

# **PUBLIC ACCOUNTS COMMITTEE 1962-63**

## **FOURTH REPORT**

(THIRD LOK SABHA)

[Appropriation Accounts (Defence Services), 1960-61  
and Audit Report (Defence Services), 1962]



**LOK SABHA SECRETARIAT  
NEW DELHI - 1**

*November, 1962/Kartika, 1884 (Saka)*

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**(1962-63)**

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**Shri Mahavir Tyagi**

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**SECRETARIAT**

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

## INTRODUCTION

As authorised by the Public Accounts Committee I do hereby present this Report on the Appropriation Accounts (Defence Services) 1960-61 and the connected Audit Report, 1962, which were laid on the Table of the House on the 3rd May, 1962. This Report was considered and approved by the Committee at their sitting held on the 19th November, 1962. A brief record of the proceedings of these sittings also forms part of this Report (Part II).\*

2. A statement showing the summary of the principal conclusions/recommendations of the Committee is given in Appendix II. For facility of reference, these have been printed in thick type in the body of the Report.

3. The Committee discussed the activities of the Ordnance Factories relating to the manufacture of civil trade items. Two Study Groups of the Committee also visited some of the Ordnance Factories during November 1962. The Committee were informed that items of civil trade were manufactured in the Ordnance Factories in peace time with a view to utilising their idle capacity and keeping the skill and technique alive, so that in an emergency they could be switched over to the defence production more quickly. Due to heavy surpluses of rifles with the Services, a part of the surplus capacity of the Rifle Factory was also utilised in peace time for production of civil trade items such as sports rifles, espresso coffee machines etc. But the entire capacity of the factory is now being utilised for the manufacture of service stores. The Committee are in general agreement with the policy of utilising the surplus capacity of ordnance factories in peace time for production of civil trade items in order to keep the skills and techniques alive, so long as by so doing the manufacture of service stores which is the first and foremost duty of the Ordnance Factories does not in any way suffer. During their visits to some of the Ordnance Factories, the Study Groups of the Committee were deeply impressed with the enthusiasm and coordinated efforts of the Director General, Ordnance Factories, his officers and workers in increasing defence production and their sense of awareness of the need of the country in the present emergency. It was heartening that various trade unions had sunk their differences and were working unitedly to raise the defence production to the maximum. The Committee have no doubt that greater emphasis will continue to be laid on the development and production of new armaments and equipments.

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\*Not printed in accordance with the decision of the Committee taken at their sitting held on the 19th November, 1962.

4. One feature that the Committee have observed from year to year is a large percentage of savings in the grants sanctioned for the Defence Ministry. Specially in the background of the present emergency, Parliament might not grudge sanctioning extra funds to the Defence Ministry. The Committee are, however, anxious to see that the funds are utilised fully and that no appreciable savings occur therein. **The Committee would suggest that such measures as may be necessary to achieve budgetary targets may be examined by the Ministry of Defence in consultation with the Ministry of Finance.**

5. Recently, certain conflicting opinions had been expressed about the powers and functions of the Comptroller and Auditor General of India and the procedure adopted by him in auditing the accounts of Government and reporting thereon. It was suggested that the audit conducted by the Comptroller and Auditor General is financial and not an administrative audit and that audit comments should be limited to financial criticisms based on accounts. It was also urged that it was not the function of the Audit to range over the field of administration and offer suggestions as to how the Government could better be conducted. Since audit scrutiny is to be conducted on the basis of accounts and other records, it was also suggested that the Audit authorities should not make independent enquiries from private individuals or members of the general public in the performance of their functions.

With a view to giving a clearer idea about duties and powers of the Comptroller and Auditor General in the matter of auditing the accounts of Government and reporting thereon, the Committee considered the position with reference to the constitutional and legal provisions in this country as well as the practice that is prevalent in other democratic countries like United Kingdom and U.S.A. **The conclusions of the Committee in the matter are embodied in Chapter VIII of the Report.**

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

They would also like to express their thanks to the officers of the Ministries of Defence and Finance (Defence) and Service Headquarters for the cooperation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;  
November 21, 1962.  
Kartika 30, 1884 (Saka).

