49
2.	Jamnagar . . . . .	10 10,000	26-7-51
3.	Poona . . . . .	8 10,000	do.
4.	Palam . . . . .	6 10,000	do.
5.	Halwara . . . . .	2 15,000	do.
6.	Jodhpur . . . . .	3 10,000	do.
7.	Hakimpet . . . . .	2 10,000	27-8-51
8.	Agra . . . . .	18 10,000	17-6-53
9.	Poona . . . . .	15 10,000	6-4-56
10.	Jorhat . . . . .	7 10,000	14-9-60
11.	Tezpur . . . . .	7 10,000	21-9-60
	TOTAL	104 tanks	

STATEMENT 'D'

*List of Surplus Petroleum Tanks now under disposal*

Sl. No.	Station	No. of tanks	Capacity of each tank (in gallons)
1.	Sanatnagar . . . . .	3	10,000
2.	Gumdipundi . . . . .	1	800
	Power House . . . . .	1	1,000
3.	Avadi—		
	North Power House . . . . .	1	5,000
	Upper Channel P/H . . . . .	1	4,000
	” . . . . .	3	600
	” . . . . .	1	800
	South Power House . . . . .	2	5,000
4.	Gwalior . . . . .	1	2,000
5.	Madras . . . . .	2	2,400
	” . . . . .	2	1,400
	” . . . . .	2	1,000
	” . . . . .	1	3,800
6.	Poona . . . . .	1	1,000
7.	Pulgaon . . . . .	1	480
8.	Bombay . . . . .	2	10,000
	” . . . . .	2	5,000
9.	Lonavla . . . . .	1	1,500
10.	Bangalore . . . . .	1	600
	” . . . . .	1	800
11.	Bidar . . . . .	1	10,000
12.	Coimbatore . . . . .	1	12,000
13.	Harni Camp Baroda . . . . .	2	10,000
14.	Asafnagar . . . . .	5	4,770
	” . . . . .	2	7,200
	” . . . . .	2	6,700
	” . . . . .	2	8,600
15.	Bairagarh (Bhopal) . . . . .	6	10,000
16.	Tambaram . . . . .	1	10,000

Sl. No.	Station	No. of tanks	Capacity of each tank (in gallons)
17.	Kancharapara . . . . .	7	10,000
18.	Baigachi . . . . .	6	10,000
19.	Dum Dum . . . . .	3	10,000
20.	Binapore (Salua) . . . . .	1	10,000
21.	Salboni . . . . .	6	10,000
22.	Jorhat . . . . .	1	10,000
23.	Barrackpore . . . . .	1	15,000
24.	Baigachi . . . . .	3	10,000
25.	Sorbhog . . . . .	1	10,000
26.	Chakulia . . . . .	2	15,000
27.	Jersuguda . . . . .	2	10,000
28.	Namkum . . . . .	1	10,000
29.	Dehradun . . . . .	1	10,000
30.	Chakeri . . . . .	3	10,000
31.	Gaya . . . . .	3	600
	” . . . . .	7	200
	” . . . . .	2	400
32.	Agra . . . . .	6	15,000
	” . . . . .	2	16,000
	” . . . . .	1	14,000
	” . . . . .	1	13,000
	” . . . . .	3	12,000
33.	Roorkee . . . . .	2	1,000
34.	Mathura . . . . .	4	1,000
35.	Lalgarh . . . . .	2	10,000
36.	Jesalmer . . . . .	1	10,000
37.	Delhi Cantt. . . . .	7	8,000
TOTAL		131 tanks	

**STATEMENT 'E'**

*Extra expenditure being incurred on Watch & Ward*

Station	No. & capacity of tanks	Extra expenditure being incurred by MES per month
(a) Sanatnagar . . . . .	1 × 10000 galls 2 × 10000 galls	Rs. 210/-
(b) Kancharapara . . . . .	7 × 10000 galls	Rs. 91/-
(c) Baigachi . . . . .	6 × 10000 galls 3 × 10000 galls	Rs. 91/-
(d) Dum Dum . . . . .	3 × 10000 galls	Rs. 99.50
(e) Binapore . . . . .	1 × 10000 galls	Rs. 83/-
(f) Salboni . . . . .	6 × 10000 galls	Rs. 82/-
(g) Asafnagar . . . . .	5 × 4770    " } 2 × 7200    " } 2 × 6700    " } 2 × 8600    " }	Rs. 104/-
(h) Chakulia (Jamshedpur)	2 × 15000    "	Rs. 87.50
(i) Bairagarh . . . . .	3 × 10000    " 3 × 10000    "	Rs. 120/-
<b>TOTAL 48 tanks .</b>		<b>Rs. 968/- p.m.</b>

## APPENDIX V

(Vide para 22 of Report)

### MINISTRY OF DEFENCE

#### Additional Information Required by P.A.C. in their Sitting held on 28th October, 1964)

*Para 35 (a)—Infructuous expenditure due to delay in disposal of surplus buildings.*

The Audit Para reads as under:—

35. "Infructuous expenditure due to delay in disposal of surplus buildings.—In the following cases inordinate delays have occurred in the disposal/utilisation of vacant buildings resulting not only in their deterioration but also in considerable avoidable expenditure on their watch and ward:

- (a) 42 buildings at Hebbal, of the book value of Rs. 1.84 lakhs, consisting mainly of stables for horses taken over from a former Indian State, are lying unused since May, 1951. In 1959 a board of officers, recommended the demolition of some and retention of others. Again in 1961 another Board recommended the conversion of these buildings into quarters for other Ranks. No final decision has yet been taken and in the meantime an expenditure of about Rs. 96,000 has been incurred on their watch and ward (May, 1963)."

#### FACTS OF THE CASE

2. Although, handing/taking over documents pertaining to these buildings were dated 1951, these buildings were in occupation of the ex-State Forces till Nov., 1953. These buildings could not be put to any use for the existing garrison in the State and the question of their disposal from 1951 was deferred pending finalisation of Key Location Plan for Bangalore. After this was finalised, a user-cum-costing and Siting Board was held at Bangalore on 27th August 1956 for provision of permanent accommodation for Army Units under K.L.P. Subsequently, a project costing Rs. 126.89 lakhs was received on 17th December, 1956 which *inter alia* included disposal of these buildings.

Before this could be finalised, with the change in the construction policy from permanent to near-permanent specification, a fresh Board was ordered on 10 October, 1958. Revised terms of reference and strength to be catered for were finalised and the Board assembled in October 1959. The Board recommended that, in view of decision to locate One Engineer Group in Hebbal, 28 stables be

converted into vehicle garages, MT Office, store and workshop. The Board also recommended conversion of certain blocks into Married accommodation for OR and demolition of the rest. The Board did not consider the question of expenditure on watch and ward. The expenditure on this account was, however, the minimum.

As a result of certain changes in the establishment of the units, a revised project was initiated in June, 1961. Before this project could be examined, Emergency was declared and further consideration of the project was deferred.

After the declaration of Emergency, it was decided to raise two Engineering Groups at Hebbal. Necessity for the project for provision of accommodation for two Engineering Groups was accepted in June, 1963. However, in view of the policy to consolidate Defence holdings in cantonments, the question of handing over the entire Hebbal area to State Government in lieu of equal area to be transferred by them to Ministry of Defence has been under examination for sometime past. As such, planning of accommodation at Hebbal has been deferred pending finalisation of our requirements on the basis of which negotiations will be conducted with the State Government to arrive at a mutually acceptable arrangement.

Following buildings have been under use by different Engineering Field Units from time to time as under:—

- (a) 160 ML Area . Used for the period 11 Jan. 64 to 10 May, 1964.
- (b) 67 ML Area . Used by 15 Fd. Coy. from 1957 to 5 June, 1960.
- (c) 68 ML Area . Used by 15 Fd. Coy. from 1957 to 5 June, 1960.
- (d) 70 to 73 ML Area Used by 58 Fd. Coy. from June, 62 to Feb. 63 and HQ 1034 Rly. Engr. (TA from Feb., 63 to 1st May, 1964.
- (e) 74 to 79 ML Area. Used by 309 Fd. Park Coy. from June, 63 to May, 1964.
- (f) 80 to 95 ML Area Used by 303 Fd. Park Coy. from 60 to 61, by 325 Fd. Park Coy. from 61 to 62, by 422 Fd. Coy., 61 Fd. Coy. and 62 Fd Coy. from 62 to Feb. 1964.
- (g) 144 to 147 M. L. Area Used as MES Office from Nov., 56 to 5 June, 1961, as single JCOs' Mess by HQ 641 Engrs. and various Units from 6 January, 1961 to 28 April, 1964.
- (h) 158 (P) (Latrine Used by various raising units and Urinal).

No repairs were carried out to these buildings before putting them to use. However, the following expenditure was incurred after the buildings were taken into use:—

(a) Stable No. 88—Rs. 3,616·00.

(b) Stable No. 89—Rs. 4,350·00.

In view of the position indicated above, no court of inquiry or disciplinary action against any individual was considered necessary.

It is seen from the foregoing that no action could be taken for utilisation except some buildings for short periods or disposal of the buildings due to various factors. All the available accommodation in these buildings will, however, be utilised as it is proposed to move to Bangalore a formation in the near future.

D.A.D.S. has seen.

L. S. LULLA,  
*Jt. Secy. (Q)*

## APPENDIX VI

(Vide para 22 of Report)

### MINISTRY OF DEFENCE

#### **Audit Report, Defence Services, 1964—Para 35—Infructuous expenditure due to delay in disposal of surplus buildings**

*Para 35 (b)—Vehicle Depot, Whitefield.*

*Para 35 (c)—British Institute Camp, Jallahali.*

P.A.C. at its meeting held on 30th October, 1964, desired that a note stating the reasons for delay in the disposal/utilisation of the vacant buildings referred to in sub-para (a) to (d) and the present position be furnished.

The position is as under:—

*Para 35 (b)—Vehicle Depot, Whitefield.*

Land measuring 44·73 acres (141 acres belonging to the State Government and 3·73 acres belonging to private owners) at Whitefield, Bangalore was taken over during the last war for use of the Defence Services, at an annual rent of Rs. 601·25 paise. The Ministry of Defence assets costing Rs. 2,29,742 were built on this land. Assets costing Rs. 1,42,504 are reported to be in a dilapidated condition and have been proposed for demolition. The expenditure on watch and ward of the project from January 1958 upto March 1964 was reported as Rs. 60,083. This amount is, however, being re-verified.

2. In accordance with the procedure then prevailing, it was necessary to ascertain the interests of the Central Ministries and the State Government in the assets and the requisitioned land thereunder. Before the project could be circulated to the Central Ministries and the State Government a ban on the disposal of lands and buildings was imposed by the Government on 28th March 1958. This was done having regard to the expanding needs of Defence Services. As a result of that ban, it was considered necessary to ascertain the interest of all the user services again. The review was completed in May 1959 and as a result of that the project was found to be surplus to the requirements of Defence Services.

3. At this stage, it was considered by Government that in view of the low rental compensation being paid for the land (i.e., Rs. 4 per acre per annum for State Government land and Rs. 10 per acre per

annum for private land), it should be put to some use by the Military. The matter was re-examined by the military authorities in consultation with their local authorities and the other user Services and they confirmed that the project could not be put to any use. When the case was put up to Defence Minister for his approval in August 1960, he observed that the accommodation was badly required in Bangalore by the Electronic Research and Development Establishment and others too. Accordingly, the site was inspected by an officer of the Ministry in November 1960. In March 1961, it was recommended by the Q.M.G. that the project be retained keeping in view its possible use by the N.C.C. Directorate.

4. In January 1962, it was decided as a matter of general policy that no project should be released in view of the expanding needs of the Army. While the plans for expansion of the army were under examination, a State of Emergency was declared in October 1962. This necessitated not only retention of the existing holdings of lands and buildings but also requisitioning and hiring of additional accommodation to cater for the expanding needs of the Army. In February 1963, it was decided to retain the project for the new raisings.

5. The project was being retained for use by the new raisings in connection with the expansion of the Army. The requirements of ASC raising camp was about 500 acres which was partly to be met by utilising the existing area of 144.73 acres and partly by requisitioning or hiring some additional land. However, consequent on the changes in the ASC manpower requirements the necessity for ASC raising camp at Whitefield ceased to exist after 30th September 1963. The case for requisitioning of additional land at Whitefield was therefore, dropped. Until recently, this project was earmarked for location of a Brigade Group but due to non-availability of water supply this proposal has been dropped, trial bore well having proved a failure. In view of this, the user Defence Services were consulted to indicate their interest in this project. N.C.C. Directorate have intimated on 27th July 1964, that a Board of Officers have reconnoitred the area and have recommended that this area should be earmarked for use as camping site for N.C.C. units provided certain facilities are provided. This proposal is being examined in consultation with the Engineers at Army Headquarters.

*Para 35 (c): British Institute Camp, Jallahali.*

During 1941, land measuring 8 acres and 11 gunthas was requisitioned for the project known as "British Institute Camp, Jallahali" on payment of Rs. 496.50 as annual recurring compensation. The Ministry of Defence assets costing Rs. 60.971 were created on the

above land. The expenditure on watch and ward from May 1958, to March 1964 is reported to be Rs. 34,996.30. The buildings were in occupation of the Pay and Accounts Office (Other Ranks) Electrical and Mechanical Engineering since August 1949.

2. The project was declared surplus in October 1954 by the QMG's Inter Services Committee for lands and buildings which recommended that the buildings be disposed of and the land thereunder be de-requisitioned after the buildings were vacated by PAO (OR)/EME. The project was vacated by the PAO (OR)/EME in May 1958 when a ban on disposal of lands and buildings had already been issued by Government in March 1958.

3. The Government of Mysore who had earlier evinced interest in the project could not decide about their requirements till October 1959 when they informed that they were not interested in the retention of the project. In November 1959, Research and Development Organisation intimated that they were interested in retaining this project. Its disposal was thus withheld. In December 1960, they reported that the project was not required by them.

4. The interest of the user services was thus ascertained and in June 1961 it was confirmed that none of them was interested in its retention. After complete review of the project, it was recommended to the Government that the project be declared surplus. In view, however, of the increasing requirements for the new raisings it was felt in February 1962, that the project should be acquired and the assets which were beyond economical repairs should be disposed of to the best advantage of the State. While this action was under consideration, with the change in situation due to emergency, it was proposed that dilapidated structures where possible be also renovated for use of a Field Company with an Engineer Field Park Platoon.

5. It however, subsequently transpired that the project was not required for use of the Field Company and was thus surplus to the requirements of the Army. The interest of user services had to be ascertained again and they confirmed in February 1964 that they were not interested in retaining it.

6. The State Government have requested the Defence Minister for release of the property in their favour for construction of a Housing Colony under the City Improvement Trust Scheme. It has since been ascertained that the State Government are interested only in land. (The land being requisitioned for the use of the Defence purposes,

cannot legally be transferred to them as it involves a change of purpose, and has to be de-requisitioned). The project has since been declared surplus with the approval of Defence Minister. The Defence Ministry assets were offered to the Ministry of Rehabilitation for accommodating displaced persons. It has since been intimated by the Ministry of Rehabilitation that they are not interested in this project. DML & C who were asked to dispose of the assets and to de-requisition the land thereunder have issued necessary instructions to their local authorities on 10th August, 1964. According to latest report, the local authorities tried to dispose of the project *in situ* but none of the owners was willing to pay the cost of assets on the land. In the circumstances, DML & C, issued instructions on 27th October, 1964 to take immediate action to auction the assets for demolition and site clearance and thereafter to release lands to the owners.

