

HUNDRED AND THIRTY-FIRST REPORT

PUBLIC ACCOUNTS COMMITTEE (1987-88)

(EIGHTH LOK SABHA)

MILITARY ENGINEER SERVICES
MINISTRY OF DEFENCE
[Action taken on 93rd Report (8th Lok Sabha)]



Presented to Lok Sabha on 28 April, 1988

Laid in Rajya Sabha on 20 April 1988

**LOK SABHA SECRETARIAT
NEW DELHI**

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PUBLIC ACCOUNTS COMMITTEE (8TH LOK SABHA)

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(1987-88)**

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* Ceased to be a Member of the Committee consequent on his retirement from the Rajya Sabha w.e.f. 2.4.1988.

(iv)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Thirty-First Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 93rd Report (Eighth Lok Sabha) on Military Engineer Services.

2. Due to increase in the fleet strength at the Naval Base 'G' need for the construction of a jetty was recommended as early as in December, 1970. It took about 8 years for according administrative approval for the construction of 1200 feet jetty in February, 1978. Even thereafter the construction work was not taken up seriously. The work which was initially expected to be completed by February 1981 at a cost of Rs. 3 crores was eventually completed after an inordinate delay of 5 years in 1986 at an increased cost of Rs. 3.98 crores. Even on completion the jetty could not be commissioned for want of water and power supply and non-completion of dredging operation and the jetty was inaugurated as late as on 12.6.1987. The Committee have taken a strong view of the lack of seriousness on the part of the concerned authorities for the completion and commissioning of the jetty in question. The Committee have reiterated their earlier recommendation that the Government should thoroughly go into all the issues involved with a view to fixing responsibility and taking remedial measures for obviating recurrence of such lapses in future. The Committee have also desired to know the outcome of arbitration on the recovery of additional cost of Rs.0.98 crore from firm 'AX'.

3. The Committee have been deeply concerned to note that about an year has already elapsed since the presentation of their earlier report to Parliament on 29.4.1987, yet there is virtually no progress in taking action against the officers found guilty of complete lack of supervision by CBI and the two departmental inquiries in the execution of the contract for the construction of an overhead tank 'C'. The writ petition filed by the Chief Engineer found guilty by the CBI investigations in Central Administrative Tribunal was allowed on 29.1.1987, on the ground of limitation of four years time. Surprisingly, since 29.1.1987, the Ministry have not been able to obtain legal advice from their own Legal Adviser for filing a special petition against the decision of the Tribunal. According to the

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Committee the Ministry have also miserably failed to finalise disciplinary action against the Assistant Executive Engineer found guilty by the CBI and other senior officers like Superintending Engineers and the AE/AEE etc. found guilty as a result of departmental inquiries. Due to this lackadaisical approach on the part of the Ministry, an officer found guilty has since retired. The Committee have deplored this utter failure on the part of the Ministry to bring to book the persons found guilty. The Committee have strongly recommend that conclusive action on the basis of all the investigations should be taken immediately so that the persons found guilty are brought to book without any further delay.

4. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 18 April, 1988. Minutes of the sitting form Part II of the Report.

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

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

NEW DELHI;
1 April 20, 1988
Chaitra 31, 1910(S)

AMAL DATTA
Chairman,
Public Accounts Committee.

REPORT

CHAPTER I

1.1 This Report of the Committee deals with the action taken by Government on the Committees's recommendations/observations contained in their report* on Military Engineer Services.

1.2 The Committee's report presented to Lok Sabha on 29th April, 1987 contained 33 recommendations/observations. Action Taken Notes on all these recommendations/observations have been received from the Ministry of Defence. The action taken notes have been broadly divided into three categories as indicated in Appendix I.

1.3 In the succeeding paragraphs the Committee deal with action taken on some of their recommendations/observations.

Delay in the construction of Wharf/Jetty

(S. Nos. 10 to 13 - Paras 139 to 142)

1.4 Due to increase in the fleet strength at the Naval Base at station 'G', the Board of Officers recommended in December 1970 the construction of a 1200 feet wharf. In April 1972, the cost of construction of the wharf was estimated at Rs. 798.55 lakhs. After about 2 years in January 1974, the Chief Engineer, Dry Dock, entrusted with the execution of the work opined that construction of the wharf at the site was neither technically feasible nor economical.

1.5 Thereafter the Chief Engineer Dry Dock, took more than 2 years to propose 4 alternatives, 3 for construction of wharf and one for construction of jetty in lieu. There was further delay of more than 1-1/2 years in according of the Administrative approval for the construction of 1200 ft. jetty at an estimated cost of Rs. 761.31 lakhs which was issued in

* 93rd Report (8th Lok Sabha) on paragraph 20 of the Report of the Comptroller and Auditor General of India for the year 1984-85, Union Government (Defence Services) relating to Military Engineer Services.

February, 1978. The main contract for construction of jetty was concluded in February, 1979 with firm 'AX' for a lump sum of Rs. 3 crores. By 1 February 1982, when the progress registered was assessed to be worth Rs. 1 crores, the work came to a stop due to labour problems which eventually resulted in the cancellation of the contract with this firm in October, 1982. The contract was revived on 17.1.1983 but it was again cancelled on 2.9.1983.

1.6 A fresh contract for the balance work was concluded in March, 1984 with firm 'BX' at the risk and cost of defaulting firm for Rs. 2.98 crores. The work was finally completed on 30.4.1986.

1.7 Thus the work which was initially expected to be completed in February 1981 at a cost of Rs. 3 crores was eventually completed after an inordinate delay of 5 years in 1986 at an increased cost of Rs. 3.98 crores implying percentage increase of 33. The Committee had also noticed that even after such a delayed completion the jetty could not be commissioned for want of power and water supply and non-completion of dredging operation.

1.8 The delay in commissioning of the jetty also resulted in the additional avoidable expenditure of about Rs. 11.32 lakhs on account of total berthing charges during the years 1981 to 1984. The Committee had strongly deprecated the lack of planning in the execution of the project, and had recommended that the Government should go into the relevant issues and fix responsibility and take further remedial measures in the matter.

1.9 The action taken notes on the recommendations in Paragraphs 139 to 142 furnished by the Ministry of Defence are reproduced in Chapter IV of the Report. The Ministry of Defence have stated that the main reasons for delay in the completion of the jetty are as follows:-

- (a) Being a sophisticated project several expert agencies had to be consulted.
- (b) Soil exploration in the sea is a time consuming process. Final design parameters can be fixed after this process only.
- (c) The project went into a rough weather of inter-union rivalry among various wings of labour union.
- (d) The labour problem did not improve despite intervention at highest level.

1.10 In view of the above reasons the Ministry does not contemplate to take further action as recommended by the Committee earlier. According to the Ministry the jetty has already been commissioned and inaugurated by Chief of Naval Staff on 12.6.1987.

1.11 The arbitrator is stated to have not yet given his award with regard to the recovery of additional cost of Rs. 0.98 crores from firm 'AX'.

1.12 The Committee are convinced that there was a complete lack of planning and coordinated approach in the construction of the jetty in question. The need for such a construction was recommended as early as in December, 1970 due to increase in the fleet strength at the Naval Base 'G'. It took about 8 years for according administrative approval for the construction of 1200 ft. jetty in February, 1978. Even thereafter the construction work was not taken up seriously. The work which was initially expected to be completed by February 1981 at a cost of Rs. 3 crores was eventually completed after an inordinate delay of 5 years in 1986 at an increased cost of Rs. 3.98 crores. Even on completion the jetty could not be commissioned for want of water and power supply and non-completion of dredging operation and the jetty was inaugurated as late as on 12.6.1987. The Committee take a strong view of the lack of seriousness on the part of the concerned authorities for the completion and commissioning of the jetty in question. The Committee reiterate their earlier recommendation that the Government should thoroughly go into all the issues involved with a view to fixing responsibility and taking remedial measures for obviating recurrence of such lapses in future. The Committee would like to know the outcome of arbitration on the recovery of additional cost of Rs. 0.98 crore from firm 'AX'.

Delay in finalisation of action against officers for lack of supervision

(Sl. Nos. 29 to 31 Paras 158 and 160)

1.13 Contract for the construction of an overhead tank 'C' of 6.81 lakhs litres capacity was concluded in July 1980 with firm 'CX'. The tank collapsed during test trials. The case at this stage was investigated both by the Departmental court of Inquiry and Central Bureau of Investigation. Both these investigations revealed complete lack of supervision by the concerned engineers.

1.14 In their report, the CBI had specially named 2 officers, the then Chief Engineer (P) and the Assistant Executive Engineer, responsible for the lapses. The Chief Engineer filed a writ petition in Central

Administrative Tribunal, which decided the case in his favour on 29.1.1987. The case against the Assistant Engineer was earlier stated to be under progress. The CBI had also suggested that action against the officers who were found guilty by a Departmental Court of Inquiry should be initiated. Action was stated to have been initiated against the concerned officers. In paragraph 158 of their Report, the Committee had recommended that the Government should take urgent steps to finalise these cases.

1.15 The action taken note furnished by the Ministry of Defence is reproduced in Chapter IV of their Report. The Ministry have stated that as the Tribunal on 29.1.1987 had allowed the petition of the Chief Engineer on the ground of limitation of 4 years time, the case has been referred to Legal Adviser (Defence) for advice for filing a special leave against the decision of the Tribunal.

1.16 About the 4 more officers held blameworthy by the Departmental Inquiry, charge sheets had been issued to three of them on 19.3.1987 whereas no action could be taken against one officer who had since retired. According to the action taken note, defence statements of these officers have since been received and are under examination.

1.17 The contractor re-built the tank at his own cost which collapsed again during the test trials. The matter about the second collapse was investigated only departmentally. As a result of this investigation, complete lack of supervision and negligence of duty was again established. Charge sheets to 3 officers of the rank of Superintending Engineer, 6 officers of the rank of AE/AEE and 3 subordinate staff were issued. Issue of charge sheets under pension rules against an officer already retired was under consideration. In paragraph 159 of the Report, the Committee had recommended that conclusive action on the basis of both the investigations should be taken immediately.

1.18 In their action taken note on paragraph 159 which is reproduced in Chapter IV of the Report, the Ministry have stated that disciplinary action against the officers based on the finding of the Court of Inquiry have been initiated as pointed out earlier.