MAHAVIR TYAGI,  
Chairman,  
Public Accounts Committee.



# I GENERAL

## Audit Report (Defence Services), 1962

### *Appropriation Audit—Pages 1-2, Para 1*

The following tables summaries the total of the voted grants and charged appropriations for the Defence Services during the three years ending 1960-61 and the actual expenditure incurred against them:—

	In crores of rupees		
	1958-59	1959-60	1960-61
<i>(i) Voted Grants</i>			
1. Sanctioned Grants (including supplementary Grants)	326.91	311.18	338.25
2. Actual Expenditure	304.28	292.65	310.17
3. Savings	22.62	17.53	28.08
4. Percentage of 3 to 1	6.02	5.63	8.30
<i>(ii) Charged Appropriations</i>			
1. Sanctioned Appropriations (including supplementary Appropriations)	1.21	0.99	0.96
2. Actual Expenditure	0.06	0.92	0.86
3. Savings	0.05	0.07	0.10
4. Percentage of 3 to 1*	4.41	6.80	10.17

The total saving on voted Grants amounting to Rs. 28.08 crores during the year under review were greater than those for the previous years and mainly occurred under Grant No. 9-Army, Rs. 10.60 crores; Grant No. 10-Navy, Rs. 1.88 crores, Grant No. 11-Air Force, Rs. 9.50 crores and Grant No. 108-Capital Outlay, Rs. 5.13 crores.

The savings accrued mainly as a result of (i) non-implementation or delay in implementation of schemes, and (ii) non-materialisation of supplies.

The Committee note with regret the deterioration in the percentage of savings, both in respect of Voted Grants and Charged Appropriations. The figure of the percentage of savings under Voted Grants increased from 5.63 in 1959-60 to 8.30 in 1960-61 whereas the figure under Charged Appropriations increased from 6.80 in 1959-60 to 10.17 in 1960-61.

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

2. The more important items on which expenditure including the value of imported components was less than that envisaged in the budget for 1960-61 were:

Nature of Items	Budget provision	Actual expenditure
(in crores of rupees)		
(i) Manufacture of trucks and tractors . . . . .	8.28	2.79
(ii) Purchase of plant and machinery . . . . .	3.25	1.05
(iii) Manufacture of arms and ammunition . . . . .	1.59	0.20
(iv) Purchase of airframes and engines including manufacture and assembly of aircraft at Hindustan Aircraft Limited .	27.50	17.01
(v) Purchase of vehicles . . . . .	2.29	1.67
(vi) Expansion of Naval Dockyard . . . . .	2.00	1.14
(vii) Development of new items . . . . .	1.44	0.05

The Committee consider it unfortunate that there should have been shortfalls against the items like manufacture of trucks and tractors, manufacture of arms and ammunition and purchase of vehicles. Regarding the heavy shortfall under "manufacture of arms and ammunition", the representative of the Ministry explained as under:—

"This item relates to one contract. The original estimates were based on anticipated supplies under the contract. The saving was due to less materialisation of supplies."

**This can hardly be regarded as satisfactory.**

During evidence, the Committee were informed that the savings mainly related to the store purchases, where certain variable factors could not be anticipated, such as, changes in policy which might require holding up of certain proposals in view of the possibility of procuring more modern equipment, delay in procurement from abroad with a view to exploring means of manufacture of equipment indigenously, rapid changes in the supply position of stores both from indigenous and overseas sources due to shortage of materials, transportation etc. The expenditure on stores was constantly kept under review so that procurement from abroad was restricted to the minimum. These efforts would result in the appreciable saving in foreign exchange in future years, though for the budget year they had the effect of postponing expenditure resulting in surrenders of some funds. The overall savings had come down to 5.8 per cent in 1961-62. The Committee were assured that efforts were continuously

being made to reduce savings to the minimum and further improvement in the matter was expected.