7. In both the cases, guarding of the buildings was necessary to avoid loss by way of theft or otherwise of buildings materials etc. Had this not been done, the building material would have been stolen/damaged and possibly the land would have been encroached upon involving the Government in litigation.

8. It would appear from the above that—

- (a) The projects had to be retained as a matter of prudence and necessity to meet future requirements.
- (b) MES are responsible for care of vacant buildings and till such time these are either occupied, auctioned, demolished or disposed of, chowkidars have to be employed to safeguard the assets against encroachments.
- (c) Annual compensation for the lands will have to be paid till such time the project is either released or acquired.

D.A.D.S. has seen.

L. S. LULLA,

Jt. Secy.

22.12.1964.

## APPENDIX VII

(Vide para 22 of Report)

### MINISTRY OF DEFENCE

**SUBJECT.**—*Para 35(d)—A Note stating the reasons for delay in the disposal/utilisation of the vacant buildings at PAC Lines, Kanpur and the present position in the case.*

128 temporary buildings in PAC Lines, Kanpur were loaned to the Government of Uttar Pradesh for the use of the Provincial Armed Constabulary in 1949. These buildings were vacated by the State Government and taken over by the Army Authorities in October, 1961. They were in a state of complete disrepair. A Technical Board which inspected the buildings in January 1962 recommended that the structures be auctioned for demolition in view of the high cost involved in repairing them.

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2. In January 1962 the IAF requested that the buildings might be transferred to them as they were located within a convenient distance of Chakeri Camp and so would be handy for their further expansion. The matter remained under correspondence between Army and Air Headquarters for some time. There was some delay in processing the case properly by the Service Headquarters while the Air Force Authorities apparently were visualising utilisation of the land at PAC Lines for fresh construction which they could not undertake unless the Lines had been permanently transferred to them, the Army authorities, on the other hand, were apparently unwilling to part with the land with the result that neither the accommodation could be properly utilised nor the buildings which were stated to be beyond economical repairs demolished. After considerable discussion it was agreed in January, 1964 that:—

- (i) The Air Force should hand back the buildings to the authorities at PAC Lines, Kanpur excepting the 25 buildings under their occupation;
- (ii) Further action should be taken on an immediate basis by the Army authorities for the disposal of the buildings recommended by the Board of Officers for demolition;
- (iii) Army as well as Air Force authorities should jointly examine their requirements for the land/accommodation at the Lines and make recommendations to the Government, for a decision at the appropriate level.

3. The local military authorities have now reported that all the Chowkidars have since been withdrawn *w.e.f.* the 22nd June, 1964. Out of the 128 buildings comprising PAC Lines Kanpur, 55 have been demolished. As regards the remaining buildings, 38 are in occupation of an Army Unit and 25 buildings are in occupation of the Aircraft Manufacturing Depot. With regard to the disposal of the remaining 10 buildings the matter is in correspondence with the local military authorities.

4. The case for the utilisation of land in PAC Lines, Kanpur is under examination in consultation with Air Headquarters.

L. S. LULLA,  
*Jt. Secy.*

## **\*APPENDIX VIII**

(Vide para 25 of Report)

### **Additional information required by P.A.C. on para 52 of Audit Report, Defence Services, 1964**

#### **INFORMATION REQUIRED**

- (i) What is the categorywise break-up of the cost of 650 chassis? What is the cost of 132 chassis which were found unsuitable?
- (ii) What is the latest position regarding chassis disposed of, chassis on which body building has been completed and the remaining chassis?
- (iii) What is the reason for delay in utilisation or disposal of the chassis?

#### **REPLY**

##### *Item (i)*

Para 30 of the Audit Report, 1958 mentions the value of about 650 chassis as Rs. 98 lakhs approximately. As at the time this Audit Para was discussed by the P.A.C. the emphasis was on delay in body building rather than on the cost of procurement or book value, the question of cost was not specifically gone into. This figure appears again in para 52 of the Audit Report, 1964. It is now seen that DADS have presumably calculated the value of 649 chassis at Rs. 98 lakhs on the basis of information furnished by MGO Branch on 12th August, 1958 regarding the approximate book value of these chassis. Army HQs had given the figures regarding book value in 1958 after deducting from the priced vocabulary rate, the war time cost of body and reducing the balance to 2/3 to allow for old vintage of chassis. These figures had not been vetted by Ministry of Finance before submission to DADS.

2. Information regarding the value of 132 SUCOE chassis mentioned in para 52 of the Audit Report, 1964, was based on the present book value of each chassis at Rs. 55,000 as indicated by the Ministry

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\*Note not vetted by Audit.

of Finance (Def.) on 9th October 1963. In calculating the present book value, the Ministry of Fin. (Def.) had increased the procurement price by 44 per cent on account of the devaluation of the Rupee in 1949.

The different methods followed to assess the value as mentioned in the previous paragraphs has been responsible for the apparent anomaly in the value of the chassis indicated, in para 52 of Audit Report, 1964. A statement indicating the purchase cost of the 649 chassis and the present book-value of these chassis in a fit condition is attached as Annexure A. It will be seen therefrom that the total purchase cost of 649 chassis comes to Rs. 102.38 lakhs, of which the 132 SUCOE chassis account for Rs. 50.42 lakhs. The present value of the chassis in fit condition, arrived at by adding 44 per cent to the purchase cost, will be Rs. 147.38 lakhs for the 649 chassis, of which Rs. 72.60 lakhs would be the book-value of 132 SUCOE chassis in fit condition.

*Item (ii)*

4. The present position regarding the 649 chassis is as under:—

No. of Chassis disposed of through DGS&D in 1960-61		26
No. of chassis on which body-building has been completed		476
No. of chassis issued without bodies for instructional purposes		10
No. of chassis to be disposed of		
(a) Sucoe 5-Ton FWD	132	
(b) Hari 4-Ton FWD	4	
(c) Chev 3-Ton 1542	1	
		137
		649

Of these, the 103 SUCOE chassis have been declared to DGS&D for disposal so far. The remaining 29 SUCOE chassis are expected to be declared for disposal in December 1964, and the balance of the 5 chassis shortly thereafter.

*Item (iii)*

5. The question of retention/disposal of these chassis has been receiving attention since 1951. Of the 649 chassis, 26 were disposed of in 1960-61, bodies have been built on 476; 10 have been issued without bodies for instructional purposes and the remaining 137 are to be disposed of. Looking to the 1959 and 1964 classification of these

chassis as indicated hereinbelow, it will be seen that there has been no deterioration in these chassis:—

Type of vehicles	Total No.	Classification			
		1959		1964	
5-Ton, Sucoe .	132	Cl. I Cl. IV	49 83	Cl. I Cl. IV	56 76
4-Ton, Hari .	4	Cl. IV Cl. V	1 3	Cl. IV Cl. V	1 3
3-Ton, 1542 .	1	Cl. V	1	Cl. V	1

6. A short summary for the developments regarding the utilisation/disposal of these 649 chassis is given below:

(i) 1951

The question of building bodies on the chassis was examined by Army HQ but had to be dropped as some of them were already 8 years old. On re-examination, it was recommended that bodies should be built on fit (i.e., Class I) chassis only and that the others should be declared for disposal.

(ii) 1952.

(a) A proposal to retrieve serviceable steel/wooden bodies from Class V/VI vehicles in stock and to mount them on fit chassis was examined. After investigation, it was found unlikely that any steel/wooden bodies would be available in serviceable condition for fitment on these chassis.

(b) The question of utilisation of qty 132 FWD/SUCOE chassis in signal Specialist role was considered by General Staff. After trials, they were found unsuitable for the purpose. Then a proposal was made to use these chassis in GS role.

(c) The question of disposal of repairable chassis we also re-examined. It was decided that no action should be taken for their disposal unless their repair and body building were found to be uneconomical.

(iii) 1953

It was recommended that the question of disposal of repairable chassis should be examined *vis-a-vis* the question of disposal of surpluses of pre-48 complete vehicles of similar makes and models.

**(iv) 1954**

With a view to examine the cost of repair and body building on the chassis, it was decided that a detailed inspection of both fit and repairable chassis should be carried out. It was also decided to examine the stock position of spares.

**(v) 1955-56**

(a) Inspection by the technical authorities during December 1955 and February 1956 revealed that a majority of the chassis were worth repairing and mounting bodies on.

(b) On re-examination, it was recommended by General Staff and Ministry of Defence to Ministry of Finance (Def.) that repairable chassis should be disposed of because (1) Chassis were not backed by spares and Government had agreed to the disposal of complete vehicles of similar makes and models, and (2) EME workshops were not in a position to undertake repairs and body building in addition to their other commitments.

**(vi) 1957**

Ministry of Finance (Def.) stressed that the question of disposal of the chassis be re-examined in the light of the contemplated Re-organisation Programme. As a result of this examination it was accepted that—

- (a) Fit stocks of chassis should be retained for eventual fitment of bodies;
- (b) Repairable stocks should be upgraded/overhauled by EME workshops and bodies built on them.

**(vii) 1958**

In July 58, Ministry of Defence asked General Staff to re-examine the issue in the spirit of the directive issued by the Defence Minister for making the maximum use of available stocks, so as to defer disposal till the in lieu utilisation aspect had been fully analysed.

**(viii) 1959**

On 13 January 1959, the question of utilisation of all the 649 pre-48 chassis (including 132 SUCOE chassis) was discussed under the chairmanship of the Additional Secretary and it was decided that before a final decision about the fate of these chassis could be taken, MGO Branch should undertake a technical inspection of these chassis and submit a report to Government as regards their serviceability, etc. A technical inspection of these chassis was carried out by EME

2206(Aii) LS—10.

and it was decided to build GS Bodies on 623 chassis and to dispose of the balance 26.

(ix) 1960

The position was again reviewed by the General Staff on 14 October, 1960 and it was decided that the 132 *SUCOE Chassis should be disposed of* for the reasons already given in evidence before the PAC. Meanwhile body building on the other chassis was allowed to proceed. The reasons for delay in body building on these vehicles were:—

- (a) Inadequate supply of timber;
- (b) Non-availability from trade of metal components which had to be manufactured by EME Workshops; and
- (c) Difficulty and delay in procuring raw materials which were controlled items.

(x) 1961

(a) On 20 April 1961 a meeting of all users was called by DWE to find out if the SUCOE Chassis could be utilised in some role. All the users confirmed that SUCOE chassis could not be utilised in lieu of any other type and as such 132 Chassis may be declared for disposal.

(b) During May 1961 the case for disposal of these chassis was put up to Government. Ministry of Defence decided on 17th October 1961, that these chassis be offered to the State Trading Corporation and the Orissa Government who, at that stage, had evinced some interest in the purchase of these chassis and that these chassis be disposed of in case the two parties did not need them. Both parties subsequently stated that they were not interested in acquiring these chassis. The agreement of Ministry of Finance (Def.) to the disposal of the chassis was obtained on 30 December 1961.

(xi) 1962

Although the disposal of the chassis was approved, in view of DM's instructions to find out in lieu utilisation for all surplus defence stores, the General Staff took up the question of issue of these chassis as Static Trainers to Training Centres. Other services were also approached to indicate if they had any use for these chassis. These efforts at finding alternative use for the chassis were of no avail.

**(xii) 1963**

A meeting was held in the Ministry of Defence on 5 September 1963, and after detailed discussion it was agreed that the SUCOE 5 Ton vehicles were unsuitable for use in the Army and should, therefore, be treated as obsolete and that the entire holdings of SUCOEs (vehicles as well as chassis) should be declared for disposal. Details regarding numbers and classification and cost of vehicles and chassis were then worked out.

**(xiii) 1964**

Government's final approval to dispose of the entire fleet of SUCOE vehicles and chassis was obtained in March 1964. Necessary executive orders were issued on 2nd July 1964. So far 103 of these 132 chassis have been declared to DGS&D for disposal.

7. DADS has seen.

L. S. LULLA,  
*Jt. Secy(Q).*

ANNEXURE 'A'

Serial No.	Type of Chassis	No. of chassis	Book value as given in 1958	Total book-value as per col. 4 of chassis in fit condition	Approx. purchase price per chassis	Total purchase price as per col. 6	Present book-value (144 % of col. 6)	Total present book-value as per col. 8 of chassis in fit condition
1	2	3	4	5	6	7	8	9
				Rs.	Rs.	Rs.	Rs.	Rs.
1	Chassis 15 Cwt 4x2 Chev. 8421	3	6,897	20,691	5,121	15,363	7,374	22,122
2	Do. Ford C291 W	1	7,612	7,612	5,601	5,601	8,065	8,065
3	Chassis 15 Cwt. 4x4 Ford C291 Q	102	11,578	34,27,088	10,151	10,35,402	14,617	14,90,934
4	Do. W/W	194	11,578	..	10,542	20,45,148	15,180	29,44,920
5	Chassis 15 Cwt. 4x4 Dodge WC 51	4	11,693	46,772	8,551	34,204	12,313	49,252
6	Chassis 30 Cwt. 4x4 Chev. 8440	1	11,858	11,858	8,826	8,826	12,710	12,710
7	Do. Do. W/W	111	11,858	13,16,238	9,173	10,18,203	13,210	14,66,310
8	Do. Chev. 8441	3	11,900	35,700	8,826	26,478	12,710	38,130

9	Chassis 3 Ton	4x2 Chev. 1542	2	8,493	16,986	5,445	10,890	7,840	15,680
10	Do.	4x4 Chev. 8443	57	13,899	7,92,243	9,585	5,46,345	13,802	7,86,714
11	Do.	Do. W/W	1	13,899	13,899	9,932	9,932	14,302	14,302
12	Chassis 3 Ton	4x4 Ford C298 Q	26	14,280	3,71,280	9,855	2,56,230	14,191	3,68,966
13	Do.	Fordson WOT-Q.	7	14,280	99,960	12,990	90,930	18,186	1,27,302
14	Chassis 4 Ton	4x4 FWD Hari	4	14,280	57,120	20,273	81,092	29,193	1,16,772
15	Chassis 5 Ton	4x4 FWD SUCOE	132	26,700	35,24,400	38,194	50,41,608	55,000	72,60,000
16	Chassis Tractor	Crossly	1	15,926	15,926	11,376	11,376	15,926	15,926
TOTAL					<u>97,57,773</u>		<u>1,02,37,628</u>		<u>1,47,38,105</u>

W/W—With Winch.

**\*APPENDIX IX**

(Vide para 26 of Report)

**MINISTRY OF DEFENCE**

**Audit Report, Defence Services, 1964**

**Chapter 2 [Paragraph 4(iii)—Other points relating to Appropriation Accounts]—81 cases of un-authorized provision of airlifts.**

The Public Accounts Committee at their sittings held on 27th to 31st October 1964, desired to be furnished with the following information relating to paragraph 4 (iii) of Audit Report, Defence Services—1964. "Unauthorized provision of airlifts":—

**Question**

"A statement showing cases in which civilians were provided airlifts, circumstances in which these airlifts were allowed and the reasons for delay in their regularisation may be furnished."

**Answer**

A statement showing the pending cases (as on 26th November, 1964) in which (i) civilians were provided airlifts, (ii) circumstances in which these airlifts were allowed and (iii) the reasons for delay in their regularisation is attached.