1.19 The Committee were earlier informed that tenders to complete this tank at risk and cost of contractor have been issued by the Chief Engineer. The Committee had recommended that urgent steps should now be taken to have the tank completed satisfactorily.

1.20 In their action taken on paragraph 160, which is reproduced in Chapter IV, the Ministry of Defence have stated that tenders to complete the works with required modifications to drawings and specifications after rectifying the design lacuna at the risk and cost of the contractor have been issued.

1.21 The Committee are deeply concerned to note that about an year has already elapsed since the presentation of their earlier report to Parliament on 29.4.1987, yet there is virtually no progress in taking action against the officers found guilty of complete lack of supervision by CBI and the two departmental inquiries in the execution of the contract for the construction of an overhead tank 'C'. The writ petition filed by the Chief Engineer found guilty by the CBI investigations in Central Administrative Tribunal was allowed on 29.1.1987 on the ground of limitations of four years time. Surprisingly, since 29.1.1987, the Ministry have not been able to obtain legal advice from their own Legal Adviser for filing a special petition against the decision of the Tribunal. The Ministry have also miserably failed to finalise disciplinary action against the Assistant Executive Engineer found guilty by the CBI and other senior officers like Superintending Engineers and the AE/AEE etc. found guilty as a result of departmental inquiries. Due to this lackadaisical approach on the part of the Ministry, an officer found guilty has since retired. The Committee deplore this utter failure on the part of the Ministry to timely bring to book the persons found guilty. The Committee strongly recommend that conclusive action on the basis of all the investigations should be taken immediately so that the persons found guilty are brought to book without any further delay.

1.22 The Committee view with serious concern that no progress has been made after the presentation of their earlier Report even on the finalisation of the tenders to complete the works at the risk and cost of the contractor. It is deplorable that the overhead tank, contract for which was concluded as far back as in July 1980, has not become available for use so far. The Committee strongly urge that immediate steps should be taken to have the tank completed satisfactorily. Timely steps should also be taken to recover the additional cost from the defaulting contractor.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

Military Engineer Services (MES) is the largest single construction department in the country. It is responsible for providing works services to Army, Navy and Air Force and also for the Military Farms, Ordnance factories research and development establishment etc. Its current budget is about Rs. 970 crores and its work programme serves besides conventional buildings and maintenance services, sophisticated complex laboratories and workshops, Airfields dock yards, slip ways etc. Obviously, MES is a very important single Government agency so far as the defence of the country is concerned. This in turns costs a very heavy responsibility on this Organisation to achieve utmost efficiency in its working. The Committee's examination has revealed a number of loopholes which need to be plugged.

[Sl. No. 1 (Para 130) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

MES while providing works services to the various wings of the Defence Forces, has to interact with three main constituents, i.e., users, staff and finance besides numerous other agencies. Users project their requirements along with the statement of case indicating the time frame. These demands are scrutinised by the Staff in relation to the priorities laid down. The priorities are fixed by the Staff based on the situation at that time., i.e., the Defence requirement. Further, the same are vetted thoroughly by the Defence (Finance) before the work are sanctioned, released and funds allocated. Finance takes into consideration again the resources availability and the need based defence requirement. MES is associated right from the initiation of the work services/projects to the sanction/release/allotment of funds. MES has to coordinate the processing/finalisation of the works Services within limitation and con-

straints of the framework of rules and regulation of the users, Staff, and Defence (Finance).

2. It is a fact that there is always scope for improvement to achieve utmost efficiency in working of an Organisation/System and it is true that requirement of time also calls for changes in rules, regulations and procedures followed by an Organisation/System. As such to develop/create a system, that may not be having a single loop hole, complete and rectified in all respect is difficult goal to achieve. There is always some lag between what is required and what has been done.

3. With various Government instructions including the promulgation of new Defence Works Procedure, the system is bound to improve. Since Ministry of Defence were themselves keen to streamline procedure in MES with a view to achieve optimum speed, efficiency and saving in expenditure, a committee headed by Addl. Secretary (Def) was appointed to go into the various existing systems of the working of the MES and as a result of its recommendations the instructions on the aforesaid new Defence Works Procedure were made applicable from 1.4.1986.

[Ministry of Defence O.M. No. 2(1)/87/D (Works II) dated 27-11-1987]

Recommendation

The Committee note that the expenditure incurred during the closing months of the financial year March in generally two three times of average monthly expenditure incurred during the first eleven months. Instructions were issued to lower formations in August 1984 to spread out the expenditure as far as possible. It is regrettable that despite the issue of these instructions, expenditure incurred during March 1985 was over 331 per cent of the average expenditure incurred during the first eleven months. Supplementary grants are voted in January/February and allotment are made in late February/early March. The quantum of supplementary grant can vary from 13 to 21 per cent of original allotment. This inevitably leads to rush of expenditure in March to avoid lapse of funds. Whatever be the special reasons, the Committee urge the Government to identify arrears of slippages and effectively monitor the expenditure so that there is no such rush of expenditure during the month of March.

[Serial No. 2 (Para 131) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

It may be appreciated that the problems of 'Rush of Expenditure' in MES Works Budget is attributable to certain basic issues like substantial additional allotments at the end of the financial year, interdepartmental adjustments in the month of March etc. inherent in the existing financial system of the Government as well as certain extraneous factors like monsoons, harvesting seasons etc. over which MES has no control. Existing instructions on the subject are quite exhaustive and are expected to improve the even flow of expenditure taking into consideration the factors brought out above. Army Headquarters is in touch with the MES formations to monitor the progress achieved in this field from time to time. MES formations have already been instructed to ensure even flow of expenditure throughout the year. Positive results are expected to be achieved in course of time. In fact, during 1986-87, the expenditure during the last quarter was less than 30 per cent of the total expenditure for the year. It is expected that the same even tempo of expenditure will be maintained in 1987-88 and subsequent years.

[Ministry of Defence O.M. No. 2(1)/87/D(Works-II) dated 27-11-1987]

Recommendation

The Committee were informed that the Ministry was working out a perspective plan upto the year 2000 A.D. which would include Army, Navy, Air Force and other user services. Since massive expenditure on defence works is likely to be provided in the perspective plan the Committee cannot but caution the Government to keep strict watch over the monitoring and implementation of these projects. The procedures, practices, and organisations involved in the MES, therefore, requires critical analysis and review.

[Sl. No. 3 (Para 132) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

Rules, Regulations and work procedures had been constantly and continuously under review in the past to make these more clear and workable. Besides a review of manning of staff is done according to the need of development plans. Closer liaison is being maintained with

National and International bodies for adoption of latest construction technologies.

2. The Ministry having been concerned for quite some time about the inordinate delays in the formulation and execution of works programme for the Defence Services, set up a committee to review the existing procedure and suggest measures for streamlining and rationalising the procedure and reducing the time factor. The Committee has already submitted its report which have been accepted by the Government. The recommendations of the committee in the long run will ensure proper planning of the works programme by the users organisations as well as the quick and time bound execution of projects by MES. The Government is confident that the implementation of these recommendations will result in faster and more economical construction programme and better coordination, between the users and the MES. A procedure already exists for periodic monitoring of expenditure on works as also implementation of major works.

3. The norms laid down by the Review Committee for eliminating various bottlenecks for strict watch on monitoring and implementation of the projects in perspective plans of the Ministry are summarised below:-

- (a) Five year plans to be prepared in consonance with National Five Year Plans. Once the plan is approved by CCPA, the annual budgetary provisions are made accordingly.
- (b) Factors causing delay in execution of works have been rectified e.g. change in site to be avoided, change in scope of work after issue of administrative approval not to be entertained, estimates to be prepared realistically before sanction, works to be sanctioned/released at the earliest, priority be given to planning and tender action, shortage of staff to be made up, etc.
- (c) The following system of monitoring progress to be followed:
 - (i) Maintaining CPM chart
 - (ii) Monthly progress reports of important projects,
 - (iii) Quarterly progress reports bringing out administrative approval wise and contract wise position obtained on ground.
 - (iv) Furnishing of expenditure returns,
 - (v) Reviews at sub-area, area and command level

- (vi) Review at highest level in the Ministry of selected high value projects etc.

4. In addition to above, there is a proposal to set up computer aided management information system to monitor the progress of works.

[Ministry of Defence O.M. No. 2(1)/87/D(Works-II) dated 27-11-1987]

Recommendation

No work can be executed or commenced by engineers without administrative approval or in anticipation of administrative approval for the works other than under paras 10 and 11 of Revised Works Procedure. According to the Audit para, works valuing Rs. 4.70 crores were taken up for execution during the years 1979-80 to 1983-84 without obtaining prior sanction of the competent authority. According to the Ministry, these data have been taken from Appropriation Accounts for the year 1979-80 to 1983-84 for the works commenced without administrative approval. As a result of regularising these works, the total amount outstanding for want of administrative approval as on 1.4.1984 and 31.3.1985 was Rs. 88 lakhs and Rs. 1.85 crores. Further, 46 works have been identified by CGDA on this account which are under verification for linking their administrative approval in CDA offices.

[Sl. No. 4 (Para 133) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

According to existing rules/regulations, no work can be commenced by the engineers without Administrative Approval or in anticipation of Administrative Approval, particularly for the work other than para 10 and 11. This observation has mainly emanated due to communication gap between the sanctioning authority and the UA/CDA.

2. An amount of Rs. 4.7 crores furnished by the audit is a cumulative figure for the year 1979-80 to 1983-84 i.e. the amount includes for all the five years. It is pointed out here, every year certain Administrative Approvals are issued invariably. It is highlighted that work to the tune of 10.29 crores have been settled during the period for which the objection has been raised. It is also analysed that the revised figure for 1984 is only 0.88 lakhs outstanding and for the year 1985 the outstanding amount is

1.85 crores. Since it is a continuing process of settlement, this cannot be completely avoided.

3. Efforts are being made to bring down this objected amount considerably. In this connection instruction has been issued to lower formations.