While the Committee appreciate the Ministry's efforts to save foreign exchange by restricting imports to the minimum, they would suggest that before making budget provision for imported stores, the possibility of their becoming obsolescent as a result of change of policy or the prospects of their indigenous manufacture should be fully considered, so that as far as possible, funds are not obtained which might not be required later. The Committee would like to watch the improvement in reducing the percentage of savings over Defence Grants further.

*Control over Expenditure—Pages 2-3, Para 2*

3. Out of a total saving of Rs. 28.08 crores under voted grants during the year 1960-61, a sum of Rs. 22.8 crores was surrendered only on the 30th March, 1961. Though the revised estimates prepared early in December each year indicated a saving of Rs. 9.87 crores, Rs. 3.37 crores and Rs. 8.91 crores during the years 1958-59, 1959-60 and 1960-61, respectively, no amount was surrendered at that stage.

Explaining the difficulties in surrendering savings relating to stores ordered from abroad, earlier in the financial year, the representative of the Ministry of Defence stated that although the Director General, India Store Department furnished periodical estimates of the expenditure, the utilisation of funds during the last 2 to 3 months of the year had been less than expected. The Director General, India Store Department, London had now set up a budget Committee in his organisation and had promised to furnish more realistic estimates which would enable the Ministry to surrender funds earlier, if they were not likely to be fully utilised. On his attention being drawn to the non-surrender of amounts, although the revised estimates prepared in December had shown savings, the witness stated that when the revised estimates were forwarded to the Ministry of Finance that Ministry were fully aware that the amounts would be surrendered. The procedure had been revised, under which a reappropriation order would be issued at the time of submission of revised estimates.

The Committee are not happy over the practice of surrendering funds year after year on the last day of the financial year. They note that in pursuance of the recommendation contained in para 4 of their 35th Report (Second Lok Sabha), the Ministry of Finance (Department of Economic Affairs) have issued instructions to the administrative Ministries for exercising strict budgetary control and surrendering savings immediately they were foreseen. The Committee hope that with closer liaison between the indenting and

supplying departments and the accounts offices, better results would be achieved in this respect in future.

*Receipts—Page 3, Para 3*

4. The amount outstanding on account of arrears of rent and value of stores supplied and services rendered to outside parties increased from Rs. 5.79 crores to Rs. 7.35 crores during the year 1960-61. The outstandings included a sum of Rs. 4.65 crores relating to the period from 1st April 1946 to 31st March, 1960.

During evidence, the Committee were informed that the outstandings were mainly on account of the stores supplied to the State Governments and Civil Departments, etc. The bulk of the outstandings viz., Rs. 1.27 crores was due from the State Governments, Rs. 1.09 crores from Dandakaranya Project and Rs. 95 lakhs from the Iron and Steel Controller. Under the old procedure acceptance vouchers were not received from consignees in time who had to be reminded at various levels, which resulted in delay in making recoveries. A revised procedure had now been introduced in consultation with Audit, whereby debits were raised against the consignees on the basis of the proof of despatch of stores. It was expected that the outstandings would be considerably reduced. There had already been improvement in this respect and the total outstandings in respect of the Ordnance Factories had been reduced from Rs. 3.19 crores as on 30-6-61 to Rs. 2.27 crores as on 1-4-1961, i.e., an amount of Rs. 92 lakhs had been recovered in 9 months. The amount in respect of the Ordnance establishments had come down to Rs. 26 lakhs in August, 1962 from Rs. 73 lakhs on 31st March, 1961 and in respect of Navy to Rs. 6 lakhs from Rs. 14 lakhs.

While the Committee hope that under the revised procedure the outstandings relating to the current years would not accumulate, they are concerned over some old dues still outstanding since the year 1946. They desire that every effort should be made to recover them expeditiously. They would like to be furnished with a statement showing the break-up of the outstandings since 1946 and the progress made in the settlement of old cases.