2. The Ministry of Finance (Defence) have seen. The information has not been vetted by the Director of Audit, Defence Services.

D. D. SATHE,

Joint Secretary (Air)

30-11-64.

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\*Not Vetted by Audit.

*Statement showing the additional information required by the Public Accounts Committee in respect of paragraph 4(iii) of the Audit Report, Defence Services, 1964.*

Serial No.	Brief subject	Circumstances in which airlifts were allowed	Reasons for delay in their regularisation.
4.	Airlift of 105 civilians	Airlift of 105 personnel of Special Police was undertaken at the request of the Ministry of Home Affairs.	Certain details are still awaited from Air Headquarters.
10.	Airlift of Mrs. Indira Gandhi and party.	Details regarding the airlift have been called for from the Unit by Air Headquarters as the information previously supplied by the Unit is inadequate.	Unit has been asked to furnish information in regard to the circumstances in which airlift was necessitated. Reply is awaited.
11.	Airlift of Chief Justice of Assam.	Airlift was authorised by Unit on a telegraphic request received from the Director, Supply and Transport, NEFA and Nagaland, Jorhat.	Reasons for not obtaining prior sanction of the Government and the circumstances in which the airlift was required had to be called for. Formal Government sanction was issued on 26-11-1964.
43.	Airlift of Film Artists	A Film Festival was organised to augment the National Defence Fund by the Central Government at New Delhi during January, 1963.	Sanction issued <i>vide</i> Ministry of Defence letter No. F.7(18)/62/1064/D(Air-II), dated 31-1-1963, is required to be amended as the number of Artists actually airlifted does not tally with the information available with LAO(AF). Necessary Corrigendum to the Government letter is under discussion with the Ministry of Finance (Defence/Air).

Serial No.	Brief subject	Circumstances in which airlifts were allowed	Reasons for delay in their regularisation
44.	Airlift provided to the Minister for Defence Production.	Covered by Ministry of Defence Office Memorandum No. F. 7(11)/60/Vol. I/D(Air-II), dated 4th October, 1962, as amended from time to time. According to paragraphs II (b)(3) and III(b) thereof Minister for Defence Production is entitled to the use of VIP aircraft of IAF for journeys on official duty.	Matter under correspondence with Controller of Defence Accounts (Air Force), Dehra Dun.
46.	Airlift provided to Special Police Force personnel.	This item is identical with item 4 above.	Same as at Serial No. 4 above.
58.	Airlift of Chief Minister of Assam and party.	Circumstances in which airlift was provided and the flight details are not forthcoming from the Unit.	Air Headquarters are awaiting receipt of the reply from the Unit.
60.	Airlift of Political Officer, Sikkim.	Not known.	Case is still under investigation by Air Headquarters.
63.	Airlift of Shri Parayle Leonard, Wireless Operator.	The airlift was provided at the instance of the Governor of Assam.	Air Hqrs. has been asked to obtain and furnish complete details/circumstances of the airlift. Their reply is still awaited.
70 & 32.	Airlifts provided to civilians in J&K area.	GOC-in-C, XV Corps has been delegated powers to sanction airlifts of civilians and officials of J&K Government etc., on payment, in the routine sorties of Air Force aircraft. The same are later required to be regularised by issue of an <i>ex-post-facto</i> sanction of the Government.	Complete details of airlifts etc., is neither available with Army authorities nor with the Air Force authorities.

## APPENDIX X

(Vide para 36 of Report)

### MINISTRY OF DEFENCE D(AIR. I)

**Information required by the Public Accounts Committee at their sittings held on 27th October, 1964, regarding Para 50(a) (delay in finalisation of provisional payment) Audit Report Defence Services 1964.**

#### Question

What is the present position of adjustment of the outstanding amount of Rs. 117·30 lakhs relating to the projects completed by June, 1961?

#### Answer

Present position of adjustment of the outstanding amount of Rs. 117·30 lakhs relating to the projects completed by June, 1961, is furnished below:—

Rs. 101·52 lakhs for purchase of aircraft.

- (I) Rs. 32·29 lakhs on account of Vampire Day Fighter aircraft manufactured by Hindustan Aircraft Limited from raw materials.

Government orders authorising final payment to HAL for the aircraft have since been issued. The amount of Rs. 32·29 lakhs would now be adjusted by the Deputy Controller of Defence Accounts (Air Force) Bangalore, in the near future

Rupees  
Lakhs  
32·29

- (II) Rs. 52·17 lakhs for Vampire Trainer aircraft manufactured by HAL from raw materials.

Out of the 10 Audit Observations made by Dy. CDA (AF) Bangalore, 9 have since been settled by HAL. Final reply of HAL in respect of one audit observation only is awaited by the Dy. CDA (AF).

The above batch of aircraft is the final one in the entire Vampire programme at HAL. As such, all adjustments re-adjustments relating to previous batches of Fighter and Trainer aircraft would have to be looked into in detail by Audit before finalisation. Consequently some delay is inevitable in the adjustment of the amount of Rs. 52·17 lakhs

52·17

Rupees  
Lakhs

(III) Rs. 4.20 lakhs for the Gnat aircraft assembled by HAL.

Government orders authorising final payment to HAL for the aircraft were issued on 8-7-1964 and the outstanding provisional payment of Rs. 4.20 lakhs was adjusted by the Dy. CDA (AF) during September, 1964 . . . . . 4.20

(IV) Rs. 8.00 lakhs for Gnat aircraft major components.

The amount was received by HAL from the Government between 1960-61 and 1961-62.

Audit Report is to be submitted by Dy. CDA(AF), Bangalore, to enable the Government to fix final price payable to HAL. Dy. CDA (AF) raised 5 audit observations. Out of this 2 have since been settled and the disposal of the remaining 3 is awaited . . . . . 8.00

(V) Rs. 4.86 lakhs for Gnat aircraft sub-assemblies.

Audit Report is to be submitted by Dy. CDA (AF), Bangalore, to enable the Government to fix final price payable to HAL. Reply of HAL to the audit observations is being awaited by the Dy CDA (AF) . . . . . 4.86

(VI) Rs. 6.52 lakhs for supply of spares

(a) Amount since adjusted by Dy. CDA (AF) including one invoice for Rs. 0.06 lakhs adjusted on 1-10-64	2.26
(b) Invoices under certification with IAF agencies	0.44
(c) Invoices pending for RMS (Repair, Maintenance and Servicing) Orders amendments. (The matter is being progressed with Air Force Depot and Air HQrs by HAL)	3.82
TOTAL	6.52

(VII) Rs. 9.26 lakhs for services rendered.

(a) Amount since adjusted by Dy. CDA (AF) (including Rs. 0.28 lakhs adjusted in October, 1964)	6.20
(b) Referred to Government. This refers to partial overhaul of Centaurus engines	3.06
TOTAL	9.26

GRAND TOTAL	<u>117.30</u>
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Ministry of Finance (Def.-Air) and Director of Audit Defence Services have seen.

D. D. SATHE,  
Joint Secretary (A)  
19-12-64.

**APPENDIX XI**  
(*Vide* para 46 of Report)  
**MINISTRY OF DEFENCE**

**Para 43(a) Page 28 Audit Report (Defence Services) 1964—Delay in the establishment of Hospital (Pawai).**

*Note on Additional Information required by P.A.C.*

*Points raised by P.A.C.*

Have only the industrial workers of the Naval Dockyard been allotted houses in the Pawai Housing Colony? In case both the industrial and non-industrial workers have been allotted accommodation, what is the percentage of houses occupied by the non-industrial workers? Have the hospital facilities been extended to non-industrial workers living in the Colony?

*Position*

There are a total of 504 quarters out of which 272 are allotted to the industrial staff and 218 to non-industrial staff employed in the Dockyard. The latter category does not include any ministerial staff employed in the Dockyard but comprise of junior supervisory staff employed in the Dockyard who have been classified as non-industrial staff. From the figures given above it will appear that about 43 per cent of the total quarters have been given to the latter category of employees. Four quarters have been allotted to the essential hospital staff and 10 to M.E.S. maintenance personnel. It is confirmed that non-industrial personnel are not allowed to avail of the hospital facilities at Pawai as these are confined to industrial employees only. It may, however, be mentioned that the 20 bedded hospital sanctioned at Pawai is intended to cater for the needs of all the industrial workers of the Dockyard and outlying depots and their families *vide* this Ministry's letter No. CS/1116/NHQ/5316/D (Med) dated 30th September, 1961 and it is not for those industrial staff only who are allotted accommodation at Pawai Colony.

D.A. D.S. has seen.

M. M. SEN,  
*Joint Secretary.*  
5-12-1964

## \*APPENDIX XII

(vide para 51 of Audit Report)

(DEPARTMENT OF DEFENCE PRODUCTION)

MINISTRY OF DEFENCE

**SUBJECT:**—*Audit Report, Defence Services 1964—Para 6—Avoidable expenditure due to delay in installation of Boilers*

1. During discussion on para 6 of the Audit Report, Defence Services 1964—the Public Accounts Committee desired to have further information as follows:—

“A note stating the date of installation of old boilers which were proposed to be replaced, their expected life, and the number of years done by them in 1955”.

2. The reply is as follows:—

### *Date of installation of the boilers*

The first old boiler was installed in 1925. The second old boiler whose date of manufacture is 1926 was obtained second-hand from the Assam Oil Company and installed in 1944.

### *Expected life of the boilers*

The expected life of boilers of the first type (Lancashire) is 42—50 years approximately subject to inspection by Boiler Inspector. As the boiler's pressure was reduced, the Inspector of Boiler demanded open inspection every year. This was found to be very uneconomical and therefore the boiler was condemned. The expected life of the second type of boilers (Loco) is 25 to 30 years subject to inspection by Boiler Inspector. Since 1950, it was found to be working at progressively low pressure and extensive repairs were required and functioning of this boiler was found highly uneconomical. It was, therefore, condemned.

### *Number of years done by them in 1955*

In 1955 the first old boiler had done 30 years and the second old boiler had done 29 years, of this 11 years were in the Factory.

S. Y. RANADE,

*Joint Secretary (Fys & Plg).*

27-11-1964.

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\*Not vetted by Audit.

**\*APPENDIX XIII**  
*(vide para 58 of Report)*  
**MINISTRY OF DEFENCE**

(DEPARTMENT OF DEFENCE PRODUCTION)

**SUBJECT:—***Audit Report, Defence Services, 1964—Para 29(a) regarding manufacture of Shaktiman Trucks—Unintended Benefit*

1. During discussion on para 29(a) of the Audit Report, Defence Services, 1964 on the 31st October, 1964, the Public Accounts Committee desired to have further information on the points listed below:—

- (i) A statement showing the number of persons trained by the collaborators and duration of training given.
- (ii) A note stating the progress regarding achieving the indigenous content of trucks and whether it is according to the revised programme.

2. The required information with regard to point (i) above is as follows:—

- (a) Number of persons trained by the collaborators (These include 2 Senior Works Managers, 1 Foreman and 1 Asstt. Foreman) . . . . . 4

(b)	Category	<i>Period of training</i>
1	Senior Works Manager	4 months.
1	Senior Works Manager	6 weeks
1	Foreman	3 months
1	Asstt. Foreman	3 months

3. With regard to point (ii) above, it may be stated that the original production programme had been drawn up in 1959. As the actual production fell much short of targets in the initial years, the DGOF was asked to take a realistic view of the matter and a revised programme was accordingly drawn up and put up to the Defence Committee of the Cabinet in July, 1961.

\*Not vetted by Audit.

4. According to this revised programme, 1,500 vehicles should have been manufactured during the third year of production viz. 1st July, 1961 to 30th June, 1962 with the indigenous content at 39.3 per cent at the beginning of the year to 57.4 per cent at the end of the year. During the fourth year of production viz. 1st July, 1962 to 30th June, 1963, production of 1,500 trucks had been planned with deletion percentage reaching upto 68 per cent at the end of the year. The programme was, however, delayed and fulfilled as follows:—

Period	Total of vehicles produced	Indigenous percentage achieved
1-7-61 to 30-6-62	803	48.8
1-7-62 to 30-6-63	745	57.4

In other words, a little more than 1,500 vehicles were produced over a period of two years instead of during a period of one year.

5. In 1963 a revised programme as given below which seemed capable of realisation was drawn up:—

	No. of Trucks	Indigenous percentage
(a) 1-7-63 to 30-6-64	1200	62
(b) 1-7-64 to 30-6-65	1500	72

The actual production and the percentage of indigenous content achieved were as follows:—

	No. of trucks produced	Indigenous percentage achieved
(a) 1-7-63 to 30-6-64	1,022	64.29
(b) 1-7-64 to 31-10-64 (i.e. 4 months only)	314	69.41

6. It is anticipated that during the remaining period of 8 months of the year i.e., from November, 1964 to the end of June, 1965, the outturn of production of trucks would be 1,000 thus raising the total production to 1314. The percentage of indigenous content expected to be achieved is 71.67.

S. Y. RANADE,  
Jt. Secy. (F. & P.)  
27-11-1964.

## APPENDIX XIV

(Vide para 46 of Report)

### MINISTRY OF DEFENCE

(DEPARTMENT OF DEFENCE PRODUCTION)

SUBJECT:—*Audit Report, Defence Services, 1964—Para 29(b)*

During discussion on para 29(b) of the Audit Report, Defence Services 1964 on the 31st October, 1964, the Public Accounts Committee desired that a note stating the date of the agreement, the date of holding of trials of Truck and the date when the report on trials was received may be furnished.

2. The required information is that an Agreement for the manufacture of 3 ton trucks in collaboration with Messrs. MAN of West Germany was concluded with the firm on the 11th September, 1958. The information regarding date of holding of trials of truck and the date when the report on trials was received is as follows:—

Nature of Trials	Dates of Trials	Date of receipt of trial report
(a) Dynamometer Trials on MAN Multifuel Engine.	7 May 58 to 31 May 58.	10 June 58.
(b) Standard Performance road trials on the truck.	8 Aug. 58 to 23 Aug. 58.	(i) Special Report 30 Aug. 58. (ii) Detailed Report 7 Oct. 58.

3. The defect regarding excessive oil temperature was detected during Dynamometer trials carried out on engine during 7th May, 1958 to 31st May, 1958. The Dynamometer trials are carried out on engine only (when the engine is on the bench and separate from the vehicle) and the report on this test indicated that the engine oil temperature should come down after fitment of the engine on the truck on account of cooling by current of air. The Special Report of 27th August, 1958 received on 30th August, 1958 on road trials of this truck did not mention this defect. However, in the detailed report of 3rd October, 1958 received in Directorate of Vehicles on 7th October, 1958, this defect was mentioned and recommended to be rectified. The defect was immediately intimated to the representative of Messrs MAN in New Delhi on 10th October, 1958.

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

S. Y. RANADE,  
Joint Secretary (Fys. & Plg.)  
12-1-1965.

**\*APPENDIX XV**

(vide para 64 of Report)

**Audit Report (DS) 1964**

*Para 4(i)—Store Accounting*

Statement showing details of 46 outstanding vouchers pertaining to stores supplied by the Trade.