4. The 46 projects pointed out by CGDA have since been cleared by linking them with their administrative approvals.

[Ministry of Defence O.M. No. 2(1)/87/D(Works-II) dated 27-11-1987]

Recommendation

The Audit paragraph points out that in projects sanctioned between November, 1978 and March, 1983 the delay in accepting the necessity and according administrative approval ranged between 1 and 4 years. Delay in project implementations have grave financial and economic implication. According to the Ministry of Defence, since no norms were fixed, no definite time dimension can be given to stagewise slippages. This effect is stated to have now been rectified with the issue of revised Defence Works Procedure in April 1986. The Committee expect that with the introduction of the new procedure it would be possible hereafter to ensure timely according of Administrative approval and all implications relating to construction of projects would be discussed in advance with users before tender action is initiated.

[Sl. No. 7 (Para 136) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

We agree that the introduction of revised Defence Works Procedure would improve the situation.

[Ministry of Defence O.M. No. 2(1)/87/D (Works-II) dated 27-11-1987]

Recommendation

Delay in execution of the projects is yet another disquieting feature about the working of the MES. In projects sanctioned by the Ministry be-

tween December 1971 and April 1982, delay in execution of works ranged from over 1 year to 9 years. Undoubtedly such delays lead to time over run and cost over run. The Ministry of Defence have conceded that some escalation in cost has occurred as a result of delay in execution of these projects. The Committee feel that if the Ministry had closely monitored implementation of these projects identified areas of slippage and had taken timely corrective measures such delays would not have occurred. A selective study of some of the delayed projects should be carried out to avoid such pitfalls in future. Cost over runs on these accounts can certainly be avoided by better planning and advance action on the part of all concerned. The Committee would like to observe that projects should be completed within the stipulated time and cost schedule. That is where the importance of efficient project management comes in.

[Sl. No. 9 (Para 138) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

1. The Projects mentioned in the paragraphs have been analysed to find out the reasons for the delay. The following causes usually beyond the control of Engineers emerged as responsible for the delay:—

- (a) due to non availability of cement and steel which are centrally controlled.
- (b) due to non-availability of water, electricity from the respective outside agencies like Public Health Department, Municipal Corporation, State Electricity Board.
- (c) Non-clearance of forest site by forest departments.
- (d) Non-availability of required Technical information from users. This also includes drawing and specification from foreign collaborators where-ever such tie up are involved.
- (e) Number of changes made during the execution of works by the users including scope of work.
- (f) Labour problems created by Union, particularly in States like Kerala.

- (g) Projects commenced without the possession of land.
- (h) Non-completion of works executed by other agencies like Electricity Board, Public Health Department, Forest Department, Railway Departments which are essential to complete the MES works.

2. In order to eliminate certain delays mentioned above and reduce incidence of delays in execution of MES projects, a new works procedure called Defence Works Procedure 1986 has since been introduced w.e.f. April 1986. It is based on the recommendations of the Committee appointed by the Ministry in January 1985. It seeks to cut short the delays where they are likely to occur. For example it has been provided that the user should spell out their complete requirements at the stage of acceptance of necessity itself so that engineers get adequate time for planning and design and have not to change the plan subsequently at the instance of users. Availability of land will be another pre-requisite before planning of the project.

3. However, it is apprehended that the shortage of vital stores like steel and cement may still continue and cause some unavoidable delays in execution of work. Such unavoidable delays outside the control of engineers are bound to affect the PDC inspite of the best efforts and liaison by the engineers.

4. However, many of these delays are taken care of by issuing Government letter *vide* Appendix 'A' copy attached with reply to question 26(a) of PAC report 84-85 and 'B' attached as given in E-in-C's instruction issued and attached *vide* Appendix 'C'. (Appendices A, B and C not enclosed).

[Ministry of Defence O.M. No. 2(1)/87/D(Works II) dated 27-11-1987]

Recommendation

Similar lack of planning and foresight was noticed in the case of construction of an accommodation for a Central Base Post Office at Station 'H', which was proposed as early as in February, 1965. Due to non-establishment of clear title on the first site and the need for selection and acquisition of second site for the Post Office, the work could eventually be completed in September 1980. The actual cost on the work was Rs. 128.16 lakhs as against the contract for Rs. 67.33 lakhs concluded in

September, 1976. There was not only an inordinate delay in the execution of the work but also increase in cost to the tune of about Rs. 60 lakhs, which could have been avoided. The Committee agrees with the recommendation of the Works Procedure Review Committee that land acquisition should be completed before issue of administrative approval. It is regrettable that on a proposal which was initiated in 1965 the work was actually completed after 11 years in September 1976, 4 years after the execution of contract at a cost of Rs. 128.16 lakhs against the original contracted amount of Rs. 67.33 lakhs. Most of the factors leading to time and cost over run in the implementation of the above construction project were such which could be controlled by the Ministry provided there was adequate planning and foresight.

[Sl. No. 14 (Para 143) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

This is a peculiar case where delay occurred in the initial stage i.e. in acquisition of land. Due to reasons already explained land for this project had to be acquired for the third time. The emergency work during 1971 and afterwards and the financial stringency in subsequent years delayed the project in subsequent stages. The delay as also some change in scope of work led to increased expenditure. The delay in execution of projects due to delay in requisitioning of land will be taken care with the introduction of Revised Works Procedure.

[Ministry of Defence O.M. No. 2(1)/87/D(Works-II) dated 27-11-1987]

Recommendation

The Standard Schedule of Rates (SSR) is the basis for pricing most forms of contracts and for determining reasonableness of contractor's quotations. During the period 1962 to 1985, the MES revised their schedules only four times in 1962, 1970, 1975 and 1980. What is regrettable is that Schedules are not introduced in time in 1980. Schedule for instance, was introduced with effect from December 1983. As such even in 1983-84 contracts continued to be executed based on the SSR 1975. The Committee feel that adoption of outdated Schedules of Rates in MES could not be an effective guide either for preparing estimates or for accepting tendered rates. The Ministry of Defence have now decided to revise the SSR after every 3 years. The Committee recommend that the work should be

so organised that the revised Schedules are published on time and become operative on schedule. Delay in its publication should be viewed seriously.

[Sl. No. 15 (Para 144) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

The recommendations of the Committee that the work of preparation of SSR should be so organised that the revised Schedules published in time and become operative on schedule is noted. SSR 1980 was introduced w.e.f. December 1983. SSR 1985 has been introduced from 4th August 1986 i.e. within 3 years. The preparation of SSR 1988 is in hand and every effort will be made to introduce it in stipulated periodicity of 3 years.

[Ministry of Defence O.M. No. 2 (1)/87/D(Works-II) dated 27-11-1987]

Recommendation

The Committee further view with concern that during the period 1980-84, total number of cases where extensions were granted due to departmental delays were as many as 4,881. Out of these, in 70 cases the contractors have claimed price rise to the tune of 297 lakhs. These claims are under arbitration. Obviously, this is due to lack of planning and monitoring on the part of MES. According to the Ministry, with the introduction of the new works procedure, the delays will be considerably reduced. The Committee emphasise the need for efficient planning and monitoring of the execution of works so as to ensure the completion as per schedule.

[Sl. No. 17 (Para 146) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

1. The main emphasis in this para is grant of extensions of time due to departmental delays which are mainly:-

- (a) by reason of non-availability of Government stores mentioned in Schedule 'B'; or

- (b) by reason of non-availability or breakdown of Govt. Tools and Plant mentioned in Schedule 'C'; or
- (c) by reason of non-availability of sites for execution of work.

2. Instructions have been issued by the Ministry *vide* their letter No. 95533/POL/CSS/779/DO-II/E2 (WPC)/D(Works I) dated 04 Jul. 86, copy enclosed as Appendix 'B'(not enclosed) to avoid grant of extension of time on account of delay in supply of stores to the contractors.

[Ministry of Defence O.M. No. 2(1)/87/D (Works-II) dated 27.11.1987]

Recommendation

The Committee regret to note that as on 31.3.1985, a sum of Rs. 2.37 crores was outstanding against the contractors. According to the Ministry of Defence, those outstandings were on account of extra cost of work got done at the risk and cost of defaulting contractors, compensation levied on contractors for delay in completion of works etc. Out of these outstandings, the Ministry have so far been able to recover only Rs. 43.20 lakhs. Further, a sum of Rs. 9.29 lakhs have become irrecoverable since either the concerned contractors in these cases have no tangible assets or their whereabouts were not traceable. It means that an amount of more than Rs. 2 crores is still outstanding. Much of these recoveries could not be effected as contractors have disputed the same and the matters are either before the Arbitrators or in the civil courts. There have obviously been further accretions on this account during the year 1985-86 and 1986-87. The Committee deprecate that yearwise position of amount outstanding against contractor is deteriorating from the years 1980-81 to 1984-85 and only indications that inadequate control was being exercised in this regard. The Committee take a very serious view of this and state of affairs and urge the Government to take effective steps to accelerate the process of recovery by envisaging periodical review at an appropriately higher level. Effective steps should also be taken to ensure that such large accumulations do not take place in future.

[Sl. No. 18 (Para 147) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

1. The main reason for non-recovery and thus accumulation of outstanding recoveries is that most of the contractors dispute the amount of recoveries intimated to them for realisation and go for arbitration and if the award of the arbitrator is not to their liking they further go to the Court/in appeal to higher courts. In many cases, the Govt. has also gone to the Court, after obtaining legal advice, where the arbitrators reject the Govt. Claims. Thus the entire procedure becomes a time consuming process and the amounts of recovery are shown as outstanding till the finalisation of cases by the arbitrator or the courts, in addition any fresh claims of Govt. against other contractors being added during subsequent periods. The whole process thus results in accumulation of recoveries and being *sub-judice*, Deptt. has no control over the time factor regarding dates and number of hearings and the judgment in the cases though constant efforts are made to get the arbitration proceedings and court cases expedited.

2. As regards remedial measures, recently the Govt. *vide* Ministry of Defence letter No. 33487/IAFW-2249/E-8/7024/D(W-II) dated 04 Sep. '86 has issued amendment to Condition 70 regarding arbitration of General Conditions of Contract making it obligatory for arbitrator to publish "Reasons for the Awards" where the value of the claims or counter claims in a arbitration reference exceeds Rs. 1 lakh. The "reasoned awards" will enable the department to take corrective measures and also to challenge the cases in Court effectively and also expeditiously.