*Defence Factories—Pages 3-4, Para 4*

5. The annual accounts prepared by the Controller of Defence Accounts (Factories) show that the value of completed stores manufactured in the ordnance and clothing factories increased from Rs. 24.15 crores in 1958-59 to Rs. 38.21 crores in 1960-61. The increase of Rs. 14.06 crores in the value of production comprised (i) Rs. 9.42 crores on account of the cost of tractors and trucks, the manufacture

of which was undertaken in the ordnance factories from July 1959, (out of this amount Rs. 1.82 crores represented the indigenous content and the balance of Rs. 7.60 crores the cost of tractors, trucks and components imported from abroad—Rs. 3.17 crores for tractors and trucks imported in 'ready for road' condition and Rs. 4.43 crores in respect of components) and (ii) Rs. 4.64 crores mainly due to the manufacture of new items of arms and ammunition.

Audit questioned the propriety of showing the cost of tractors and trucks imported in 'ready for road condition' as production in the ordnance factories, which were not actually manufactured by them, and represented only a trade transaction of purchase and sale. The Controller General, Defence Production agreed that the value of such trade transactions should be shown separately by creating another cell. The witness informed the Committee that excluding the imported content of tractors and trucks, the production in the factories had increased from Rs. 25 crores to Rs. 35 crores during the year 1961-62.

**The Committee suggest that the present accounting system of the ordnance factories should be suitably changed as the practice of inclusion of the value of imported equipment in the production of factories does not convey the correct picture of their output.**

6. Asked about the percentage of the indigenous content in the trucks and tractors produced by the Ordnance Factories, the Director-General, Ordnance Factories, gave the figure of 50 per cent in respect of trucks and 47 per cent in the case of tractors. In the case of trucks being supplied in CKD packages, the indigenous content came to 68 per cent. The indigenous content was expected to reach 85 to 90 per cent in the next 2½ years. Comparing the indigenous content of the tractors with the original programme of production, the witness stated that if the period of starting production be taken from the 1st October, 1959, the present programme would be strictly in line with it, being only 3 per cent less. As regards the trucks, there was a set-back in production due to delays and difficulties in supply of materials, mainly steel, the total set-back suffered in the period of three years being approximately nine months to a year. But the shortfall had not entailed any additional foreign exchange burden as the phased programme of indigenous content related to the numerical production of vehicles was not changed. The target of 70 per cent indigenous content was now to be achieved about a year later than originally envisaged.

**The Committee feel concerned over the shortfall in the production of tractors and trucks. They also note that the foreign exchange content has not been reduced to the extent anticipated. They hope**

**that all out efforts would be made to ensure that there is no further shortfall in production.**

*Expenditure on Works—Page 4—Para 5*

7. Since 1958-59, six projects estimated to cost Rs. 6.28 crores had been released for execution through troop labour which enjoyed certain facilities not normally available to the Military Engineer Services, such as, movement of stores by rail at concessional rates, use of departmental transport free or at reduced rates. A detailed analysis to ascertain as to how this mode of execution of projects compared with that normally adopted by the Military Engineer Services, had not yet been carried out.

During evidence, the Committee were informed that the projects had been released for execution through troop labour in consideration of the urgency of the provision of domestic accommodation for troops. A comparison of this mode of execution of the projects with that normally followed by the M.E.S., involved collection of certain detailed data which was a laborious and time consuming work. This could not be taken up because of other urgent projects on hand. It was expected that the required analysis would be completed in the next 4 to 6 months. In working out the value of concessions, decisions at Government level would be necessary in some cases as certain services that had to be performed for Army requirements had been diverted to the projects, such as use of military transport which would otherwise have run empty in some cases. The Committee were also informed that for the purpose of proforma accounts troops were charged to the projects at a certain rate, while they were actually paid their normal pay and allowances, rations etc. which if debited in full would considerably increase the cost of the works. The representative of the Ministry of Defence held the view that a comparison on the basis of proforma cost would be misleading. It was pleaded that if the works had been contracted on an urgency basis, the rates would have been much higher than normal. The C. & A.G. pointed out that as all the works had been completed and all the vouchers and documents were available, there should not be any difficulty in getting the details.