Sl. No.	Name of the Consignee	Name of the Firm (Consignor)	Date of Voucher Inspection note	Approximate Value
				Rs.
1	POL Depot, Ambala	Caltex (India) P.B. No. 39, New Delhi.	7-8-62	1,72,290
2	Do.	Esso Standard Eastern Inc., New Delhi.	22-8-62	98,646
3	140 Med. Regt. (TA)	Central Purchase through the DGSD	13-9-61	4,600
4	BRL Chandigarh	Bhatia Safe Works, 47, Factory Area, Kanpur.	8-5-62	Over 500
5	2 F.O.D.	Swadeshi Mfg. Syndicate Pvt. Ltd., Ludhiana.	24-3-61	23,592
6	CRS SOLAN	Serampore Colliery	15-7-61	515
7	Do.	Do.	18-7-60	605
8	Do.	M/s. Prem Singh and Shyam Singh.	7-6-62	4,000
9	CRS KASAULI	Aragada Colliery, Hazaribagh.	2-1-61	1,005
10	865 Engr. Works Section	M/s. A. Kumar and Co., Jullundur.	10-11-62	5,128
11	Do.	Do.	10-11-62	2,100
12	Do.	M/s. W.A. Bend-Sell & Co., Delhi.	10-11-62	2,603

•Not vetted by Audit.

Sl. No.	Name of the Consignee	Name of the Firm (Consignor)	Date of Voucher Inspection note	Approximate Value
				Rs.
13	865 Engr. Works Section	M/s. Novel Plastic, Delhi	10-11-62	911
14	Do. . . . .	M/s. Hardial Singh, Jullundur.	10-11-62	4,727
15	Do. . . . .	Do. . . . .	4-12-62	3,939
16	Do. . . . .	Do. . . . .	18-12-62	630
17	C.O.D. Chheoki (I.T. Group).	M/s. Shambu Nath & Sons, New Delhi.	1957	4,650
18	Do. . . . .	CF Timber Utilisation Circle, Srinagar.	16-12-61	9,900
19	C.O.D. Chheoki	Dharamjee Morarji Chaman Lal Co., Bombay.	30-9-61	9,000
20	Do. . . . .	M/s. Goodlass Nerolass Paints, Bombay.	24-7-61	2,800
21	Do. . . . .	M/s. Himmat Singh Timber Ltd.	13-10-52	5,400
22	Do. . . . .	Do. . . . .	21-10-52	31,634
23	Do. . . . .	Do. . . . .	30-1-53	11,000
24	Do. . . . .	Do. . . . .	8-5-52	21,000
25	Comdt. C.O.D., Kanpur.	M/s. Frontier Woollen Mills, New Delhi	24-6-58	1,970
26	Do. . . . .	Do. . . . .	25-6-62	5,041
27	Do. . . . .	Do. . . . .	3-6-58	3,803
28	Do. . . . .	Do. . . . .	5-7-58	6,757
29	Do. . . . .	Do. . . . .	23-7-58	7,895
30	Do. . . . .	Do. . . . .	22-7-58	8,479
31	Do. . . . .	Do. . . . .	18-8-58	2,150
32	Do. . . . .	Do. . . . .	30-8-58	9,030
33	Do. . . . .	Do. . . . .	19-8-58	1,971
34	Do. . . . .	Do. . . . .	13-9-58	9,499
35	Do. . . . .	Do. . . . .	9-12-58	1,543
36	Do. . . . .	Do. . . . .	17-12-58	9,725
37	Do. . . . .	Do. . . . .	19-5-58	1,281

Sl. No.	Name of the Consignee	Name of the Firm (Consignor)	Date of Voucher Inspection note	Approximate Value
				Rs.
38	Comdt. C. O. D. Kanpur.	M/S. Frontier Woolen Mills New Delhi	7-5-58	2,450
39	Do. . . .	Do. . . .	24-4-58	2,483
40	Do. . . .	Do. . . .	26-4-58	2,305
41	Do. . . .	Do. . . .	29-6-57	2,408
42	Do. . . .	Do. . . .	15-2-56	3,083
43	Do. . . .	Do. . . .	15-2-57	2,678
44	Do. . . .	Do. . . .	14-2-57	4,510
45	Do. . . .	Do. . . .	3-6-59	7,190
46	GF(P) Babina	Indian Tube Coy. Calcutta.	14-3-63	4,516
				5,21,942

(R.J. REBELLO)  
*Joint Secretary (P&C)*  
 28-11-1964.

## APPENDIX XVI

(vide para 68 of Report)

### MINISTRY OF DEFENCE

#### Appropriation Accounts (DS) 1962-63

Pages 8-9 Para 16—C.G.D.A's Certificate.

Sub-Para 11—Outstandings on account of work done or stores supplied.

What is the amount which has been outstanding for (a) more than one year and (b) two years? What are the steps proposed to be taken to bring down the outstanding dues?

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A statement indicating the amounts outstanding for (a) more than one year and (b) more than two years is enclosed.

2. The following steps are being taken to recover the outstanding dues, early:—

#### *Defence Services (Other than Ordnance Factories)*

It will be seen from the statement enclosed that out of Rs. 106 lakhs outstanding on 30th June, 1964, Rs. 74 lakhs were due from Central Civil Departments and State Governments. The main reason for the non-clearance of dues from Ministries/State Governments is that the debits could not be raised for want of accepted copies of issue vouchers/statements. A revised procedure was introduced in June 1961, whereby debits for the cost of stores are raised on the basis of "proof of despatch" of stores, without waiting for accepted copies of priced issued vouchers. Based on this decision, the following procedure has been evolved to clear the outstanding dues.

3. Two copies of statements will be prepared for each consignee giving full particulars of stores issued, the number and date of Issue Vouchers and proof of despatch of stores, where available. The two copies of statements duly supported by unreceipted copies of vouchers will be forwarded by depots to the consignee for return with a certificate accepting receipt of stores. The accepted copy of the statement, when received back from the consignee, will thereafter be forwarded to the CDA for raising debits against the party concerned.

4. In the case of issues to private bodies, etc. in many cases, the cost could not be adjusted, so far, for want of treasury receipts. These cases are also being pursued vigorously.

#### *Ordnance Factories*

5. The outstanding dues in respect of work done by Ordnance Factories upto and inclusive of 1962-63 was Rs. 400 lakhs as on 30th September 1963, which amount was brought down to Rs. 250 lakhs on 30th June, 1964 as per the break-up given below:—

	(In lakhs of Rupees)
(i) Dues from Central Civil Departments . . . . .	150·35
(ii) Dues from Private bodies . . . . .	47·42
(iii) Dues from Railways . . . . .	3·98
(iv) Dues from Defence Services . . . . .	1·92
(v) Dues from State Governments . . . . .	1·20
TOTAL . . . . .	204·87

6. It will be seen from the above that the bulk of the dues relates to Central Civil Departments and Private bodies.

(i) A substantial part of the outstanding dues from the Central Civil Departments relates to that of Iron and Steel Controller amounting to Rs. 114 lakhs. This amount is due for recovery from the Equalisation Fund of Iron and Steel Controller, Calcutta. The actual cost of production in Ordnance Factories as worked out by CDA (Fys) and accepted by the Steel Price Negotiation Committee is considered as Retention Price for the purpose of reimbursement from the above Fund. As the Committee is not functioning, sanction of the Ministry of Steel, Mines and Heavy Eng. has to be accorded before the claims can be admitted, which is still awaited.

A sum of Rs. 23 lakhs is due from Dandakaranya Development authority in respect of which necessary claims have been preferred. Payment is still awaited.

Rs. 6 lakhs are due from the National Project Construction Corporation. Necessary claims have already been preferred and payment is awaited.

(ii) In regard to dues from private parties, the bulk of the amount, viz., Rs. 41 lakhs is due from Messrs Telco, representing mainly cost of Steam Road Roller components supplied to the firm.

The matter was under dispute and on the basis of an Inter-departmental meeting, it has been decided that the claim of the Ordnance Factories should be finally settled on payment of Rs. 32.10 lakhs by M/s. Telco. Necessary action is being taken to expedite recovery of the amount.

7. Recovery of the outstanding amounts is being progressed actively and every effort is being made to realise the outstanding dues early.

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

R. J. REBELLO,  
*Joint Secretary (Plg. & Coord.).*

5-12-1964.

*Outstanding dues on account of Stores supplied services rendered by the Defence Services upto 31-3-1963 as on 30th June, 1964*

	Defence Services		Central Civil Departments		Railways		State Govern-ments		Private Bodies		Total (In lakhs of Rs.)	
	more than 1 year	more than 2 years	more than 1 year	more than 2 years	more than 1 year	more than 2 years	more than 1 year	more than 2 years	more than 1 year	more than 2 years	more than 1 year	more than 2 years
Army	4.25	2.69	19.35	16.88	..	0.24	5.63	11.50	0.17	0.39	29.40	31.70
Navy	..	..	1.89	0.97	..	..	16.39	0.30	4.26	5.72	22.54	6.99
Air Force	0.05	0.02	0.02	..	..	..	0.05	0.83	0.97	11.68	2.99	12.53
<b>TOTAL</b>	<b>4.30</b>	<b>2.71</b>	<b>21.26</b>	<b>17.85</b>	<b>..</b>	<b>0.24</b>	<b>22.07</b>	<b>12.63</b>	<b>7.30</b>	<b>17.79</b>	<b>54.93</b>	<b>51.22</b>
<b>ORDNANCE FAC- TORIES</b>	<b>0.75</b>	<b>1.17</b>	<b>18.35</b>	<b>132.00</b>	<b>0.79</b>	<b>3.19</b>	<b>0.10</b>	<b>1.10</b>	<b>0.73</b>	<b>46.69</b>	<b>20.72</b>	<b>184.13</b>
<b>GRAND TOTAL</b>	<b>5.05</b>	<b>3.88</b>	<b>39.61</b>	<b>149.85</b>	<b>0.79</b>	<b>3.43</b>	<b>22.17</b>	<b>13.73</b>	<b>8.03</b>	<b>64.48</b>	<b>75.65</b>	<b>235.37</b>
	8.93		189.46		4.22		35.90		72.51		311.02	

## APPENDIX XVII

(vide para 70 of Report)

**SUBJECT:**—Further information desired by the Public Accounts Committee, in their sittings from 27th to 31st October, 1964, in regard to Para 16—CGDA's Certificate—Sub Para—12, Outstanding rents, of Appropriation Accounts (DS) 1962-63.

The Public Accounts Committee desired further information on the following points:—

“A statement showing the break-up of the outstanding amounts as on 31st March, 1964 (a) for more than one year and (b) for more than two years may be furnished separately under the following categories:—

- (i) Government Departments—Central.
- (ii) Government Departments—State.
- (iii) Messes and Clubs.
- (iv) Offices.
- (v) Private Bodies.”

2. The required information has been furnished in the enclosed statements.

3. ‘Offices’ mentioned in para 1(iv) above appears to be a typographical error. Presumably, information is desired in respect of ‘Officers’ which information has been furnished in the enclosed statement.

4. The Public Accounts Committee desired the break-up of the outstanding amounts on account of rent and allied charges as on 31st March, 1964. The information contained in the enclosed statements, however, indicates the position of outstanding as on 30th June, 1964.

5. DADS has seen.

L. S. LULLA,  
Joint Secretary.

*Outstanding dues on account of Rent and allied charges to the end of March, 1963 (in respect of Rent Bills issued to the end of February, 1963) (other than Ordnance Factories) as on 30th June, 1964.*

STATEMENT I

(Amount in Rupees)

Year	Govt. Deptt. (Central)	Govt. Deptt. (State)	Deptt. Messes or Clubs	Officers		Private Bodies		TOTAL
				Deptl. officers in service	Deptl. officers released/retired or left India	Private parties including MES contractors/private clubs	Other categories such as Cantt. Boards/Municipalities, Quasi Govt. bodies etc.	
1	2	3	4	5	6	7	8	9
<i>For more than one year—</i>								
(1962-63)	12,47,181	3,04,116	88,499	10,104	6,358	4,56,637	2,84,237	23,97,132
<i>For more than two years</i>								
	1,10,34,696	21,08,792	5,73,918	35,882	1,94,413	20,98,742	10,87,141	1,71,33,584
<b>TOTAL</b>	<b>1,22,81,877</b>	<b>24,12,908</b>	<b>6,62,417</b>	<b>45,986</b>	<b>2,00,771</b>	<b>25,55,379</b>	<b>13,71,378</b>	<b>1,95,30,716</b>

*Outstanding dues on account of rent and allied charges to the end of March, 1963 (in respect of Rent Bills issued to the end of February, 1963) (Ordnance Factories) as on 30th June, 1964.*

STATIMINT 2  
(Ordnance Factories)

(Amount in Rupees)

Year	Govt. Deptt. (Central)	Govt. Deptt. (State)	Deptt. Messes or Clubs.	Officers		Private Bodies		TOTAL
				Deptl. officers in service	Deptl. officers released/retired or left India	Private parties including MES contractors/private clubs	Other categories such as cantt. boards/Municipalities, Quai Govt. bodies etc.	
I	2	3	4	5	6	7	8	9
<i>For more than one year—:</i> (1962-63)	4,143	5,584	467	974	595	5,719	..	17,481
<i>For more than two years</i>	1,97,651	94,265	6,895	569	713	18,405	..	3,18,498
<b>TOTAL</b>	<b>2,01,794</b>	<b>99,849</b>	<b>7,362</b>	<b>1,543</b>	<b>1,307</b>	<b>24,124</b>	<b>..</b>	<b>3,35,979</b>

# APPENDIX

## Abstract

Vide Para 76 of Report

Year	No. of cases registered		Disposal of P.Es.					Disposal of R.Cs.				
			Converted into R.Cs.	RDA (Regular De-part-mental Action)	Such Ac-tion (Su-itable Action)	Dropped	Pending	Pro-secution	RDA Re-gular De-part-mental Ac-tion	Such Ac-tion (Suit-able Action)	Dropped	Pending
1	2	3	4	5	6	7	8	9	10	11	12	13

### PART

\*Cases registered for enquiry/investigation on the basis of a report received from the Ministry

1956	4	5	..	2	..	2	..	2	2	1	..	..
1957	12	2	1	4	5	2	..	1	..	1	..	..
1958	9	6	3	4	2	..	..	1	2	2	1	..
1959	5	6	..	2	2	1	..	5	1	..	..	..
1960	9	5	..	4	..	5	..	1	4	..	..	..
1961	5	5	1	3	..	*1	..	2	3	..	..	..
1962	4	15	1	3	..	..	..	5	9	1	..	..
1963	11	35	1	7	..	3	..	18	14	2	..	1
1964	11	6	..	1	..	..	10	1	..	..	..	5
	70	85	7	30	9	14	10	36	35	7	1	6

### PART

\*Cases registered for enquiry or investigation on the basis of information collected

1956	15	7	3	3	4	5	..	4	2	1	..	..
1957	27	14	8	7	4	8	..	6	5	3	..	..
1958	34	21	11	14	1	8	..	10	9	2	..	..
1959	32	17	4	21	4	3	..	4	8	4	1	..
1960	42	16	8	24	4	6	..	4	12	..	..	..
1961	41	20	4	27	6	4	..	5	15	..	..	..
1962	48	25	10	24	7	7	..	7	14	2	1	1
1963	105	45	14	58	14	9	10	13	17	4	3	8
1964	73	29	1	17	4	..	51	..	1	1	1	26
TOTAL	417	194	63	195	48	50	61	53	83	17	6	31

### XVIII of Cases

Year	Result of Prosecution					Result of D.A.					
	Con- vic- ted	Ac- quit- ted/ Dis- posed of	Other dis- posed of	Pen- ding	No. of cases de- cided	Per- sons dis- mis- sed	Per- sons re- duced in rank/ed/ in- cre- ment with- held	Per- sons cer- tain- ed/ other- wise pun- ished.	Per- sons ex- ner- ated.	Pen- ding D.A.	
1	14	15	16	17	18	19	20	21	22	23	24
<b>I</b>											
(of Defence or one of the departments under the Ministry.)											
1956	2				2	2		3	5	3	
1957	1				4			2	2		
1958	1				4	2	1	3	1	2	
1959	3			2	2	1	1		7	2	
1960				1	4	4	1	1	5	3	
1961				2	3	1	3			1	2
1962	3			1	1	4	1	3	1		7
1963	15			3		5			5		16
1964				1							1
<b>TOTAL</b>	<b>25</b>			<b>10</b>	<b>20</b>	<b>10</b>	<b>7</b>	<b>12</b>	<b>26</b>	<b>11</b>	<b>26</b>
<b>II</b>											
(or received by the SPE Officers themselves.)											
1956	3		1		3	2	1	6	1		
1957	4	1		1	5	5	3	2	6	6	2
1958	6	4			13	8	7	8	8	8	2
1959	1	2		1	19	6	8	6	18	5	4
1960	4				23	11	13	8	16	14	2
1961	3			2	20	11	10	4	15	5	11
1962	2	1		4	13	7	2	4	13	4	18
1963	10			3	13	3	4	6	13	3	59
1964											18
<b>TOTAL</b>	<b>33</b>	<b>8</b>	<b>1</b>	<b>11</b>	<b>109</b>	<b>53</b>	<b>48</b>	<b>44</b>	<b>90</b>	<b>45</b>	<b>116</b>

## APPENDIX XIX

(Vide paras 10 & 11 of Report)

### MINISTRY OF DEFENCE

**Additional Information required by P.A.C. in their sitting held on  
28th October, 1964**

*Para 4(v)—Emergency Works Procedure.*

- (i) A note stating the justification for sanctioning an air-conditioner for the Military Hospital, Delhi without proper authority and the present position of the settlement of the objections may be furnished.