3. Recently, the Govt. has also appointed a panel of arbitrators to deal exclusively with arbitration cases with a view to expedite arbitration proceedings.

[Ministry of Defence O.M. No. 2(1)/87/D (Works-II) dated 27-11-1987]

Recommendation

The Chief Technical Examiner is required to carry out technical examination during the currency of the work or after the work has been completed. On scrutinising the works for Rs. 253.54 crores, the CTE organisation had pointed out overpayments to the tune of Rs. 54.42 Lakhs. Further, on technical examination of 4 completed works, this Organisation also pointed out recoveries totalling Rs. 49.59 lakhs on account of

defective workmanship. The Committee are concerned to note that these defects could not be detected by the Engineer-in-Charge or supervising engineers during annual inspection. The Committee recommend that immediate steps should be taken to ensure that type of recoveries and nature of defects in workmanship pointed out by CTE Organisation do not take place in future and the remedial instruction to avoid such lapses in future are scrupulously observed. Position about the recovery of the outstanding amount of about Rs. 1 Crore may also be intimated to the Committee.

[Sl. No. 19 (Para 148) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

The CTE published every year his report giving the shortcomings and observations made by them. This report is circulated to all the executives who are concerned with the execution of the work on ground and also concerned staff responsible for drafting, conclusion and administration of contracts. These executives and other staff are advised to take into consideration the observations made by CTE Branch and see that such defects in workmanship pointed out by CTE Organisation do not take place in future. To ensure that action is taken on the reports of CTE, the Ministry is ascertaining the same by obtaining reports on it from E-in-C's Branch.

As regards recovery of outstanding amount of Rs 1 crore, it is pointed out that in most of the cases, the recoveries are refused by the contractors and those are referred to arbitration. These recoveries are therefore to be established through arbitration which are in process. This is being watched.

[Ministry of Defence O.M. No. 2 (1)/87/D (Works-II) dated 27-11-1987]

Recommendation

According to the Ministry of Defence, Regularisation of losses is a time consuming process entailing board proceedings finalisation, enquiry reports, metrological reports, audit reports etc. The Committee also gather that powers to write off losses of stores were reviewed in 1985 but these did not take into account the erosion of the value of rupees. The enhancement of powers of various CFAs to write off the losses are re-

ported to be under active consideration in the Ministry in order to take care of erosion of the value of rupee and also due to manifold increase in the amount of assets which are added every year. The Government should expedite the decision in the matter so as to facilitate expeditious settlement of outstanding cases of losses. The committee recommend that the existing procedure for regularisation of losses should be thoroughly reviewed and suitable changes may be effected therein for achieving early regularisation of such losses.

[Sl. No. 22 (Para. 151) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

The Ministry have gone through the case and felt the need to increase the power of CFA for regularisation of losses which was earlier based on 1963 rates. The power of CFA to write off these losses have been increased to six times. The escalation factor from 1963 to 1986 have been included to write off the losses. With this, the Ministry is confident that not only the number of outstanding cases of losses get reduced but also the amount outstanding will be considerably reduced. To enhance financial power of CFA, Ministry of Defence letter No. 47164/POL/E2 (WPC) /2248/D(W-II) dated 9 Apr 87 has been issued. This, it is felt, will definitely improve the situation.

[Ministry of Defence O.M. No. 2 (1)/87/D(Works-II) dated 27-11-1987)]

Recommendation

The Arbitration Act, 1940 stipulates that award shall be made within 4 months of entering on the reference. General conditions of MES contract, however, provide that an arbitrator shall give his award within six months from the date of his entering on the reference. The Committee regret to note that out of 422 cases referred to arbitration during 1978-79 to 1980-81, as many as 191 cases were still outstanding as on 1.1.1982 the progress rate being only 45% which clearly indicates that there is scope for substantial improvement in accelerating the pace of settlement. Out of these cases as many as 57 cases were still outstanding on 31 March 1985. The Arbitration Act had been framed by Parliament with the intention of ensuring that disputes arising out of contracts are resolved expeditiously without having to go through other more time-consuming processes of law. But this slow trend of pendency of arbitration cases indicates that the

purpose for which the Act had been conceived has apparently been largely defeated. The Committee feel that delay on the part of arbitrators can, to some extent, be eliminated if there are full time arbitrators as it has been mentioned by the Ministry that there was delay in fixing hearing by arbitrators because of official pre-occupations. The Committee strongly recommend that concrete measures should immediately be devised to ensure that arbitration awards are given within the stipulated period of 6 months as far as possible, and steps are taken to clear outstanding arbitration cases by taking special steps.

[Sl. No. 27 (Para 156) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

Efforts are being made to see that arbitration proceedings are completed expeditiously. We have instructed our executives that there should not be any delay on the part of the Department, in submission of statement of case, pleadings in defence and other information to the arbitrator. The Government has also sanctioned a standing panel of arbitrators consisting of 3 arbitrators and most of the arbitration cases pertaining to CE's contracts are handled by this panel. It is expected that by adopting these measures, the delay in finalisation of arbitration proceedings will be considerably reduced.

2. It is, however, seen that in many cases the contractors who are also parties to the arbitration do not cooperate in the arbitration proceedings and the proceedings thus get delayed. There are cases where the contractors approach the civil court and delay the arbitration proceedings on one pretext or the other.

[Ministry of Defence O.M. No. 2 (1)/87/D (Works-II) dated 27-11-1987]

Recommendation

Out of the 170 arbitration cases decided between 1978-79 and 1981-82, as many as 103 cases went against the Government. Further, out of 134 cases decided upto 31.3.1986, 121 cases were decided against the Government. According to Audit these cases were mostly lost due to lack of proper supervision of works, delay in giving decision by the engineers and defective drafting of contracts. Surprisingly, there is no agency to analyse the causes of cases lost by Government. Earlier one of the rea-

sons was that mostly the awards were non-speaking. The Ministry of Defence have since issued orders providing that wherever the total claims of any party exceed Rs. 1 lakh, the arbitrator is required to give a reasoned award. The Committee recommend that reasoned awards would be given in cases where the claim mostly exceeds Rs. 50,000/-. The Committee further recommend that in-depth analysis of these reasoned awards should invariably be done by some expert agency and in the light of their analysis, suitable effective remedial steps should be taken urgently to safeguard financial interest of the Government.

[Sl. No. 28 (Para 157) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

The Government has issued orders that tender issued on or after 3rd October 1986 should contain a provision for giving a reasoned award in respect of the claims where total claims of any party exceed Rs. 1 lakh. The reasoned awards as and when published will be analysed in depth and remedial measures (including the recommendation of committee to extend provision of reasoned award to those contracts where total claims of a party exceeds Rs. 50,000/-) will be taken accordingly to safeguard financial interest of the Government.

[Ministry of Defence O.M. No. 2(1)/87/D(Works-II) dated 27-11-1987]

Recommendation

The audit paragraph also reveals a very unsatisfactory position about furnishing replies to the audit objection or irregularities included in Local Test Audit Report. For instance, out of 23 Part 1 items and 1862 Part II items contained in 1020 LTARs which were issued between 1981-82 and 1983-84 30 Part 1 items and 1138 Part II items remained outstanding as on 30 September, 1984. The Defence Secretary assured the Committee during evidence "I think we ought to be doing something about that". The Committee recommend that immediate steps should be taken to device suitable modalities to monitor these irregularities so that timely replies thereto are sent to Audit. In this connection reference is made to para 18 of report of Sub-Committee constituted by Conference of Chairman of

PAC held in September 1986 which reads as under:-

"Normally one would expect the departmental reaction to the audit paras to be instantaneous. The Departmental Head must initiate immediate action and call for the explanation, if necessary of all the officers connected with the transaction or transactions reported by the Audit but unfortunately this is rarely done. The Departmental reaction to the Audit paras generally start after the PAC take up those paras for examination. This delayed reaction on the part of the department is responsible for the constant and repeated failure to enforce accountability. This is just as serious as not taking up immediate investigation after the lodging of the first information report in a crime. The delayed reactions result in the concerned officials and other getting away from being made answerable. We do not see any reason as to why the Departmental Head cannot obtain the explanations or reactions or answers from the officers concerned by circulating the Audit Para to such of those officers connected with the transactions reported by the Audit. Many a time in the proceedings before the PAC we find the Departmental Head had given some explanations without any record to support such explanations".

The settlement of Audit Objection should be given top priority and the Government should periodically review progress in settlement of such objections at an appropriately high level.

[Sl. No. 32 (Para 161) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

1. Special efforts are in hand both by CDA and MES authorities to reduce pendency of LTAR. RAOs/CAOs have been instructed to contact the formations personally to expedite the replies. Instructions have been issued to Services HQs to devise suitable modalities to monitor and reduce the outstanding LTARs and keep the Ministry informed in the matter periodically.

2. In this connection instructions have been issued vide letter No.43344/84-85/DP/E2 (WPC)/7208/D(W-II) dated 17th Sep. 86 and

letter No. A/00378/Audit/E2 WPC dated 29 Sep. 87. (Copies not enclosed).

[Ministry of Defence O.M. No. 2(1)/87/D(Works-II) dated 27-11-1987]

Recommendation

The very fact that expenditure on Defence Budget is increasing year to year costs an added responsibility on Defence authorities to ensure that there is optimum utilisation of funds and extravagant and infructuous expenditure is avoided. The Committee hope that with the introduction of Defence Works Procedure, 1986, finalised on the basis of the report of the Works Procedure review Committee, the working of the MES will improve. The Committee recommend that Working of new procedure should be periodically reviewed so as to effect necessary modifications on the basis of actual working. The Committee hope that the Ministry of Defence will examine the various suggestions made in the foregoing paragraphs to further suitably improve the working of MES.

[Sl.No.33(Para 162) of Appendix II to 93rd Report of PAC(8th Lok Sabha)]

Action Taken

Ministry has taken cognisance of C&AG Report and also considered various suggestions made by PAC and reviewed the system. Due to this several instructions have been issued at Govt. Service HQ and E-in-C's Branch level to avoid such recurrences in future. Defence Work Procedure has been brought into operation from April 1986 and will take some time to show results. Ministry is confident that the system of MES working would improve with this. This is being watch by the Ministry.

2. However, all the points brought out by the PAC have been noted carefully by the Ministry with a view to improve the working of this large organisation.