**The Committee, therefore, recommend that the required analysis should be completed as early as possible. They would also suggest that in future the details of the facilities extended to such works might be shown separately in the proforma accounts of such works to facilitate the final costing for the purpose of comparison.**

**Stores—Page 5—Para 6**

**Sub-para 2(1):**

8. The certificate of the Controller General of Defence Accounts on the Appropriation Accounts for 1960-61 has brought out that 19,779 Issue Vouchers/Invoices/Inspection Notes could not be linked with the corresponding Certified Receipt Vouchers. These included 5,368 invoices in respect of stores worth Rs. 18·53 crores purchased from abroad during the last several years. Of these, 3,084 invoices of the value of Rs. 12·50 crores pertained to 1959-60 and previous years.

The Committee were informed that the bulk of outstanding vouchers and invoices related to the transactions in the preceding year, which took 9 to 12 months to be cleared. As regards the invoices/vouchers outstanding for long periods, the witness stated that these mainly related to the Air Force where there were some difficulties in their linking. One of the difficulties in clearing work was that an invoice had to be kept outstanding even if 2 items out of 100 mentioned in it were not linked. All the same, some improvement had been effected in respect of the invoices outstanding in the Air Force, inasmuch as the figure had dropped from 4377 on 30th September 1961 to 2800 on 31st March 1962.

**The Committee trust that all out efforts would be made to clear the outstanding Vouchers/Invoices/Inspection Notes expeditiously.**

**Sub-paras 3—5:**

9. During the period of five years ending with 1959-60, stores of the total value of Rs. 33·25 crores were declared surplus for disposal. The annual figures ranged from Rs. 2·30 crores in 1958-59 to Rs. 10·61 crores in 1957-58. During 1960-61 stores of the value of only Rs. 0·95 crores were declared surplus for disposal. The Ministry stated in April, 1962 that the policy regarding disposal of non-perishable surplus stores had undergone a substantial change since 1958 and that due to increased requirements, paucity of foreign exchange and difficulties in deciding whether a particular item or equipment would or would not be required in future, the present policy was to keep old equipment longer as they might be utilised even in the distant future in some manner.

The Committee asked if any standing machinery existed to ensure that old stocks were reviewed by technical officers at regular intervals with a view to screening items in respect of which the number/quantity issued had been 'nil' or insignificant for the last several years and finding out whether they could be made use of for some purpose or the other within a reasonable period, or whether they should be disposed of as surplus. The representative of the Ministry

of Defence stated that a system of periodical provision reviews of the stores, existed in the Service Headquarters (annual in the Army and Navy, and six-monthly in the Air Force) to assess the surpluses and deficiencies in the holdings as compared with the requirements. As a result surplus stores were so declared. But the policy of the Ministry was not to dispose of the stores declared surplus in hurry, as the past experience had shown that requirements for them arose subsequently.

While the Committee appreciate the Ministry's point of view, they see little justification for retaining unwanted and obsolete surplus stores indefinitely which are not likely to be utilised in foreseeable future. The Committee have already stressed the need to screen the old stock and dispose of obsolete and unwanted stores in para 55 of their Sixth Report (Second Lok Sabha). The retention of such stores would not only result in blocking up of much needed storage accommodation in the depots but also involve unnecessary expenditure on their care and maintenance. As the years roll by the stores might become operationally unsuitable.

*Financial irregularities—Page 6—Para 7*

10. The Audit para disclosed delay on the part of the Ministry of Defence in communicating their comments on the cases included in the Audit Report for which a period of 6 weeks has been prescribed by the Ministry of Finance. The comments were received within a period of two months in 6 cases only. In 16 cases the comments were received within two to six months and in one other case after six months. In 11 cases, the replies were received after the Audit Report was finally printed.