Under his letter No. 3700 2/03, dated the 28th December, 1962, GOC, Delhi & Rajasthan Area, accepted necessity and ordered provision of air-conditioners in Military Hospital, Delhi Cantonment and 26 GH, Delhi Cantonment at an approximate cost of Rs. 1,72,460. This was only an order for the commencement of work in anticipation of issue of administrative approval under para 10 of the Emergency Works Procedure. The CWE has reported that no work was actually taken up for execution under this 'go ahead' sanction. The administrative approval for the air-conditioners was subsequently sanctioned in letter No. 3700 4 9/03 dated the 4th July 1964 by Headquarters, D&R Area, at an estimated cost of Rs. 5,657 lakhs. The work included installation of air-conditioners in JCOs and ORs wards and installation of air-conditioners in Heat Stroke Rooms and Operation Theatres. This sanction was challenged in Audit and the project was, therefore, cancelled by Headquarters, D&R Area, vide their letter No. 3700/4/9/03 dated the 9th October, 1964.

- (ii) A note stating the outcome of the reconciliation of the objections in two cases of sanction of accommodation in excess of requirements (involving Rs. 75.82 lakhs) may be furnished.

**The two cases referred to are the following:—**

- (a) Bareilly—Accommodation for Jat Regtl. Centre (Cost Rs. 35,36,600) sanctioned under Army HQ letter No. A/27906/03W (East) dated 17th December, 1962, and

- (b) **Fategarh—Accn. for Rajput Regtl. Centre (Cost Rs. 45,02,200)—sanctioned *vide* Army HQ letter No. A/27886/03W (East) dated the 17th December, 1962.**

Ministry of Finance (Defence) raised the following objections in respect of these two cases:—

- (a) Planning strength had not been vetted by the AG's Branch before the projects were sanctioned.
- (b) The authorised strengths were not correctly shown in the sanctions issued.
- (c) The entire accommodation available at the two stations was not taken into consideration for working out the requirements of deficient accommodation.

The Army Headquarters have reported that the projects were planned on peak strengths and Ministry of Finance (Defence) had concurred in the adoption of peak strength for the purpose of planning accommodation. Subsequently, however, owing to change in establishments due to reduction in manpower commitments, the vetted strength turned out to be less than the peak strength. Headquarters Central Command were asked to restrict the projects to reduced strengths but this could not be done as financial commitments had already been made. Accommodation constructed in excess of the requirements is being utilised to the maximum extent possible for raising of Inf. Bns. at these stations, for which additional accommodation would have otherwise been constructed, and also by conversion of single into married accommodation.

The basis of planning the accommodation and the utilisation of surplus accommodation is being further examined in consultation with the Ministry of Finance (Defence).

- (iii) A note containing the Ministry's comments on the four cases of departure from appropriate scales (involving Rs. 95.18 lakhs) and the latest position of settlement of the objections may be furnished.

The position in respect of the 4 cases referred to is mentioned below:—

- (i) **Siliguri—Accommodation for Supply Depot (Cost Rs. 23,74,000)—sanctioned *vide* HQ letter No. 256531/6/03W (I) dated 31st January, 1963.**

In this case the Ministry of Finance (Defence) raised the objection that the area catered for cook houses for officers was 4 bays against 3 bays authorised.

Necessary instructions were issued to HQ Eastern Command to restrict the work.

- (ii) Dehra Dun—Accommodation for 58 GTC (Cost Rs. 45,02,200)—sanctioned vide Army HQ letter No. A/28035/03W (East) dated 18/21st January, 1963.

The objection of the Ministry of Finance (Defence) was that Dhobi Stones have been provided in excess of authorised scale.

HQ. Central Command were instructed to reduce the number of Dhobi Stones from 80 to 58 and DFA(W) informed.

- (iii) Meerut—Augmentation of water supply at grass farm road quarters area (near ASC Centre North) (Cost Rs. 1,70,000)—sanctioned vide HQ Meerut Sub Area letter No. 143968/III/03W (i) dated 20th February, 1963.

The Ministry of Finance (Defence) raised the objection that the authorised PA for a Chowkidar was 300 FS and not 345 FS.

A proposal for provision of two roomed tenements with a plinth area of 345 FS was accepted in principle in June, 1962 and draft Government orders were also concurred in by DFA(W). Their issue was held up on account of the Emergency. The matter was, however, further considered and Government orders were issued on 26 September, 1964 authorising the P.A. of 345 F.S.

- (iv) Faizabad—Addl. Accommodation for CMP Centre and School and Army School of MT (Cost Rs. 24 72,200)—sanctioned vide HQ EC letter No. 256416/B/Q3W dated 13 March, 1963.

The Ministry of Finance (Defence)'s objection was that the number of latrines, baths and urinals was in excess of authorised scales.

HQ Central Command were instructed to restrict construction of latrines, baths and urinals to authorised scale.

In all these 4 cases it may, however, be mentioned that the actual expenditure involved constituted only a very small fraction of the total estimated cost.

D.A.D.S. has seen.

L. S. LULLA,  
Joint Secretary (Q)  
22-12-1964.

## APPENDIX XX

### Summary of Main Conclusions/Recommendations

S. No.	Para No. of Report	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	2	Defence	<p>While the Committee are glad to note the improvement in the percentage of overall savings in voted grants during the year under review (5.28 per cent), they note that the amount of the total saving during the year was the highest (Rs. 28.13 crores) for the five year period ending with 1962-63. The Committee feel that there is scope for further improvement in the standard of budgeting in order to minimise the gap between the estimates and actuals. They hope that the position will be kept under constant watch.</p>
2	3	Do	<p>The Committee regret to observe that the explanation given by the Defence Secretary before the Public Accounts Committee last year (1963-64) that surrenders were due to non-availability of foreign exchange involved in most of the manufacturing projects, does not appear to be consistent with the position now explained to the Committee.</p> <p>The Committee feel concerned to note that in spite of the allotment of foreign exchange for these important schemes, the Ministry have not been able to utilise the funds to the extent expected, resulting in short fall in planned targets. The Ministry have urged</p>

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that the surrenders were due to optimistic budgeting. The Committee find from the Ministry's note that the savings on these schemes were due to non-materialisation of supplies of stores or non-implementation of certain schemes. The Committee feel that in the light of the experience of the Ministry about the procurement of stores and implementation of various manufacturing schemes, it should be possible to achieve better results. The Committee are not happy over the Shortfall of expenditure in case of these important schemes which have a direct bearing on the country's defence efforts.

3

4

Defence

(i) The information regarding the allotment of foreign exchange against the demands of the Defence Ministry and its utilisation is still awaited. In the absence of this information it is not possible for the Committee to come to any conclusion whether shortage of foreign exchange was one of the reasons for the slow progress of any of the projects of the Defence Ministry, in the past.

4

5

Do

(ii) The Committee feel concerned to note that on one hand the Ministry of Defence have been requesting for more and more foreign exchange, and on the other they are not able to utilise even the reduced allotments made to them as indicated by the large surrenders made by them. Also the Committee feel that the manner in which the foreign exchange has been utilised leaves much to be desired.

5

6

Do

The Committee feel concerned over the supplementary demand remaining unutilised especially as it was urgently required in the wake of the Emergency.

5            6            Defence/Finance            The Committee feel that money drawn from Contingency Fund should not generally be in excess of what is required for immediate use in anticipation of the vote of Parliament. They desire that necessary instructions may be issued by the Ministry of Finance to all the Ministries to follow the correct procedure in this respect.

6            7            Defence            (i) The Committee are perturbed over the misappropriation of cement in such a large measure (1381 metric tons or 27629 bags) in all continuing over a period of more than a year (30th September, 1961 to 20th November, 1962) without being detected. According to the representative of the Central Bureau of Investigation, it was possible that the misappropriation might have been started even before 30th September, 1961. It is regrettable that there was no proper supervision by the higher officers over the accounts of cement maintained by two successive storekeepers, which facilitated misappropriation over a long period. What is worse, the physical stock verification carried out as late as on 27th September, 1962 i.e. only about 1½ months before the loss of the stock ledgers, did not disclose any shortage of cement. According to the Court of Inquiry and the Special Police Establishment this was due to stock ledgers themselves being tampered with. This only leads to the conclusion that the stock verification was done in a perfunctory manner. Judging from this case, the Committee are rather alarmed about the state of affairs in the Store Depots of M.E.S. It shows a complete failure of supervision by the supervisory officers, as otherwise these shortages would have come to notice during periodical physical verification of stores. The Committee suggest that a serious view should be taken for laxity of super-

vision in this case against those found responsible for it. They also note that instructions had been issued to the Chief Engineers to review their standing orders in order to ensure that these lay down the correct procedure of issue, recoupmnt and maintenance of stores and covered specific duties of individuals responsible for these. The Committee suggest that these matters should be kept under constant review, and the higher officers should keep a close watch over the maintenance of accounts.

**Defence/Home Affairs**

(ii) It is unfortunate that although the Special Police Establishment took 14 months to investigate this case, they could not establish whether such a large quantity of cement was actually received in the depot and thereafter got pilferred or it was diverted directly to the outside agencies and the accounts manipulated subsequently. The Committee are surprised that no criminal liability could be established although there was round the clock security arrangement in the Military depots and even though the official records had been tampered with.

**Defence**

(iii) Another unsatisfactory feature of the case is that no action was taken to suspend the officials other than the storekeeper, who had been held responsible for the loss by the Court of Inquiry. The Committee had desired to be furnished with a note stating the reasons for this lapse. In a note furnished by the Ministry of Defence it has been stated that the suspension of the other officers was not considered necessary by the CWE/GE as they were posted to far

away stations and were not in a position to interfere in the investigations. The Supervisor, Barrack Stores, Grade I was transferred elsewhere on 14-9-1962 and the store-keeper on 28-12-1962. The Committee would also like to know the outcome of the disciplinary action initiated against the two store-keepers, the mazdoor, the peon and the supervisor of the Garrison Engineer's Office, as also the Barrack Stores Officer.

(i) The Committee feel concerned over the manner in which over-payments amounting to Rs. 0.64 lakhs and 0.63 lakhs were made to the contractor on the basis of the certificates issued by the Garrison Engineer. The Committee suggest that in order to avoid recurrence of such cases the feasibility of augmenting the existing provisions of check by Internal Audit of on-account payments made by the Garrison Engineer may be examined. The Committee would like to know the outcome of the criminal proceedings against the contractor, the Garrison Engineer and five other officials.

(ii) Another aspect of the case which worries the Committee is that against a sum of Rs. 2.04 lakhs due from the contractor, his security deposit with the department amounts to only Rs. 23,100. According to the witness, the contractor "has declared himself as insolvent". The Committee are unable to understand why action was not initiated early to recover the amount due from the contractor. The Defence Secretary agreed during evidence that action to recover this amount could have been taken before the finalisation of the criminal investigation for which all the relevant documents were still with the Special Police Establishment. He promised to obtain the relevant docu-

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Defence

ments from the Special Police Establishment and take action in the matter. The Committee would like to be informed about the outcome of the action taken to recover the amount from the contractor. The Committee had desired to be furnished with a note stating the basis for obtaining security deposits from the contractor, which is at Appendix III. The Committee suggest that gaining experience from this case the Ministry should examine whether there is a need for enhancing the recovery of security deposits from the contractors.

While the Committee appreciate the Ministry's point of view that changes in the requirements of accommodations might have taken place after the necessity for the projects was accepted, they feel concerned over the delay in according administrative approval to such works. In the case of the 20 works referred to in the Audit para, more than a year has already elapsed since their sanction. The Committee hope that necessary administrative approval will be issued soon in these cases.

9

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Do.

The Committee desire that the objection should be settled early and a report submitted to them.

10

11

Do.

While the Committee appreciate that in the situation prevailing during the emergency, the officers are anxious that there should not be delay in the completion of urgent projects, they desire that the officers should not exceed the enhanced powers delegated to them under the emergency procedure. The Committee note that instructions have been issued by Army Headquarters to lower formations to guard

against recurrence of such defects viz. splitting of projects, sanctioning of unauthorised accommodation or accommodation in excess of requirements and departure from appropriate scales and specifications. The Committee were also assured that the cases under objection by Internal Audit would be examined by the Ministry and suitable action taken in each case. They hope that further remedial measures, if any, necessitated as a result of this examination will be taken by the Ministry.

11            12            Do.

The Committee find no justification for the failure of the Garrison Engineer concerned not to negotiate rates for the extra digging work when it was realised that the work was exceeding the quantity mentioned in the contract. It is regrettable that the Garrison Engineer also exceeded his powers in allowing more than 50 per cent deviation in the work without obtaining the sanction of the higher authorities. The Committee were informed during evidence that instructions were being issued that where estimates were likely to be exceeded for some reason, the work should not be stopped but the rates should be negotiated immediately and necessary sanction obtained. The Committee would like to be furnished with a copy of these instructions. The Committee also hope that such cases will not recur.

12            13            Do.

The Committee regret to note that due to lack of co-ordination between the Engineer-in-Chief and the Command authorities about the type of road-rollers being released for the work avoidable expenditure of Rs. 1.16 lakhs was incurred on the procurement of 1884

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Defence

tonnes of steam coal. The Committee would like to know the disciplinary action taken against the officers concerned.