[Ministry of Defence O.M. No. 2(1)/87/D (Works-II) dated 27-11-1987]

CHAPTER III

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

Recommendation

Works are undertaken under para 10 and 11 of MES revised works Procedure on urgent Military and medical grounds without waiting for Administrative approval. According to the Audit para works of a total value of Rs. 1.39 crores executed upto 1978-79 under para 10 of RWP were awaiting sanction on 31st March 1981. It is not clear as to why these works could not be regularised till 31.3.1984 and the Administrative Approval therefore was issued subsequently on 23.7.1984/8.8.1984. It was brought out that in 97 cases analysed in 34 cases, the time lag between the date of commencement of work and sanction was 15-18 months. Similarly, the closing balances of the outstanding amount of expenditure executed under para 11 awaiting formal sanction for year 1981-82, 1982-83, and 1983-84 was Rs 4.83 crores, 6.11 crores and 3.22 crores respectively. It is obviously unsatisfactory that huge expenditure involving crores of rupees continue to remain unregularised and that there should be delay of over 5 years in regularisation of such expenditure. It is necessary that the procedure should be streamlined and the Government should take steps to ensure that the works executed in exceptional circumstances are regularised by issue of formal sanction promptly. The Committee understand that the Ministry of Railways have a procedure by which urgent works of operational necessities can be undertaken without preparation of estimates but while submitting the proposal for undertaking works on urgency certificate to the competent authority a date has to be specified by which the detailed estimate for the works would be ready. The Committee recommend that such a procedure should be devised mutatis mutandis for operation on the MES also, so as to ensure that the gap between the Administrative approval and the commencement of the work is the barest minimum.

[Sl. No. 5 (Para 134) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

Works are taken under para 10 and para 11 of MES Revised Works Procedure on urgent Military and Medical grounds. These provisions have been made to allow MES to start urgent works quickly with go ahead sanction without waiting for formal Administrative Approval which may take some time. The preparation of estimate etc for regularising these works through a formal administrative sanction is taken up thereafter. These works under para 10 & 11 result in jumping of the queue of execution of works, consequent allocation of funds and cutting short the pre-administrative approval period. However the normal execution time allowed for a work are not reduced as these are technical requirements, otherwise the quality of work will suffer.

2. During 1979-80 to 1985-86 only one work amounting to Rs.1.39 crores under para 10 has been identified and this has since been regularised. The Administrative Approval for this work was issued vide Government of India Ministry of Defence letter No. Air HQ/S-37955/4/W/W(Ops Gp)/3952/P/(AZ) dated 23.7.84/8.8.1985 for Rs. 1.69 crores.

3. Regarding para 11 works, it can be seen from statement given in Appendix 'C' that the amount shown outstanding for each year varies. This is because the outstanding amount includes new objections as well as amount settled during that particular year. It is pointed out that outstanding objections to the tune of Rs. 10.16 crores were settled since 1979 onwards. For comparison, the works under objections on account of this at the end of 83-84 is only 1% of total works budget for MES.

4. A number of works were analysed and the following are the general reasons for non-issue of formal sanction.

- (i) Non finalisation of scope of work, inadequacy of details and firm returements by users.
- (ii) Frequent changes during the planning and execution work.
- (iii) Non-availability of detailed drawings, Technical instructions & decision where foreign collaboration are involved.

- (iv) Non-finalisation of accounts as audit authorities insists in many cases to finalise estimates based on completion cost duly vetted by UA after completion of work.

5. In order to take care of this lacune, Defence works Procedure has been issued to contain these problems in all respects. The Ministry is watching such works regularly through appropriation accounts and E-in-C's Branch has issued further instructions under policy letter 1/E2WPC/87 dated 3.3.87 to all lower Engineers to avoid such cases in future. Even though complete elimination of such objected amount may be difficult, yet all out efforts will be made at all levels to reduce these.

6. As regards introduction of system like that in Railways in MES, it is pointed out that in MES, works under para 10 & 11 of Defence Works Procedure are undertaken based on go-ahead sanction without waiting for preparation of estimates and obtaining of formal administrative approval. Necessary certificate is, however, required to be submitted by Commander concerned under para 11(a) to (d). The para 12 (b) of Defence Works Procedure lays down that approximate estimates for obtaining administrative approval be prepared subsequently at the earliest opportunity. The Ministry is considering to lay down a time limit of 6 months for furnishing estimates in such cases.

[Ministry of Defence O.M. No. 2 (1)/87/D (Works-II) dated 27-11-1987]

Recommendation

Works relating to the augmentation of class rooms and allied facilities at station 'A' was undertaken under para 11 of RWP. According to the Ministry, advance action had to be taken to train the crew for the destroyers with new weapon system being acquired at that time. The contract for the work which was mooted in September 1980 was concluded only in March 1981. No operational urgency in the matter even thereafter appears to have been shown as the work thereon was commenced only in November 1981 and completed at a cost of Rs. 24.99 lakhs in September 1982. The Committee do not find any justification for taking recourse to para 11 for execution of the simple work *ibid* whose completion had taken quite a long period of 2 years. Disappointingly formal sanction for the work was issued only in May 1985 after a period of about 3 years of its completion in September 1982. The Committee recommend that selection

of works for execution under paras 10 and 11 of Revised Works Procedure should be done scrupulously and only those works which fulfil the prescribed conditions should be executed thereunder.

[Sl.No. 6(Para 135) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

1. Advance action had to be taken to train the crew for the destroyers with new weapon system being acquired at that time. The class rooms and allied facilities were thus related to training the crew.

2. The destroyers were expected to arrive in five phases starting from 26.9.80. The duration of training courses for the staff required to man the destroyers ranged from 9 to 26 weeks. Hence it may be appreciated that the facilities had to be kept ready well in time. Allowing the minimum period required for construction, this work had to be sanctioned under para 11.

3. The formal sanction was delayed as approximate estimates based on completion cost were insisted upon by authority which could be finalised after adjustment of central purchase voucher for cement and steel floated by CDA. Further this also gets linked up with the question/proposal of provision of permanent facilities for maintenance.

4. As regards the selection of works for execution under para 10 & 11, grounds for the same are amply and clearly explained and laid down in Defence Works Procedure.

[Ministry of Defence O.M.No.2(1)/87/D(Works-II)dated 27-11-1987]

Recommendation

Sanction for Phase II of an Ordnance Factory which was proposed to be set up during January 1976 was accorded after an inordinate delay of five years in April 1981 at a cost of Rs 6.28 crores. Phase II of the Project was meant for productionising by January 1979 new item of ammunition under development. As the project was eventually completed in May 1984 at a cost of Rs. 7.83 crores, it not only led to huge delay in productionising

the new item of ammunition but also resulted in huge escalation in cost by 24%. The Committee strongly deprecate this inordinate delay.

[Sl.No.8(Para 137) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

1. The Project was to be taken up in two phases. Phase I was sanctioned in Jan 1977. Though Phase II was sanctioned by Govt in July 1980, administrative approval based on revised estimates prepared by MES was issued only in April 1981.

2. Phase II of the Project was to be completed by March 1984 and a major part of it was completed in May 84 and the rest of it was completed in July 1985. As such there is no appreciable delay in completion of the project as far as civil works are concerned.

3. Phase II of the Project concerning transfer of production lines from existing factory was commenced as scheduled. Delay in commissioning Phase II of the project affected production of certain items like 84 mm ILLG, transfer of technology through licence and also new ammunition 84 mm ILLG.

4. It is submitted that these are only illuminating pyrotechnic ammunition and not related to any weapon system as such. The delay was mainly due to transfer of technology through licence and also R&D Development of ammunition. This aspect will however be taken care of in future project development.

5. The escalation in cost by Rs. 1.55 crores is due to revision of cost as per actual contract which was projected by MES during currency of work in Feb 83.

[Ministry of Defence O.M. No. 2(1)/87/D (Works-II) dated 27-11-1987]

Recommendation

The Committee are constrained to observe that contracts entered into by MES are mostly not completed as per the prescribed time schedule. Extensions are very generously granted to the contractors during execution. During the years 1980-81 to 1983-84, out of 12,456 cases in as

many as 4,548 cases extensions of time granted were more than the original period and further in 3,533 cases the extensions of time granted were half or more than half of the original period. Undoubtedly, such extensions are responsible for time and cost over runs. Further the possibility of seeking Extensions by the contractor purely for the purpose of gaining time cannot be ruled out.

[Sl.No.16(Para 145) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

The extension of time is granted to contractors for the delays which are either due to reasons beyond the control of the contractors or delays in issue of Sch 'B' Stores/Issue of T&P and delays in handling over the sites for execution of works by the Govt. after due scrutiny. Provision for extension of time on account of these reasons is catered for in Condition 11 of the General Conditions of Contract(IAFW-2249) and other similar Contract forms, even though the time is of the essence of the Contract. It would thus be evident that extension of time is granted as per provisions stipulated in the Conditions of the Contracts. No extension of time is granted for laxity or slow progress of the contractors on account of their own failure and in such cases they become liable to pay compensations for the delays as per condition of contracts. As such possibility of seeking extensions by the contractors purely for the purpose of gaining time would not arise.

[Ministry of Defence O.M. No. 2(1)/87/D (Works-II) dated 27-11-1987]

Recommendation

The Committee are deeply concerned to note that as on 31.3.85 losses to the tune of Rs. 7.36 crores were awaiting regularisation. According to the Ministry of Defence, out of this amount, losses due to storms, flood, earthquake and fire were of the order of Rs. 3.40 crores and losses of stores were of the order of Rs. 1.90 crores. The Ministry have indicated an amount of Rs. 1.77 crores on account of miscellaneous losses but have specified the details of such miscellaneous losses which need elucidation. It is disquieting to find that losses amounting to Rs. 2.19 crores and Rs. 5.39 crores were more than 10 years and 5 years old respectively as on 31.3.86. This unsatisfactory state of affairs needs to be attended to with

due promptitude as with the passage of time it would not be worthwhile to investigate such cases and it would not be possible to pinpoint officers responsible for such losses. It is imperative that cases of losses are investigated promptly and responsibility for losses fixed and action taken against delinquent officers. Further, in 109 cases involving an amount of Rs. 0.21 crores, the losses were found on the basis of enquiries/investigation due to theft, fraud and neglects. The Committee strongly deprecate this deplorable state of affairs in MES. The Committee would like the Ministry to hold an independent and in depth enquiry into the losses incurred by MES during the last 3 years with a view to fixing responsibility. The Committee also recommend that terms of contract should be suitably modified to discourage pilferage or mis-appropriation of stores and to effect recoveries and to award adequate punishment for losses due to negligence and fraud. They would also like deterrent action to be taken against the MES staff found guilty in allowing misuse or leakage of construction materials.

[Sl. No. 20 (Para 149) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

These outstanding losses are not strictly of MES, but mostly of Defence assets created by MES, hence included in the MES. These losses not only consist of stores and cash losses, but are comprised of losses due to natural calamity like storms, floods, fire and earthquakes etc. Bulk of these losses amounting to 46.19% of total losses are due to natural calamities which are beyond the control of MES. The miscellaneous losses mainly comprised of the following items:-

- (a) Discrepancies in stores like shortage of water meters copper conductors etc.
- (b) Arbitration award.
- (c) Discrepancy in stock taking.
- (d) Excess payment made to other Depot.
- (e) Damages to Vehicles, staff car etc.
- (f) Infertuous expenditure on chowkidaring.

2. The main reason of increase in the loss cases is due to the growing and large increase in MES assets (Bldgs and stores). Losses are marginal compared to assets created.

3. Regularisation of losses is a time consuming process requiring finalisation of Board Proceedings. Inquiry Report, Meterological Report, audit report, clarification given on the same, and the interaction with various departments, like Police, DVC, CBI, judiciary & Pvt. parties.

4. To contain this instructions have been issued by E-in-C's Branch vide their letter No. 03764/84-85/ESP-1 (Losses/FE) dated 28 July 86, attached as Appendix 'F'. The instructions highlight the following points:-

- (a) General security of area
- (b) Receipt of stores
- (c) Intensification of stock taking
- (d) Issues
- (e) Documentation
- (f) Checks and Inspection
- (g) Duties and Inspection.

5. There are many reasons for low trend in settlement/regularisation of losses which are summarised below broadly.

- (a) Inadequate powers to write off losses to Staff authorities. These powers continue to be the same from 1963 vintage except for marginal changes.
- (b) Different agencies involved in regularisation, like engineers, audit & station authorities and their intermediaries.
- (c) In some cases court of inquiry get delayed due to non-availability of witnesses and cannot be finalised in theft cases.

6. To overcome the problem, the power of staff authorities have been increased vide Government of India, Ministry of Defence letter No. 47164/POL/E2 (WPC)/2248/D(W-II) dated 9th April, 1987 and 58642/Q3W (Policy)/136/D(W-II) dated 10.1.85 attached as Appendices 'G' & 'H' (not enclosed) to include the escalation factor from 1963 to 1986, the Ministry expects that most of the losses shall be liquidated due to the issue of this Government letter.

7. It is clarified here that each loss is investigated irrespective of the cause by a Court of Inquiry. The holding of a Court of Inquiry may at the

discretion of competent Financial Authority be dispensed with, when the loss is not due to theft, fraud or gross neglect and is less than Rs. 10,000/-

8. Wherever the officers and others are found guilty, disciplinary action is taken invariably to punish the guilty.

9. It is emphasised that losses due to theft, fraud and neglect are very negligible compared to the assets and consumable stores held in MES stores yards.

[Ministry of Defence O.M. No. 2 (1)/87/D (Works-II) dated 27-11-1987]

Recommendation

It is further distressing that during the years 1980-81 to 1984-85, losses of the order of Rs. 291.16 lakhs were written off and borne by the Government. The Committee would like to know the detailed reasons for writing off of such losses.

[Sl. No. 21 (Para 150) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

This amount of losses regularised do not pertain to particular year. This constitutes the cumulative amount of losses that have taken place in earlier years but regularised during this year, after examination of these losses by the CFA through the Court of Inquiry etc. Reasons for writing off such losses are as under: -

- (a) Loss being due to natural calamity no one can be held responsible
- (b) Losses on account of theft, fraud or gross neglect become irrecoverable due to death, insolvency and whereabouts of persons not known
- (c) Losses become unrecoverable due to non-acceptance of claims of Railways on account of short recovery/loss in transit
- (d) Payment of wharfage and demurrage charges

(e) Due to vehicle accident etc.

[Ministry of Defence O.M. No. 2(1)/87/D (Works-II) dated 27-11-1987]

Recommendation

It is further distressing to note that a sum of Rs. 3.38 crores was outstanding on account of rent and allied charges as on 30.6.84. 25 per cent of these outstandings were against private parties. In March 1985, a sum of Rs. 35.07 lakhs was outstanding against the retired/released officers. Similarly, at the end of 1983-84, total amount outstanding on account of non-recovery of barrack damages stood at Rs. 29.14 lakhs. The Committee would urge the Ministry to view the matters involving heavy outstanding amounts of rent recoveries and barrack damages etc. earnestly and take urgent steps to recover these outstanding dues. The Committee would also like the Ministry to take concerted measures to ensure against accumulation of dues against public and private authorities.

[Sl. No. 23 (Para 152) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

In order to liquidate outstanding rent & allied charges, following instructions have been issued:—

- (a) Ministry of Defence letter No. 12(13)/72/D(W-II) dated 28 February, 1974.
- (b) E-in-C's Br letter No. 83/58/HR/E2WPC dated 14/28 Oct. 85.
- (c) QMG Br letter No. A/64443/Q3(B-i) dated 3 July 86.
- (d) Ministry of Defence letter No. 12(1)/87/D(Works-II) dated 19th March, 1987.
- (e) Government of India, Ministry of Defence letter No. 36169/BS/E2(WPC)/2084/D(W-II) dated 02 April, 1987 - indicating expeditious action taken to process the loss statements.

2. There are no outstanding dues from Service officers except the current dues.

3. In the case of retired/released officers the amount ranging from Rs. 300 to Rs. 500 is retained, but this amount is not sufficient. Once the officer retires from service, CDA may at best have assets equal to one month pay and allowances and maximum of only Rs. 1000 of DCRG. Therefore, this asset is also not sufficient to recover the demands after the date of retirement. In such cases Unit accountants, BSO are to request the Station HQs to initiate statement of cases with full details for recovery from pension/death cum retirement gratuity or obtaining order from the President for withholding pension to effect direct recovery through courts/through civil suits or to arrange for regularisation of losses by Government.

4. The Ministry is contemplating to invoke the relevant clause in Army Pension Regulations for withholding pension in respect of service officers for the misconduct of not clearing the dues on a/c of rent & allied charges and also on account of un-authorized occupation of Government accommodation by the officer concerned.

5. The present mechanism is adequate to enforce recovery against private person.

[Ministry of Defence O.M. No. 2(1)/87/D(Works-II) dated 27-11-1987]

Recommendation

As against the total procurement of 27,221 tonnes of cement costing Rs. 179.24 lakhs for the 8 projects, 24,327 tonnes costing Rs. 129.22 lakhs were utilised for these projects leading to excess procurement of 6,884 tonnes costing to Rs. 50.021 lakhs. Similarly, against the total procurement of 5,996 tonnes of steel costing Rs. 200.85 lakhs, 3,146 tonnes were actually utilised leading to excess procurement of 3012.66 tonnes of steel costing Rs. 93.66 lakhs. Thus excess procurement of cement and steel for about Rs. 146.14 lakhs was made for only 8 projects. According to the Ministry of Defence, steel and cement are scarce stores and in spite of statutory control are not available even for Government works. Further, procurement takes long to materialise. While the Committee agree that there should be some buffer-stock for materials like cement and steel but such procurements should as far as possible be realistic and proportionate to actual requirement. Obviously the actual procurement of both these

commodities for the 8 projects in question was far excessive than the actual requirements. Besides locking up huge amounts, the excess procurement results in avoidable expenditure in transferring surpluses to other projects or places. The Committee recommend that procurement of cement and steel should be judiciously and realistically planned and urge the Government to fix inventory level of important stores items on realistic basis which should also be periodically reviewed to ensure that carrying cost of inventory is avoided.

[Sl. No. 24 (Para 153) of Appendix II to 93rd report of PAC (8th Lok Sabha)]

Action Taken

1. It is pointed out that in real terms there is no excess procurement of cement and steel. This is elaborated as under: -

- (a) The inventory control takes into account (i) rate of consumption (ii) lead time and (iii) availability pattern.
- (b) The rate of consumption in turn depends upon the projects under execution which are in various stages of progress.
- (c) The lead time has direct bearing on the availability of stores and is related to rolling programmes of firms producing steel.
- (d) The planning time of a project from the point of release upto the finalisation of designs, when actual requirements of stores could be worked out, ranges between 3 to 6 months depending upon the magnitude and complexities of the project and required quantities can be ordered for procurement.
- (e) The time required for tendering/contract action and physical commencement of work ranges between 3 to 6 months, when physically stores are required on the ground whereas lead time varies between 12 to 18 months. Thus there is a gap of 9 to 12 months of uncertainties between requirement and availability of stores which is required to be bridged based on past experience to allow the work to start according to schedule. Suitable adjustments between the projects either by slowing down the projects or by utilising temporary available excesses or both have to be made depending upon the ground situation and priorities

regarding the completion of projects. These adjustments are normally done by the executives on the ground in exercise of the powers vested in them under para 736 and 777 of MES Regs and it is not possible to furnish their details since formal records of such decisions are not maintained.

- (f) The consumption pattern, of Cement and Steel is fairly steady in an MES Zone whereas there is a wide fluctuation in the availability of stores because of varying lead times from 12 to 18 months. It may also be submitted that these balances, if judged against the total value of works executed over last 10 years, will appear only marginal constituting not even 1% of the total balance which may not be regarded as a surplus because it is included in the opening inventory of the next year and the procurement for the year is also adjusted whenever possible.