(i) In this case, even though the lowest tender received in the first contract a few days earlier had disclosed considerably lower rates for rock-cutting work, the lowest tender in the second contract stipulating higher rates (more than three times those given in the lowest tender of the first contract) was accepted by the engineer concerned without making any effort to get the rates reduced. The proper course was to negotiate with the successful tenderer of the first contract to undertake the second contract also. Alternatively the lowest tenderer in the second case should have been impressed upon to bring down his rates. It is regrettable that the engineer concerned failed to take these normal precautions. The Committee subscribe to the view of the C.T.E. that no proper scrutiny of the tender in the second case was carried out before acceptance and there was no justification for the acceptance of the higher rates. In spite of the fact that the contractor in the case of contract 'B' had quoted very high rates, the officers concerned were not put on their guard in scrutinising the tender, but they awarded the contract more or less mechanically. As a result Government have suffered a heavy loss.

(ii) The Committee feel concerned to note that in spite of the observations of the Chief Technical Examiner no action was taken by the Army Headquarters against the engineer concerned for this failure,

till the matter came before the Ministry of Defence who ordered the explanation of the officer to be called for. The Committee desire that more serious attention should be paid by the authorities concerned to the observation of an expert organisation like the C.T.E.

(iii) The Committee would like to know the action taken against the officer concerned as a result of his explanation called for recently.

(i) The Committee feel concerned over the delay in completion of the scheme for improvement of the water supply at the station, which was sanctioned about 10 years back. While the subsidiary works were completed in June, 1964, the deepening of the bed of the catchment area is still to be completed. The objective of the scheme to increase the water supply by 1,75,000 gallons per day has not yet been achieved. In the opinion of the Committee the delay is due to lack of planning and forethought on the part of the engineers. According to the Engineer-in-Chief's own admission, so far as the dam was concerned, they had given a hasty estimate. It is regrettable that the feasibility of raising the height of the dam was not fully investigated before sanctioning the scheme in 1954, with the result that the work had to be suspended in December, 1956 and the project estimates revised from 5.81 lakhs to 14.11 lakhs in April, 1959 (later increased to 17.40 lakhs in January, 1962).

(ii) Another disquieting feature of the project is that the workmanship of the masonry reservoirs was not up to the standard (as confirmed by the Board of officers), as a result of which there developed leaks. This indicates that there was lack of supervision over the

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work done by the contractor. The Committee would like to know the action taken against the officers concerned for laxity in supervision. They would also like to know the action taken to recover the extra expenditure incurred on repairs from the contractor who initially did sub-standard work.

(iii) It is regrettable that even in a project under the Army, a small project like this has taken a decade and still not completed though the necessary funds, materials and equipment were available. This shows that the system of both planning and execution is defective and needs examination with a view to eliminating delays and bad planning.

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Defence

The Committee regret to note that due to defective wording in the contract an extra expenditure of Rs. 36,000 had to be incurred in this case. They suggest that instructions be issued to the effect that utmost care is taken in wording the description of the work in the contract so that it is not capable of being given different interpretations.

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—Do—

The Committee are not happy over the delay that has occurred in commissioning the five tube-wells with the result that there was continuous short-fall in the production of green fodder in the farm and extra fodder had to be purchased locally at high cost. It is not clear whether before sanctioning the installation of the tube-wells any firm commitment for supply of adequate power was received

from the State Government. If not, action should have been simultaneously initiated to procure diesel pumping sets.

The Committee would like to be informed whether all the seven tube-wells are now giving satisfactory service.

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18

—Do—

The Committee feel concerned over the inordinate delay in coming to a final decision about the disposal of a large number of tanks (131 out of 472 tanks) constructed during the last war, resulting in heavy expenditure on watch and ward. The Committee are alarmed at the magnitude of the expenditure judging from the two instances given in the Audit para. Three tanks at Sanatnagar and 11 tanks at Asafnagar taken back from other parties in 1951 and 1954 respectively have been lying unused for 10 to 13 years, and an expenditure of about Rs. 40,000 had been incurred on watch and ward upto 31st March, 1963 with recurring annual expenditure of Rs. 3,840 (the total cost of the tanks is Rs. 95,650). The Committee had desired to be furnished with a note stating the expenditure incurred on maintenance, watch and ward etc. in respect of all the 472 tanks the latest position of the disposal and the manner of disposal. The information has been furnished (Appendix IV). The Committee note that 131 tanks have now been finally decided as surplus to Defence requirements and were being disposed of. The other tanks had either been utilised or disposed of.

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The Committee desire that the disposal of the unwanted tanks should be made early so that expenditure on watch and ward etc. could be avoided.

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Defence

The unsatisfactory financial working of the Military Farms had been engaging the attention of the Committee since 1958-59. The Committee regret to find that the two fundamental problems viz. (i) high cost of production of milk and (ii) unrealistic pricing of milk issues, have not yet been tackled.

The cost of production of Rs. 1·68 per litre during the year 1962-63 was more than twice the average market rate of Rs. 0·76 per litre. The free issues of milk which constitute 92·4 per cent of total issues were priced at the average rate of Rs. 0·86 per litre for standard milk against the average purchase rate of Rs. 0·70 per litre for whole milk and the average payment issue rate of Rs. 0·75 per litre. The Committee feel that pricing the free issues of milk at a rate higher than the average purchase rate or the average payment issue rate is a device merely to camouflage the losses, and as such, it does not reflect correctly the working of Military Farms.

Two Expert Committees have gone into the detailed working and accounting system of the Military Farms. The Remounts, Veterinary and Farms Reorganisation Committee which went into the various aspects of the working of the Military Farms made certain recommendations in May, 1959 to reduce the cost of production. These recommendations, though accepted by Government, have not yet been fully implemented. (Out of 128 recommendations made by this Committee, 100 were stated to have been implemented, but

some of the major recommendations were still under consideration). The Committee regret that the recommendations made in 1959 have not yet been fully implemented, and that some of the major recommendations still await complete examination. Another Expert Committee which went into the accounting system of the Military Farms submitted its report in November, 1962, but its recommendations have also not yet been implemented. Here again this undue delay in implementing these recommendations is regrettable.

The Committee desire that the implementation of the recommendation of the R.V.F. Re-organisation Committee and the Expert Accounting Committee which has already been considerably delayed should be expedited and the system of accounting of the Military Farms should be put on a scientific basis. The Committee also suggest that the working of Military Farms should be kept under constant review so as to reduce the cost of production of milk and to make the farms viable units.

In para 9 of their Seventeenth Report (Third Lok Sabha) the Committee had suggested that the feasibility of entrusting the supply of milk requirements of Units and formations to Civil Organisations might be examined in consultation with the Ministries of Finance and Food and Agriculture. They would like to know the outcome of this examination.

The Committee regret to point out the following unsatisfactory features of this case:—

- (i) There was a failure on the part of the Camp Commandant to report till November, 1962 about the unauthorised

occupation of the Government buildings comprising an area of 3280 sq. ft. from January, 1951 onwards.

- (ii) There was a failure to appoint a survey board before the expiry of the lease agreement on 31st December, 1953 to assess the compensation payable to the contractor for the improvements effected by him in the cinema hall and also failure to terminate the lease agreement on that date. This resulted in the contractor obtaining an injunction from the Court in May, 1955 restraining Government from evicting him till the dispute was settled in arbitration.
- (iii) There has been inordinate delay in concluding the arbitration proceedings. The arbitrator appointed in March, 1956 could not complete the arbitration proceedings before his retirement in 1959. After his retirement, no effective steps were taken to settle the dispute. The result is that the court injunction issued against Government in May, 1955 is not yet vacated even after about 10 years.
- (iv) Under the advice of the Ministry of Law, no rent has been accepted from the Contractor since 31st October, 1957. According to Audit, the rent accumulated for recovery

is Rs. 2.5 lakhs. The Committee feel that the question whether under these circumstances the rent could be accepted under protest without prejudice to the legal position should have been specifically examined.

The Committee desire that the matter should be fully investigated with a view to fixing responsibility of the officers concerned for the various lapses.

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Defence

The Committee are unhappy about the inordinate delay in the finalisation of both these cases relating to the Stadium and Race Course Cinemas. They desire that vigorous efforts should be made to finalise them. The Committee would like to be informed about the progress of these cases.

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While the Committee appreciate that there are difficulties in coming to a decision regarding disposal/utilisation of buildings lying unused due to changes in requirements of the Army arising from time to time and each case had to be examined fully, they feel that such examination should not take several years. In case there is no reasonable chance of the properties being required in a forceable future, action should be taken to dispose them of, as the delay only results in heavy expenditure on watch and ward and deterioration of buildings. The Committee hope that as a result of the instructions issued by the Ministry and the proposed delegation of powers to the lower authorities to dispose of surplus buildings, undue delay in their disposal will not occur.

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22	23	Defence	The Committee find little justification for retention of the building after September, 1963 when the decision regarding the location of troops had been finalised. They feel that the expenditure on rent (Rs. 1,500 per month) and on watch and ward after September, 1963 was avoidable.
23	24	—Do—	The Committee hope that gaining experience from this case, necessary action will be taken by the supply depots to maintain better co-ordination with the consignor farms in regulating supplies of hay to the depots. The supply depots should also take necessary action to provide adequate storage accommodation for hay to prevent its deterioration during monsoon.
24	25	--Do--	The Committee are surprised to find how vacillating and dilatory the Ministry had been in deciding about the utilisation/disposal of these chassis. 132 Sucoe chassis had been found unsuitable for signal specialised role as early as 1952 and had been recommended for use in G.S. role. But the question of their unsuitability for the other role also and their disposal could not be finalised till 1963. The Public Accounts Committee (1959-60) were distressed at such delays as happened in this case and had expressed the opinion that only expeditious action in such matters would be in the best interest of Government. It is regrettable that even after the observations of the Committee, the question of utilisation/disposal of these 132 chassis was not finalised expeditiously. The Committee hope that

such cases will not recur, and that these chassis would now be disposed of without further delay. The Committee would further like to reiterate that prompt action in such cases would be in the best public interest.

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—Do—

The Committee are surprised to note from the statement furnished that in one case the circumstances in which air-lift was allowed are 'not known' and in another case a complete detail of airlifts, etc., is neither available with Army authorities nor with the Air Force authorities. These instances indicate that airlifts are being allowed without proper scrutiny and without maintaining proper records, which is objectionable. While the Committee appreciate the need for providing airlifts for mercy missions or in emergent cases, they desire that the Ministry should carefully examine and issue suitable instructions so that airlifts are allowed only in suitable cases within the framework of rules and not in violation thereof.

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The Committee note that 21 cases of airlifts still remain to be regularised. The Committee also feel concerned about the delay in regularisation of the outstanding cases of airlifts not covered by sanction of Government. They hope that suitable steps would be taken by the Ministry to minimise such delays.

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—Do—

This case brings out avoidable purchase of imported stores (atomisers, shrouds and sleeves) of modified pattern at a cost of Rs. 6.92 lakhs, which led to unnecessary over-stocking, not expected to be

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needed for some years. The Committee are unhappy to note the explanation of the Defence Secretary that this mistake occurred due to the lack of technical knowledge on the part of the provisioning authorities. In view of the fact that Air Force provisioning authorities had insufficient technical knowledge about the equipment, the question of inter-changeability of the parts of the new and old models should have been made clear with the manufacturers before placing an order for the modified parts in August, 1960. It is also not clear why this question was not settled even after receipt of supplies against the order of August, 1960 and before placing further orders for the new models in January and February, 1962. As there is an overall scarcity of foreign exchange, such a mistake resulting in over-provisioning of stores becomes serious. The Committee hope that adequate steps will be taken by the Air Force Authorities to avoid such mistakes in future. The Committee also hope that suitable measures would be taken to overcome the drawback of "insufficient technical knowledge" in such important matters.

The Committee regret to point out that this is another case of over-provisioning involving avoidable purchase of 12 numbers of the item of ground equipment at a cost of Rs. 74,000. The Committee note that, though in August 1961 the scale of the item was drastically curtailed, a further demand was placed for the same item in November, 1961. The Committee were informed that due to the increased operations of the aircraft during the Emergency, the

stores were no longer surplus. The Committee hope that such cases of maintenance of duplicate cards for the same item which resulted in over-provisioning would not recur. They also suggest that during periodical physical verifications of stores, an attempt should be made to detect duplicate cards opened for the same item of equipment.

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Defence

The Committee feel concerned over the gross over-provisioning of spares which were ordered in this case on the basis of the manufacturer's recommendation. Out of 8 items valuing Rs. 2.42 lakhs, the entire stock of 7 items valuing Rs. 1.22 lakhs, has been lying unutilised ever since the purchase, and the remaining one item has been utilised in a very small number. The Committee feel that on the basis of past experience the Ministry should have taken more precaution while ordering spares at the manufacturer's recommendation. The Committee suggest that the feasibility of including a provision in such contracts that surplus spares would be returned to the manufacturers at their cost, might be examined.

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The Committee also desire that the Ministry should take steps to review the position of spares and ensure that the hold up in the execution of repairs of the flame tubes is reduced to the minimum.

The Committee feel that since instances of over-provisioning of stores are the annual feature of this Ministry, a positive and effective action should be taken by the Ministry to stop this.

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—Do—

The Committee take a serious view of a long time taken (about 15 years) to finalise the disposal of the assets. The delay in disposal not only resulted in deterioration of the assets but also involved

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a heavy expenditure on watch and ward. The Committee suggest that a suitable departmental probe may be made to find out causes of delay at different stages with a view to avoid them in future and also to fix responsibility for losses resulting from deterioration of assets over a long period.

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Defence

The Committee regret to observe lack of proper planning and forethought in the purchase and installation of the crash barriers. Although in the case of the first crash barrier purchased in 1958, difficulty regarding the unsuitability of the runway was experienced, no steps were taken to remove similar difficulties before or immediately after ordering 8 more crash barriers. Had necessary action been taken in time, the crash barriers would have been utilised immediately after their arrival. The Committee would like to know the action taken against the officers responsible for bad planning and delay in this case.

The Committee hope that the remaining three crash barriers which have yet to be installed would be brought into use early.

This is yet another case of bad planning. The equipment costing Rs. 3.78 lakhs received in May, 1959 has not yet been installed. At the time of ordering the equipment, it should have been known that an air-conditioned building would be required for its installation and necessary action initiated in that direction. It is also re-

grettable to note that the proceedings to acquire land for the building were started only in 1962 i.e. 3 years after the arrival of the equipment.

31            32            --Do--

The Committee feel concerned to learn that there are similar cases in other Services also where buildings etc. required for installation of various equipment were not completely by the time of their arrival. They would like to know the methods devised by the Ministry to prevent recurrence of such cases.