[Ministry of Defence O.M. No. 2 (1)/87/D(Works-II) dated 27-11-1987]

Recommendation

In another case, despite the fact that the Ministry had approved ONGC type hangers in March 1980, indents for supply of only 201 MT of steel as against 1097 MT tonnes required, were placed in March 1980. The required quantity of 1097 MT was not initially indented as go-ahead sanction for Rs. 7.5 lakhs was issued on 13.3.1979 against Rs. 30 lakhs required. According to the contract concluded with firm 'DX' for construction of these hangers, the firm was required to arrange for the requisite quantity of steel direct but the department was to assist the firm in obtaining steel from the Steel Authority of India on priority basis. On the recommendation of the Ministry, the contractor procured 873 MT of steel from SAIL and balance 224 MT of steel were procured by him from the market. The question of procurement of steel by the contractor would not have arisen if the Department had arranged itself in March 1980 to obtain funds required for the procurement of entire quantity of 1097 MT of steel especially when cost stores for construction of ONGC type hangers mainly consisted of steel. Had the steel been procured by the Department, it would have cost Rs. 42.90 lakhs against Rs. 73.07 lakhs paid to the contractor for steel. Surprisingly, even 201 MT steel procured earlier by the Department was not issued to the contractor. The Committee deplore that failure on the part of the Department to arrange requirement of steel from SAIL that has cost the national exchequer as infructuous ex-

penditure of about Rs. 30 lakhs. There has been a total failure of planning and foresight in indenting of store requirement in advance.

[Sl. No. 25 (Para 154) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

1. The reason for not going back to the Government for increasing the go-ahead amount in March 1980 was that it was only in March 1980 that the Ministry approved in principle the change over from Igloo type to ONGC type of hanger. At that point of time, the AE's for ONGC type of hangers were also awaiting Administrative approval. As the administrative approval was expected simultaneously (which was, however issued in January 81, - Please refer ans. to Q. No. 39(b)(i), it was not regarded prudent to go back to the Government for increasing the go-ahead amount.

2. The complete quantity of 201 MT of steel procured earlier by the Department could not be issued to the contractor in toto as it comprised of some steel sections meant only for IGLOO type of hangers and not for ONGC type which were constructed finally. Only common steel sections which could be used for ONGC hangers as well were issued to the contractor. The balance items of steel rather than being wasted out were properly utilised by transferring to other works where these steel section could be incorporated and the credit for same given to the subject project thereby avoiding infructuous expenditure.

3. Under the given special circumstances where the work for 81 weeks was reduced to 52 weeks by the users (ref. ans. 39(b) and the approval of change over to ONGC hanger given in March 80; to make steel as contractors' was to be considered as the need at that point of time in the interest of the work and not a failure and foresight in indenting of store requirement in advance.

4. It is highlighted here that it would have not been possible to procure the steel within the specified time factor. If so specified, had even a small quantity of steel not made available to the contractor, he would have claimed for compensation apart from the delay. This was avoided by making the supply of steel at contractor's responsibility and a flexibility was available for the contractor to purchase the steel from the market. In

any case it was not possible by the Department to make the complete items of steel available in such a short period.

[Ministry of Defence O.M. No. 2 (1)/87/D (Works-II) dated 27-11-1987]

Recommendation

It is disquieting to note that in yet another case, out of 2806.06 MT of bitumen valuing Rs. 80.71 lakhs procured for a project, only 1175.89 MT of bitumen were utilised. Due to this largely disproportionate procurement of bitumen further infructuous expenditure to the tune of Rs. 4.67 lakhs had to be incurred on transferring 1,342.802 MT out of the unutilised balance of 1,630.17 MT to other formations. Both these cases establish complete lack of planning and foresight on the part of the concerned authorities. The committee deplore this casual approach of the Department in planning requirement of stores items and emphasise that procurement of stores should be very judiciously and realistically planned.

[Sl. No. 26 (Para 155) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

The procurement of bitumen in fact has been a case of advance planning keeping in view the considerable lead time required for its receipt and due to the general shortage of supply of this item during 1978 to 1981.

After its procurement it was possible to incorporate this short supply item of Bitumen in the project of resurfacing of minor runway at Air Force Academy, Hyderabad without stoppage of work. Again on receipt of the bitumen, which it is reiterated was in short supply, it was used for various other defence works in the jurisdiction of the CWE and the CE rather than stalling them. The delay of availability to the various contractors would have resulted in not only delaying these defence projects but would have also resulted in contractual complications resulting in loss to the State.

2. In fact it was deliberate planning from the Chief Engineer who took

advance action for the procurement of the scarce material for the completion requirements of his area at that time. So that the material was available with the department without hindrance to the progress of works.

[Ministry of Defence O.M. No. 2 (1)/87/D (Works-II) dated 27-11-1987]

CHAPTER IV

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

Recommendation

Another disquieting feature distinctly acted by the Committee was inordinate delay in the issue of Administrative Approval for the construction of a Wharf/Jetty to cater to the increase in the fleet strength at a Naval Base. In April 1972 the cost of construction of the Wharf was estimated at Rs. 798.55 lakhs. Strangely enough, after about 2 years, in January 1974 the Chief Engineer, Dry Dock, entrusted with the execution of the work opined that construction of the Wharf at the site was neither technically feasible nor economical. The Committee fail to understand why this feasibility was not examined at the initial stage itself.

[Sl. No. 10 (Para 139) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

Rece-cum-Costing Board was held in 1970 which brought out specific requirements of users. Initial Board recommended Wharf type of construction. Subsequent soil exploration had to be carried which indicated the need of a jetty. The proposal involved consultation with specialists firms, other departments like CW&PC, Cochin shipyard and other outside agencies for the tidal/wave study and soil exploration. It took some time to collect the information and prepare project report which was finalised after discussion. Hence the initial delay.

[Ministry of Defence O.M. No. 2 (1)/87/D (Works II) dated 27-11-1987]

Recommendation

Thereafter, the Chief Engineer, Dry Dock, took more than 2 years to propose 4 alternatives, 3 for constructions of wharf and one for

construction of jetty in lieu. There was further delay of more than 1-1/2 years in according of the administrative approval for the construction of 1200 ft. jetty at Rs. 761.31 lakhs which was issued in February, 1978. The main contract was concluded in February 1979 with firm 'AX' for a lumpsum of Rs. 3 crores. By 1st February 1982 when the progress registered was assessed to be worth Rs. 1 crore, the work came to a stop due to labour problems which eventually resulted in the cancellation of contract with this firm in October, 1982. A fresh contract for the balance work was concluded in March 1984 with firm 'BX' at the risk and cost of defaulting firm for Rs. 2.98 crores. The work was finally completed on 30.4.1986.

[Sl. No. 11 (Para 140) of Appendix II to 93rd Report of the PAC (8th Lok Sabha)]

Action Taken

The construction of the 1200 ft jetty at an estimated cost of Rs. 761.31 lakhs was specialised work on which SSR's item rates were not applicable. Hence, rates were to be arrived at by consulting various agencies like Port Trust, DGNP (Vizag) where similar works were executed earlier. Further the work also required EFC approval. A 'Go-Ahead' sanction based on AEs then was issued on 10th October 1977 amounting to Rs. 15.68 lakhs. EFC approval was obtained on 22nd October 1977. Finally, on receipt of other necessary approvals the formal sanction was issued on 3rd February, 1978. The delay in execution of the work was mainly due to labour problem which is beyond the control of the Engineers.

[Ministry of Defence O.M. No. 2 (1)/87/D (Works-II) dated 27-11-1987]

Recommendation

The above facts lead to the inevitable conclusion that there was complete lack of planning and coordinated approach in the construction of a wharf/jetty in question. The work which initially expected to be completed by February 1981 at a cost of Rs. 3 crores was eventually completed after an inordinate delay of five years in 1986 at an increased cost of Rs. 3.98 crores implying percentage increase of 33. Regrettably, even after such a delayed completion the wharf/jetty could not be commissioned on completion for want of power and water supply and non-completion of dredging operation. The Committee have no doubt that all

these factors are such which could be monitored and controlled with appropriate interaction between the various agencies involved. The Committee would like to be intimated of the actual date of commissioning of jetty.

[Sl. No. 12 (Para 141) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

1. There is no delay by MES regarding planning and coordinating efforts. The main problem and the delay in executing this job is due to labour problem on account of inter-union rivalry. Due to this inter-union rivalry the contract did not go through smoothly and interrupted, leading to administrative action by CE. Initially there was delay of nine months in cancelling the contract as explained earlier. Immediately, thereafter, tenders were issued to carry out the work at the risk and cost of the defaulting contractor. In the meanwhile, the aforesaid contractor assured that he had sincere interest, desire and anxiety to complete the work. The contractor's proposal to resume the work was accepted in good faith and also to avoid arbitration, extra cost and delay in completion of the work. Cancellation order was, therefore, revoked.

2. The contract was revived on 17.1.83. Contractor commenced preparatory work and stated that he was making efforts with the leaders of the labour Union to resume the work. The work again got into difficulties due to inter-union rivalry.

3. The Joint Labour Commissioner, Ernakulam was approached in the matter during May 83, who promised that he would do his best to sort out the labour problems so that the jetty work would not suffer. On 8th June, 1983, the firm declared a lay off and position at site remained unchanged and there was no sign of progressing of the work. Hence "slow progress notice" was once again served on the contractor by the CE. The District Collector, Ernakulam held a meeting of Union Leaders in July 83 and the leaders promised to cooperate to progress the work. The then Minister of Labour, Kerala Government also held a meeting with the Union Leaders and decided to hold a joint meeting during middle of August 1983 with representatives of the Contractor, Labour Unions and CE. The contractor's authorised representative did not attend this meeting indicating lack of interest to complete the work.

There was no other alternative but to issue necessary notices to carry out the work at the risk and cost of the defaulting contractors.

4. Subsequently, the contract was cancelled with effect from 2nd September, 1983.

5. The jetty has been commissioned and inaugurated by the Chief of Naval Staff on 12.6.1987.

[Ministry of Defence O.M. No. 2(1)/87/D (Works-II) dated 27-11-1987]

Recommendation

The delay in the commissioning of the jetty also resulted in the additional avoidable expenditure of about Rs.11.32 lakhs on account of total berthing charges during the year 1981 to 1984. The Committee strongly deprecate the lack of planning in the execution of the project. They recommend that the whole matter should be examined with a view to fixing responsibility and taking remedial steps for obviating such recurrence in future. The Committee deprecate that total additional expenditure of Rs. 109.32 lakhs has already been incurred due to lack of adequate planning and coordination between various Units of Ministry. The Government should go into the relevant issues and fix responsibility and take further necessary action under intimation to them. The Committee will also like to know the outcome of arbitration on the recovery of additional cost of Rs. 0.90 crores from Firm 'A'.

[Sl. No. 13 (Para 142) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

1. As brought out in reply to Recommendations/Suggestion made in para 139 to 141 the main reasons for delay in completion of jetty are as follows:-

- (a) being a sophisticated project several expert agencies had to be consulted.
- (b) Soil exploration in the sea is a time consuming process. Final design parameters can be fixed after this process only.

- (c) The project went into a rough weather of inter-union rivalry among various wings of Labour Union.
- (d) The labour problem could not improve despite interferences at highest level.

2. In view of the above no further action is contemplated.

3. The jetty has already been commissioned and inaugurated by Chief of Naval Staff on 12.6.87.

4. The arbitrator has yet not given his award.

[Ministry of Defence O.M. No. 2 (1)/87/D (Works-II) dated 27-11-1987]

Recommendation

The Committee are deeply concerned over the most inefficient execution of the contract for the construction of an overhead tank 'C' of 6.81 litres capacity. Contract for this work was concluded in July 1980 with firm 'CX'. Due to inadequate supervision by the Engineers the tank collapsed during test trials. The case at this stage was investigated both by a departmental Court of Inquiry and Central Bureau of Investigation. Both these investigation revealed complete lack of supervision by the concerned engineers. In their report, the CBI had specially named two officers, the then Chief Engineer (P) and the Assistant Executive Engineer responsible for the lapses. The Chief Engineer filed a writ petition in Central Administrative Tribunal, which decided the case in his favour on 29.1.87, but their judgment is awaited. The case against the Assistant Executive Engineer is under progress. The CBI had also suggested that action against the officers found guilty by a departmental Court of Inquiry should be initiated. Action is stated to have been initiated against them. The Government should take urgent steps to finalise these outstanding cases.

[Sl. No. 29 (Para 158) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

1. The CBI has blamed two officers namely the Chief Engineer and the Assistant Executive Engineer. The CE who has retired filed a writ petition in Central Administrative Tribunal.

2. The Tribunal on 29.1.1987 has allowed the petition on the ground of limitations of 4 years time. The case has been referred to LA (Defence) for advice for filing a special leave petition against the decision of the Tribunal.

3. Departmental Inquiry has also held four more officers blame-worthy. Charge sheets have been issued to three of them on 19.3.1987 whereas no action could be taken against one officer who has since retired. Defence statements of these officers have since been received and are under examination.

[Ministry of Defence O.M. No. 2(1)/87/D(Works-II) dated 27-11-1987]

Recommendation

The contractor rebuilt the tank at his own cost but surprisingly the tank collapsed again during test trials. Despite the fact that lack of supervision was earlier established due to which the tank collapsed on first testing remedial steps were not taken to ensure proper supervision even thereafter. The matter about the second collapse was investigated only departmentally. As a result of this investigation, complete lack of supervision and negligence of duty was again established. According to the Ministry, disciplinary action for Major penalty has been initiated against officers/staff found guilty. Charge sheets to three officers of the rank of Superintending Engineers, six officers of the rank of AE/AEE and three subordinate staff have been issued. Issue of Charge sheets under pension rules against an officer already retired is under consideration. The Committee strongly recommend that conclusive action on the basis of both the investigation should be taken immediately so that the persons found guilty are brought to book without any further delay. They also recommend that stern and prompt action should be invariably initiated in all such cases involving Government officials found to be callous and negligent in performance of their duties. The matter

should be thoroughly examined with a view to take suitable remedial steps to obviate the chances of recurrence in future.

[Sl. No. 30 (Para 159) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

Disciplinary action against the officers based on finding of the Court of Inquiry have been initiated as pointed out earlier. Ministry is keenly watching the progress of the case, ultimately to punish the officers found guilty. Remedial measures have been taken to prevent such recurrence by suitably modifying the design.

2. E-in-C's instruction issued *vide* Technical instruction No. 5 of 1983, copy of which is enclosed herewith as Appendix 'O', which consists of detailed guideline on construction of overhead tanks already exist to avoid recurrence of lapses in construction of over-head tanks.

[Ministry of Defence O.M. No. 2(1)/87/D (Works-II) dated 27-11-1987]

Recommendation

The Committee have been informed that tenders to complete this tank at risk and cost of contractor have been issued by the Chief Engineer. The Committee note with dismay that the tank, contract for which was concluded as far back as in July, 1980 has not become available for use so far. The Committee recommend that urgent steps should now be taken to have the tank completed satisfactorily.

[Sl. No. 31 (Para 160) of Appendix II to 93rd Report of PAC (8th Lok Sabha)]

Action Taken

It is a fact that the case is delayed abnormally. Tenders to complete the works at the risk and cost of the contractor have been issued with required modifications to drawings and specifications after rectifying the design lacuna. The case is being watched by the Ministry closely. To execute the work at his risk and cost CE Jabalpur Zone during November

1986 has asked the Contractor to offer their comments on the drawings and specifications revised by the department incorporating certain changes in due to design.

[Ministry of Defence O.M.No. 2(1)/87/D (Works-II) dated 27-11-1987]

NEW DELHI;
April 20, 1988
Chaitra 31, 1910(S)

AMAL DATTA,
Chairman,
Public Accounts Committee.

APPENDIX I
(Vide para 1.2)

Statement showing classification of action taken notes received from Government

- (i) Recommendations and observations which have been noted or accepted by Government;

Sl. Nos. 1 to 4, 7, 9, 14, 15, 17 to 19, 22, 27, 28, 32 and 33.

- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government;

Sl. Nos. 5, 6, 8, 16, 20, 21, 23 to 26.

- (iii) Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration;

Sl. Nos. 10 to 13 and 29 to 31.

APPENDIX II

Conclusions and recommendations

Sl. No.	Para No.	Ministry concerned	Conclusion/Recommendation
(1)	(2)	(3)	(4)
1.	1.12	Defence	The Committee are convinced that there was a complete lack of planning and coordinated approach in the construction of the jetty in question. The need for such a construction was recommended as early as in December 1970 due to increase in the fleet strength at the Naval Base 'G'. It took about 8 years for according administrative approval for the construction of 1200 ft. jetty in February, 1978. Even thereafter the construction work was not taken up seriously. The work which was initially expected to be completed by February 1981 at a cost of Rs. 3 crores was eventually completed after an inordinate delay of 5 years in 1986 at an increased cost of Rs. 3.98 crores. Even on completion the jetty could not be commissioned for want of water and power supply and non-completion of dredging operation and the jetty was inaugurated as late as on 12.6.1987. The Committee take a

strong view of the lack of seriousness on the part of the concerned authorities for the completion and commissioning of the jetty in question. The Committee reiterate their earlier recommendation that the Government should thoroughly go into all the issues involved with a view to fixing responsibility and taking remedial measures for obviating recurrence of such lapses in future. The Committee would like to know the outcome of arbitration on the recovery of additional cost of Rs. 0.98 crores from firm 'AX'.

2. 1.21 Defence

The Committee are deeply concerned to note that about an year has already elapsed since the presentation of their earlier report to Parliament on 29.4.1987, yet there is virtually no progress in taking action against the officers found guilty of complete lack of supervision by CBI and the two departmental inquiries in the execution of the contract for the construction of an overhead tank 'C'. The writ petition filed by the Chief Engineer found guilty by the CBI investigations in Central Administrative Tribunal was allowed on 29.1.1987 on the ground of limitations of four years time. Surprisingly, since 29.1.1987, the Ministry have not been able to obtain legal advice from their own Legal Adviser for filing a special petition against the decision of the Tribunal. The Ministry have also miserably failed to finalise disciplinary action against the Assistant Executive Engineer found guilty by the CBI and other senior officers like Superintending Engineers and the AE/AEE etc. found guilty as a result of departmental inquiries. Due to this lackadaisical approach on the part of the

Ministry, an officer found guilty has since retired. The Committee deplore this utter failure on the part of the Ministry to timely bring to book the persons found guilty. The Committee strongly recommend that conclusive action on the basis of all the investigations should be taken immediately so that the persons found guilty are brought to book without any further delay.

3. 1.22 Defence

The Committee view with serious concern that no progress has been made after the presentation of their earlier Report even on the finalisation of the tenders to complete the works at the risk and cost of the contractor. It is deplorable that the overhead tank, contract for which was concluded as far back as in July 1980, has not become available for use so far. The Committee strongly urge that immediate steps should be taken to have the tank completed satisfactorily. Timely steps should also be taken to recover the additional cost from the defaulting contractor.

PART II

MINUTES OF THE 42ND SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 18TH APRIL, 1988

The Committee sat from 15.30 to 16.15 hrs.

PRESENT

Shri Amal Datta - *Chairman*

MEMBERS

- 2. Shri Ajay Mushran**
- 3. Shri Balwant Singh Ramoowalia**
- 4. Shri S. Jaipal Reddy**
- 5. Gen. R.S. Sparrow**
- 6. Shrimati Manorama Pandey**
- 7. Shri B. Satyanarayan Reddy**
- 8. Shri T. Chandrasekhar Reddy**

SECRETARIAT

- 1. Shri B.D. Duggal - *Chief Financial Committee Officer***
- 2. Shri S.M. Mehta - *Senior Financial Committee Officer***
- 3. Shri R.K. Chatterjee - *Officer on Special Duty***

REPRESENTATIVES OF AUDIT

- 1. Shri R. Ramanathan - *Director (Indirect Taxes)***
- 2. Shri M.M.B. Annavi - *Director (Defence Services)***
- 3. Shri S.B. Krishnan - *Director (Reports)***
- 4. Shri S.C. Singhal - *Director (P&T)***

2. The Committee considered the following draft Reports and adopted them:

(i) * * * * *

(ii) * * * * *

(iii) * * * * *

(iv) Action taken on 93rd Report (8th Lok Sabha) regarding Military Engineer Services.

3. The Committee authorised the Chairman to finalise the Draft Reports in the light of verbal changes arising out of factual verification by the Audit and present them to the House.

The Committees then adjourned