32            33            --Do--

The Committee are not happy over the delay that occurred in the present case in establishing electropolishing facilities for want of a suitable rectifier, which resulted in heavy accumulation of turbine blades requiring electropolishing. In addition to the large number of blades requiring electropolishing (4000 in January 1964) affecting working of the Air Force, the delay in starting the project also resulted in an extra expenditure of £1600 (Rs. 21,333) in the shape of payment of technical liaison fee to the foreign collaborators. While the Committee appreciate the anxiety of the Technical Committee to procure the rectifier indigenously, they regret that no serious efforts were made to obtain it. The Committee are surprised that even the correct specifications of the rectifier were not obtained from the manufacturers at the time of entering into an agreement in 1958. Again after obtaining the specifications in 1959, the D.G.S.&D. was not approached to procure the rectifier indigenously. The fact that the rectifier was subsequently available indigenously indicated that there was failure previously to find out one in the country. The Committee feel that the urgency of the project was not felt because of the large stock of new blades being

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			available for replacing those needing electro polishing. The Committee hope that such delays would be scrupulously avoided in future.
33	34	Defence	The Committee regret to note that the saving in manpower expected as a result of installation of automatic accounting machines has not been achieved. It is surprising that the output of the Air Force Operators is less than 50% that of the firms' operators. It is not known whether less output of the Air Force operators is due to their inexperience in operating these machines. If so, the Air Force operators should be intensively trained in operating these machines so that the anticipated saving in manpower is achieved at an early date.
34	35	—Do—	The Committee view with concern the action of the Air Force authorities to levy entrance fee for the static exhibition without prior approval of Government and to transfer the excess receipts of gate money (Rs. 46,706) to private funds (Air Force Benevolent Association and Unit Welfare Funds). The Committee hope that such cases will not recur.
35	36	—Do—	The Committee feel concerned over the delay in finalisation of the provisional payments made to the H.A.L. for purchase of aircraft, supply of spares and services rendered. The outstanding of Rs. 142.40 lakhs as on 31-12-1963 included an amount of Rs. 117.30 lakhs relating to the projects completed by June, 1961. As desired

by the Committee a note stating the latest position of the adjustment of this amount has been furnished (Appendix X).

The Committee desire that the Ministry should find out the real bottlenecks in the finalisation of the payments after completion of the jobs and take special steps to ensure that the timelag in this regard is minimised.

36            37            —Do—

The Committee regret to note that an amount of Rs. 28·29 lakhs out of the total advance of Rs. 77·15 lakhs is still to be adjusted after more than five years. They hope that efforts would be made to expedite the adjustment of the outstanding amount.

37            38            —Do—

(i) Article 6 of the contract with the firm provides:—

“If some modifications could be carried out in order to improve the stores to be supplied as per Appendix II, the seller will advise the buyer accordingly and if these modifications involve financial effect the buyer shall notify his decision to the seller within one month after he has been advised by the seller.”

The Committee are really surprised that despite this provision in the contract the firm did neither supply any flame tubes for 18 months (from June 1957 upto January 1959) nor did they notify the buyer about the modification made therein involving financial implications (higher cost of Mk IV) during this long period. (The firm advised about this only in January 1959 i.e. 18 months after the conclusion of the agreement).

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The Defence Secretary urged that in the case of purchase of such proprietary items, the Ministry had no option even if the manufacturers charged ten times the price. Upto a certain extent, the Ministry were at their mercy. He, however, added that all the firms were not unreasonable. But if a firm took a firm line, the Ministry had either to scrap the aircraft or improvise some alternatives which were extremely difficult to effect, because the safety of the aircraft was also involved.

The Committee do not consider this a happy state of affairs under which the Defence Ministry have no alternative but to accept the terms laid down by the firms however unreasonable these might sometimes be. The Committee desire that the Ministry should take a serious note of this aspect and take necessary measures to remedy such a situation. They feel that in the matter of procurement of Defence stores the Ministry should not be at the mercy of the manufacturers.

(ii) The Committee find it difficult to appreciate the vacillating attitude adopted by the Air Headquarters in regard to Mark IV flame tubes in first refusing to accept these tubes, then deciding to accept 875 numbers and to return the balance 558 numbers and eventually accepting the entire lot of 1433 which was despatched by the firm without prior concurrence.

(iii) The Committee find that one of the considerations which weighed with the Ministry for the purchase of Mk IV flame tubes (costing Rs. 1734 each) in lieu of Mk III flame tubes (costing Rs. 1,118 each) was the claim of the firm about the technical superiority of Mk IV tubes. The average life of Mk IV tube (i.e. sum total of first and second lives) was claimed to be 50% more than the average life of flame tube Mk III. The first life of Mk IV tube has proved to be 35% higher. Its second life has not yet been tested. The Committee desire that the Ministry should watch the second life of the tube in order to verify whether the claim of the firm about 50% higher average life of Mk IV tube over Mk III tube is substantiated in actual use. The Committee would like to be informed about the outcome of these tests.

38            39            Defence

The Committee would like to know the action taken to fix responsibility of the supervisory staff for their contributory negligence which facilitated the offence.

39            40            —Do—

(i) The Committee are for from happy at the delay in establishing workshop facilities for reconditioning of fuzes. They feel that inspite of the urgency of this project due attention was not paid to it and the work was carried on in a most leisurely fashion. In March, 1958 this work was proposed to be started urgently to meet the war reserve requirement of fuzes. The procurement of components tools etc. for which sanction was accorded in April, 1958 took five years to materialise. (According to the information given to the Study Group during their tour some of the parts are yet to be received). An airconditioned building, the necessity for which was known in

1958 was sanctioned only in July, 1961 and it was completed in December, 1964. The Committee feel that with better planning of air-conditioning facilities and closer liaison with manufacturers for supply of components, tools etc., the delay in starting the work could have been substantially reduced. The net result was that the urgent requirements of 1958 had not yet been fulfilled. The Committee suggest that important projects like the one mentioned in this para pertaining to operational requirements should be given top priority and delays at different stages should be scrupulously avoided.

(ii) The Committee also feel that the present repair output of fuzes *i.e.* 50 per day is not adequate to meet the urgent requirements of the Navy for these fuzes, as it would take about 5 years to repair the lot (71,500 fuzes). The repair work has already been delayed by more than 6 years. The Committee therefore suggest that immediate steps should be taken to augment the capacity adequately. For this purpose the possibility of carrying this work in collaboration with the Gun and Shell Factory at Cassipore (or any other ordnance factory) should be carefully examined.

(iii) The Committee would also like to know the outcome of the trial conversion being carried on 100 fuzes from Army stock in collaboration with the private firm.

The Committee regret to note the delay in installation of these costly machines which resulted in delaying the training programme.

They regret to note that even though the order for machines was placed in 1956, no action was taken till the middle of 1961 for designing the foundations for installation of these machines. There appears to have been no coordination in ordering the machinery and its installation. The Committee also feel that the Military Engineers Service who were entrusted with the designing of the foundation in June 1961 have taken unduly long time in finalising the lay out. They would like to know about the progress made in the installation of the machines and their utilisation.

(ii) The Committee note that the Admiralty has agreed that the starting equipment formed part of the original order placed for the complete engine with connected equipment. The Committee, therefore, feel that price charged for the complete engine (Rs. 7.39 lakhs) should also include the price of the starting equipment. They suggest that this question should be taken up with the Admiralty.

The Committee regret to observe that this case is indicative of lack of proper planning and coordination. Before ordering the equipment for electrical training, the desirability of introduction of electrical training facilities in this college should have been fully considered, and the facilities already available in the other training establishment should have been kept in view. The Committee regret that this was not done and it resulted in avoidable duplication. It is also regrettable that after the completion of the first training course, the Naval Headquarters took two years in deciding about the

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location of the electrical training facilities. The Committee are also not happy about the long time taken to start the connected civil works for the remaining equipment costing Rs. 0·30 lakhs received during 1957—59. The Committee hope that such delays would be avoided in future.

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Defence

The Committee regret to note that this is yet another case of lack of planning. The equipment received during the years 1956 to 1960 had not yet been installed, with the result that the utilisation of equipment for training purpose had been inordinately delayed. It is also astonishing to note that the guarantee period of one year had long since expired even before the equipment had been unpacked. In the opinion of the Committee it is no consolation to be assured that the equipment is not likely to deteriorate. It is regrettable to note that if the equipment does not work satisfactorily after installation, the Ministry will have already forfeited the valuable right to invoke the guarantee.

The representative of the Ministry of Defence admitted during evidence that considering the importance of the training scheme, it was a mistake to postpone the construction of the connected building from phase III to phase IV of construction programme at the station. The equipment was received in 1956—60, the sanction for the construction of building was accorded in June, 1961, and the tenders were called in June, 1962. The Committee view with concern these delays at different stages. The Committee also observe

that there was avoidable delay in according sanction for the construction of the building and also in calling for the tenders for the same. The Committee note that instructions have been issued in February, 1964, that connected civil works in respect of important and valuable equipment ordered from abroad should be planned well in advance so that the buildings were almost ready by the time the equipment was expected to arrive. They hope that there will be proper planning in future of civil works for installation of important and valuable equipment.

43                      44                      —do—

While the Committee note the Ministry's action not to cancel the orders because of its expected utilisation in other ships and fear of financial repercussions, they regret to find that the equipment could not be put to use for 7 to 9 years. They would like to know about the installation of the remaining 6 sets.

44                      45                      —do—

The Committee are not satisfied with the delay that has occurred in this case in finalising the terms with the private oil company and making recoveries from the firm according to the revised agreement. Pending the final settlement, at least provisional payment according to the revised rates could have been obtained from the firm. The Committee hope that such inordinate delays would be avoided in future.

45                      46                      —do—

(i) The Committee are unhappy over the inordinate delay of over 5 years in the utilisation of the hospital building which was completed in May 1958. It is surprising that at the time of approval of the

construction of the building, the question of entitlement of the industrial staff to the medical facilities, for whom the hospital had been planned, was not properly examined. The Committee suggest that the circumstances in which this important lapse took place in the initial stages might be investigated and suitable action taken against persons found responsible.

The Committee are also not satisfied over a period of three years being taken in deciding the question of entitlement of industrial workers to the medical facilities in the hospital and a further delay of three years in recruitment of staff etc.

(ii) The Committee suggest that the hospital facilities should be extended to the non-industrial workers also (including their families) who have been allotted 43 per cent of the quarters in the Pawai colony. If necessary, a suitable contribution, as in the case of the Central Government Health Scheme may be realised from the non-industrial workers, for extending the hospital facilities to them.

46                      47                      Defence

The Committee suggest that for proper and effective functioning of the Hospital an ambulance car may be made available to the Pawai hospital which is situated far away from Bombay city.

47                      48                      —Do—

The Committee suggest that the feasibility of providing a suitable train stoppage near the colony may be examined in consultation with the Ministry of Railways.

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49

—Do—

The Committee are not satisfied over the delay of more than three years in sanctioning airconditioning for the building, in the absence of which the building (completed in January, 1963) still remains to be utilised. The Committee have in the past emphasised proper planning of works so that the connected services can be completed simultaneously with the buildings. They desire that the Ministry should be more careful in planning such works in future.

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—Do—

The Committee regret to observe that though the reconstruction of an open furnace was sanctioned in December, 1951, mainly due to double the production and the bulk of the sanctioned amount has been spent (Rs. 25·59 lakhs out of Rs. 30·70 lakhs) yet the production has not been achieved even after 13 years. This case indicates delay and lack of planning at every stage in the execution of the scheme. The reconstruction of a basic furnace sanctioned in December, 1951 at an estimated cost of Rs. 15·20 lakhs was revised in 1959 to Rs. 30·70 lakhs (including Rs. 2·35 lakhs for a gas plant). This indicates how costly the delays proved to be. The basic furnace was completed in January, 1961, but a gas plant without which the furnace could not be run simultaneously with the existing furnace was not procured, although a provision of Rs. 2·35 lakhs for it had been made in 1959. A gas plant expected to be released by another factory has not yet become available. This has resulted in the steel production target of 28,000 metric tonnes per annum not being achieved. The Committee cannot approve the decision to delay the entire scheme of producing additional 15,000 tons of steel for a small item costing Rs. 2·35 lakhs for which a provision was also made in the revised scheme. This is a typical illustration of the

proverb "Pennywise pound foolish". The Committee are not at all impressed by the argument that the increased steel melting capacity would be required only after achieving the increased rolling capacity. There is an ever increasing demand for steel in the country and hence it was idle to suggest that the additional capacity would be required only after the rolling capacity was increased. Besides it was also stated that the additional steel if produced could be rolled elsewhere. If so, the delay in installation of the gas plant for working the two furnaces simultaneously becomes all the more serious.

The Committee also feel that there has been inordinate delay in completion of the scheme for increasing the rolling capacity of the factory which was sanctioned in 1958. The augmentation of the rolling capacity should have been completed simultaneously with the completion of the basic furnace.

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The Committee are unhappy to find delays and lack of planning at all stages in this case and hope that action would be taken to avoid them in future. The Committee feel that, such lack of planning and coordination and consequent delays can easily frustrate the very objective of these schemes.

In the absence of any firm commitment made by the Central Water and Power Commission in 1957 to undertake this work, it is

surprising why they were approached again in 1958 and 1960. This is yet another example of how avoidable delays have increased the cost. The Committee cannot appreciate the points urged in justification of this delay and feel that this was all avoidable. Particularly the Committee find no justification for not communicating the acceptance of the lower quotation (Rs. 1,62,384) till June, 1962 after the Central Water and Power Commission had finally expressed their inability to undertake the work in June, 1960. It is surprising that the decision to accept the tender received in December 1959 was taken only in June 1962. In the ordinary course of business the authority concerned should have requested for the extension of tender date. Prompt action in June, 1960 to accept the lower quotation might have saved Government of an extra expenditure of Rs. 85,000.

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From the above facts the Committee note that in 1955 the old boilers were condemned because of their being uneconomical although they were working and are still working. Even the increased requirement arisen after 1957 was met by the existing boilers. The Committee therefore see little justification for treating the project as urgent. If the urgency attached to the project was only "for sake of obtaining the Government sanction", as admitted by the Special Secretary during evidence, it would be in the Committee's view a matter to be taken serious notice of.

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It is not clear why no action was taken by the Director General, Ordnance Factories to cancel the order for the manufacture of two new gas generators required by the Rifle Factory, Ishapore, after

two gas generators became surplus in another factory in August, 1958. (The manufacture of these two new gas generators started only in May, 1960). Such a course would have saved expenditure on the manufacture of two new generators. The Committee regret to observe that lack of proper co-ordination between Director General, Ordnance Factories and the two factories resulted in this avoidable expenditure of Rs. 50,000. The Committee also asked the reasons for delay of three years in taking up manufacture of the two new gas generators. The D.G.O.F. stated that these gas generators were required for replacement of the existing ones in the factory in accordance with the normal prescribed procedure. But during the period 1956—60 there was hardly any work in the factory. Even assuming that the Rifle Factory, Ishapore, had no knowledge about the two surplus gas generators available from the second factory in August, 1958, the Committee are perturbed to note that there was inordinate delay in taking up the manufacture of new gas generators. The two generators were taken up for manufacture in May, 1960 and November 1962 and were completed in September, 1960 and March, 1963 respectively.

The Committee are unable to understand how the Director General, Ordnance Factories placed orders in 1954 for 280 pallet trucks for possible use in the factories in the absence of any firm requirements. (The actual requirement of the Ordnance Factories upto October, 1963 was only 195). Further, after the production for civil

trade was restricted to 10 trucks under the Government orders issued in March, 1957, no action was taken by the D.G.O.F. to reduce the order placed on the factory accordingly. This, the Committee feel, was a serious lapse. The Committee also cannot appreciate the components valuing about Rs. 74,000 lying in stock for 4 years, thus locking up funds and blocking much needed storage accommodation with attendant risk of losses. The Committee hope that, as assured by the Special Secretary, these components would now be utilised. They would like to be informed when the components are fully utilised.

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The Committee are surprised to know that the cost of production of camouflage nets in the Ordnance factories, is more than 2½ times that of the market price. What is more surprising, is the fact that the cost of material included in the production cost in 1961-62 and 1962-63 in Ordnance factories is more than the market price of finished nets. The Committee feel that due to various advantages of a large scale production, the cost of production of camouflage nets in Ordnance factories should be less than the prevailing market prices. The Committee were, therefore, not satisfied with the reasons given by the representative of the Ministry justifying this excessive cost of production in ordnance factories. They desire that the Director General, Ordnance Factories should analyse the cost of production of these nets and take suitable steps to reduce it. The Committee would also like to know the outcome of the investigation by the Director General, Supplies and Disposals regarding higher cost of the material procured for these nets through him.

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55	56	Defence	<p>While the Committee appreciate that the safes (meat and milk) manufactured by the Ordnance Factories conform to the appropriate standard laid down for this item, they cannot help feeling that the cost of production of Rs. 184 each is very much on the high side. The Committee desire that the D.G.O.F. should analyse the cost and explore the possibility of bringing it down to a reasonable level. The Committee would also like to know the outcome of the proposal to meet 25 per cent of the requirement from trade and the price paid as a result thereof.</p> <p>(ii) The Committee find that in some other cases also, cost of production by trade is less than the cost in Ordnance Factories. The Committee hope that efforts will continue to be made to bring the cost of production of these items to the level of market prices. When, despite such efforts, it is found that the cost of a particular item cannot be brought down reasonably near the level of market price, the question of discontinuing manufacture of such an item in the Ordnance Factory should be carefully examined.</p>
56	57	Do.	<p>In the opinion of the Committee the price of the particular type of scrap (sheet metal cuttings) which could be used for various purposes would always be higher than the market price of ordinary scrap. It is surprising that the D.G.O.F. discovered this only after the installation of the baling machine in the factory in January</p>

1959 as a result of which the baling machine became redundant immediately on its installation. The Committee regret to note that there was an initial lapse in determining the utility of baling machine in this case.

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Do.

The Committee are not convinced of the logic that the packing and forwarding charges of imported components which have substantially reduced in quantity and bulk should be the same as for the complete unit. They feel that the agreement was defective on this point and gave an unintended benefit to the firm. According to audit the unintended benefit accruing to the firm in respect of 5,840 trucks upto October, 1963 would work out to Rs. 15 lakhs. The Committee are not satisfied over the marginal reduction in the packing charges (i.e. the charges would be 10 per cent of the cost of components when it goes below Rs. 6,000) which the Ministry have been successful to secure from the firm. The Committee trust that the Ministry will be more careful while entering into future agreements.

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The Committee had in their Seventeenth Report (Third Lok Sabha) expressed their concern over the production of trucks lagging behind the planned targets and had expressed the desire that every effort should be made to adhere to the revised programme of production. The Committee regret to note the shortfall in production even according to the latest revised programme. They hope that vigorous steps will be taken to adhere to the revised programme. The Committee would like to watch the progress in this behalf through future Audit Reports.

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Defence

The Committee cannot understand why the defect regarding excessive oil temperature was not included in the Special Report of 27th August, 1958 on the standard performance road trials on the truck. The oil cooler which was necessary for the satisfactory performance of the truck should have been included in the list of items required under the agreement. It is regrettable that the detailed report about the performance of the truck was available only after the expiry of the stipulated period of 14 days of the conclusion of the agreement. As the Ministry were aware of this provision in the agreement regarding communication of any defects in the performance of the truck, the special report should have been available within this period. The Committee are also of the opinion that the agreement should have been signed only after the receipt and study of the detailed report. The Committee desire that the responsibility should be fixed in this case.

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Do.

The Committee are distressed at the halting manner in which the question of revision of the rent for the quarters had been dealt with by the Ministry after the need for revision was pointed out by Audit in August, 1949. The reassessment of rent was agreed to in principle by the Ministry after six years in July, 1955. There was a delay of another 3 years in appointing a board of officers to advise on reassessment of rent. The Board took another 3 years and submitted their report in February, 1961. The final decision on their recommenda-

tions has not yet been taken. The Committee are surprised that after this question had been thoroughly gone into by the Board of Officers, the Ministry again want to review the matter at this stage. The Committee find little justification for not implementing recommendations of the Board. The Committee desire that the final decision in the matter should be taken without any further delay.

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No.

The Committee regret to point out that there was inordinate delay in training the dogs. The dogs purchased in March, 1959 were placed on duty in September, 1961. (The second team of dogs started functioning from August, 1962). The Committee are also disappointed to note that the original expectation that each trained dog could replace about 12 men does not appear to have been fulfilled. In case of one of the two factories from which statistics have been collected, the reduction in strength has been stated as 11 posts (4 posts were actually surrendered in October, 1959 long before deployment of the dogs). The Committee suggest that the economies effected as a result of deployment of the security dogs, as also the improvement effected, if any, in security arrangements, should be properly assessed with a view to examining the desirability of introducing the system in other factories.

207

The Committee regret to note that the position of the outstanding vouchers in respect of the Air Force, credits for which could not be traced in the ledgers of the consignees continued to be unsatisfactory. The number of outstanding vouchers increased from 1899 as on 23rd July, 1963 to 4911 as on 30th September, 1963 which was stated to

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have been brought down to 2072 as on 31st March, 1964. While the Committee appreciate that the outstandings may be partly on account of current vouchers which take some time to be cleared, they feel concerned about the backlog of old vouchers pending for a number of years. In para 87 of their 17th Report (Third Lok Sabha) the Committee had recommended that a special drive should be undertaken to bring the stores accounts to a satisfactory level. The Committee regret to learn that the problem of shortage of staff to handle the work in equipment depots has not yet been tackled effectively. The Committee desire that effective steps should be taken to recruit additional staff, where necessary. They also suggest that in future additional posts should be sanctioned to cope with increased work immediately and not after several years as delay in such cases leads to accumulation of arrears in stores accounts. The Committee further desire that serious attention should be paid to store accounts in Air Force equipment depots.

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Defence.

The Committee are alarmed to learn for the first time about heavy accumulation of outstanding vouchers in the Ordnance factories. They trust that every effort will be made to clear the outstanding vouchers and avoid this accumulation in future.

The Committee suggest that an officer may be placed on special duty both in the case of Air Force as well as the Ordnance Factories to clear the accumulation of outstanding vouchers.

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The Committee are perturbed to note from the statement furnished by the Ministry (Appendix XV) that 20 vouchers out of these 21 had been outstanding since 1956-59. They would like to know the outcome of the court proceedings.

The Committee also find from the statement that 4 vouchers of the value of Rs. 69,034 relating to another private firm have been outstanding since 1952-53. They would like to know the reasons for non-clearance of these vouchers for such a long time.

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The Committee desire that revised rules should be finalised early.

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The Committee are not happy over the delay of one year in taking action by the Ministry of Defence to apply to the civilian officers on the Defence side, the revised scales of accommodation prescribed by the Ministry of Works, Housing and Supply in July, 1962. It is regrettable that no action was taken in present case on the suggestion made by Audit in October, 1962 to review the requirements of each class of quarters in the light of the revised scales prescribed by the Ministry of Works, Housing and Supply in July, 1962. Since the tenders for the project were issued nine months later in July, 1963, the Ministry should have revised the requirements. This failure resulted in the extra expenditure of Rs. 5 lakhs on the project. The Committee suggest that failure to bring to the notice of higher authorities the revised scales of accommodation in October, 1962 on being pointed out by Audit, may be investigated and responsibility fixed.

The redeeming feature of the case is that the quarters have actually been allotted to the officers who were entitled to them under the

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revised scales except in the case of one quarter of CI type. But, the Committee regret to note that as a result of this, the lower staff for whom the quarters had been built would remain without accommodation. The Special Secretary had assured the Committee that any shortage of accommodation as a result of this was being made up. The Committee would like to be informed of the action taken in this regard.

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Defence

The Committee feel concerned to note that the aircraft components valuing Rs. 35 lakhs (out of Rs. 51.47 lakhs) are surplus to the requirements according to the present estimate and are not likely to be utilised. It is not clear whether the over-provisioning of components was due to their having been ordered on the advice of the collaborators or due to lack of experience on the part of the Hindustan Aircraft Limited, as these two statements appear to be inconsistent. If the over-provisioning is due to the advice of the collaborators, the possibility of returning the surplus components should be explored.

The Committee hope that necessary measures would be taken to avoid recurrence of such cases of over-provisioning.

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The Committee regret to observe that in spite of introduction of the revised procedure from June 1961 whereby debits are raised against Government Departments on the basis of proof of despatch, the outstanding dues continue to be heavy. They desire that vigorous

efforts should be made to liquidate the outstanding dues relating to Government Departments and also private parties.

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Defence

(i) The Committee understand from Audit that the scaling down of the claim from Rs. 41 lakhs was mainly due to deduction of Rs. 8.60 lakhs for "shortfall items". The Committee would like to know when the settlement with M/S Telco was arrived at, the circumstances in which a large deduction of Rs. 8.60 lakhs had to be made for "shortfall items" and when the amount as finally settled was received from the firm.

(ii) The Committee desire that the recoveries of outstanding dues from Government departments and private parties should be expedited. The Committee hope that necessary measures will be taken to avoid heavy accumulation of outstanding dues from private parties and Government departments in future.

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(i) The Committee feel concerned over the heavy outstanding dues of rent. They note with regret that a sum of Rs. 2.02 lakhs is outstanding against Departmental Officers released/retired or who have left India. The Committee would like to know the circumstances in which recoveries of rent etc. could not be made in such cases before these officers were released, retired or were allowed to leave India. (Normally a no demand certificate has to be issued before the pension or other dues in such cases are finalised). Another distressing feature in this case is the heavy outstanding of Rs. 25.80 lakhs against private parties

who are required to pay rent in advance as per Regulations of M.E.S. The Committee feel that there is a failure in observing the prescribed rules. They suggest that the outstandings against private parties may be reviewed afresh and immediate action taken to effect the recoveries.

(ii) The need for expeditious recovery of outstanding rent dues has been emphasized by the Committee from time to time, but there is no perceptible improvement in the position. The last Committee [cf. para 28 of Seventeenth Report of PAC (Third Lok Sabha)] were informed that special staff was being appointed both at the Headquarters and in the Commands to tackle the problem. The Committee desire that effective steps may be taken to realise the outstandings from all the parties. The Committee desire that (a) a special officer for this duty of clearing these dues should be appointed forthwith, (b) he must take the progress reports every fortnight, and (c) the Committee should be informed of progress made in due course.

213

The Committee are unhappy at the loss of cash in the Cantonment Board Dehu amounting to Rs. 2,23,726. They desire that necessary remedial measures including the tightening up of supervision should be taken to avoid recurrence of such cases. The Committee would like to know in due course about the outcome of the criminal proceedings against the accused officers and the departmental action

taken in this case. The Committee would also like the Ministry to examine carefully how the misappropriation of such a large amount occurred without prompt detection and whether there is any lacuna in the existing procedure for supervision and internal check which requires to be filled up.

The misappropriation in this case came to light in August, 1962 but the head clerk was arrested and suspended from duty in June, 1964. It is not clear to the Committee why it took nearly two years to establish a suspicion of complicity against the head clerk. The Committee desire that the circumstances leading to the delay should be examined with a view to ensuring that the completion of investigation in future cases of this nature does not take an unduly long time.

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The Committee are surprised that in spite of a clear provision in the lease agreement that Government shall hand over the premises in the same condition as they were at the time of commencement of tenancy, the officers concerned failed to clear the Government assets before handing over the building to the owner, and there was inordinate delay in accepting the offer of the owner's representative for the Government assets. In view of the fact that the owner had been sending rent bills monthly even after taking over the building, necessary action should have been taken either to accept her offer or dispose of the assets otherwise. The Committee are alarmed at the

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gross negligence on the part of the officers concerned which has resulted in unnecessary payment of rent and interest amounting to Rs. 33,314 together with the cost of suit (not yet assessed) in the high court, merely because some small assets (which fetched only Rs. 130) were not disposed of in time. The Committee are not satisfied over the casual manner in which the investigation was made in 1956. They note that the Ministry have called for relevant papers for further examination of the case with a view to pinning down responsibility. Since this has already become an old matter, the Committee desire that the examination should be completed within six months and action finalised without further delay. The Committee would also like to know the outcome of further investigation and action taken against the officers concerned.

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The Committee are unable to agree with the view of the Chief Engineer. The action of the subordinate in making entry in the Measurement Book in anticipation of the receipt of the 'Charpoys' was a serious irregularity as it involved the deliberate falsification of an important initial record. All this happened as there was an attempt to show the available funds as utilised even though the materials had not actually been received. The attempt to evade rules to cover up the matter by making a false entry resulted in loss of Rs. 45,219 in this case. The Committee desire that non-observance of rules in such cases should be viewed seriously in future and suit-

able action taken in this case both against the subordinate and against the officer who directed that the funds should be withdrawn and kept in deposit. The Committee would also like to know whether any departmental action was taken against the contractor.

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The Committee feel concerned to find increase in the number of outstanding objections to 59,721 as on 30th September, 1963 from 55,188 (as on 30th June, 1962) when the Committee considered the matter last year (*vide* para 92 of their Seventeenth Report—Third Lok Sabha). The Committee were then informed that it had been decided to constitute a small committee at each Command Headquarters and also at the Centre to dispose of audit objections expeditiously.

The Committee suggest that the Controller General, Defence Accounts should examine the feasibility of indicating in his future certificates the number of cases in which substantial amounts are awaiting recovery or (b) have been irregularly spent and/or lost and are awaiting regularisation for more than one year.

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The Committee are surprised that although a decision was taken as early as 26th May, 1953 by the Board of Control of the Canteen Stores Department (India) to take over the service cinemas run by private contractors, some cinemas are still being run by private contractors even after lapse of about 12 years (According to the information received from the Services Headquarters so far, 9 cinemas are

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still run by private contractors). The Committee would like to know when the leases of these 9 cinema contractors expired after May 1953, and why on expiry of their leases, it was not possible to implement the decision of the Board of Control of the C.S.D. The Committee would like to know the present position in all these cases.

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The Committee are alarmed at the occurrence of such a large number of cases of mis-appropriation, frauds etc. in the Defence organisation in spite of rigid security measures and vigilance arrangements existing therein. What is more surprising, the Defence Departments could detect only about 1/5th of these cases, the remaining were taken up by the S.P.E. on their own. This indicates that there is some slackness in supervision and vigilance in the Defence Department. They suggest that the Ministry should review the present vigilance arrangements at various levels and take necessary action to strengthen them.

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The Committee feel concerned over the delay in the disposal of the cases for departmental action, some of which have been pending for more than three years. They desire that the Ministry of Defence should examine the difficulties in the disposal of these cases and take necessary action to overcome them. The Committee would like to be informed about the progress made in this behalf.

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24.	The Central News Agency, 23/90, Connaught Place, New Delhi . . . . .	15	31.	The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi . . . . .	88
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29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi . . . . .	68	<b>AGENTS IN FOREIGN COUNTRIES</b>		
30.	People's Publishing House, Rani Jhansi Road, New Delhi . . . . .	76	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C. 2. . . . .	59



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