During evidence, the representative of the Ministry of Defence stated that necessary instructions had been issued impressing upon the officers concerned to expedite the comments of the Ministry on Audit paragraphs. It was, however, pleaded that in practice the period of six weeks was inadequate, as the comments of lower formations who had no advance notice of these matters had to be obtained through various channels. The Comptroller and Auditor General pointed out that lower formations concerned were already aware of these matters as the audit paragraphs were based on the audit notes of the local audit officers, copies of which were forwarded to units concerned direct. The Committee are of the view that the prescribed time limit should be adhered to and suggest that lower formations might be asked to submit their explanations to the Ministry through proper channel as soon as they receive audit objections to enable the Ministry to communicate their replies to the audit paragraphs within the prescribed period.



## II

### MINISTRY OF DEFENCE

#### *Arrears in the linking of invoices with packing accounts—Page 7— Para 8*

11. 5,368 invoices relating to the periods as detailed below, received up to 31st March, 1961 in respect of stores of the value of Rs. 18.53 crores purchased and paid for in the United Kingdom and other countries in Europe had not been linked with the actual receipts of the stores in question up to 30th September, 1961. Out of this, a sum of Rs. 14.82 crores related to Air Force stores.

Year to which the invoices pertain	No. of invoices outstanding	Amount in crores of rupees
1948-49 to 1956-57 . . . . .	250	0.18
1957-58 . . . . .	114	0.68
1958-59 . . . . .	939	3.43
1959-60 . . . . .	1,781	8.21
1960-61 . . . . .	2,284	6.03
	<u>5,368</u>	<u>18.53</u>

The Ministry intimated (March, 1962) that after November, 1959, when the procedure for linking of invoices was rationalised, there had been considerable progress in clearing the outstanding invoices. As regards invoices pertaining to the period prior to April, 1957, they added that difficulty was being experienced in tracing the details and establishing the receipt of stores as the relevant records had been put away, being very old.

The representative of the Ministry of Defence stated that the main difficulty in linking of the old invoices which related to the periods from 1948-49 to 1956-57 was due to the fact that the records were not readily available. The records still existed but it was difficult to trace them as they were lying mixed up with other old documents. In those years, the invoices had not been received in time, and the details given in them and packing accounts differed. Therefore, instead of linking the invoices with the receipt vouchers in the depots, the files on which the stores were indented were being gone through to trace any record of their having been received.

Explaining the latest position, the witness stated that in the case of Air Force, the number of invoices outstanding had come down to 2,057 from 4,877 as on 30th September 1961. In order to ensure expeditious linking of invoices, a procedure was introduced in November 1959, under which the D.G.I.S.D. London was required to forward both the copies of accounts with complete details by air before the despatch of stores as also the final priced invoices to all concerned.

The Committee have already in their previous Reports (Paras 79-80 of 19th Report—1st Lok Sabha and 87 of 6th Report—2nd Lok Sabha) emphasised the importance of timely linking of invoices with packing accounts to avoid losses due to shortages, pilferage or misappropriation. They are concerned to note that invoices pertaining to the years 1948-49 to 1956-57 are still outstanding after a lapse of several years. The Committee would urge on the Ministry to undertake a special drive to liquidate the old invoices by augmenting the staff, if necessary. The Committee also recommend that the linking of invoices relating to the current years should not be allowed to accumulate, as the delay in this regard is likely to result in losses due to shortage, pilferage, etc., remaining undetected.

*Consolidated Trading & Profit and Loss Accounts of Military Farms—  
Page 8—Para 10*

12. The Public Accounts Committee in paragraph 106 of their Twenty-Ninth Report (Second Lok Sabha) recommended that Government should take immediate action with a view to removing the defects in the present system of accounting of milk produced in Military Farms, to which attention was drawn in paragraph 27 of Audit Report, 1958.

To recommend changes in the existing accounting and financial system of Military Farms an expert committee was set up by Government only in June, 1961. The Committee held their first meeting in November, 1961 and their report was awaited (March, 1962).

Explaining the reasons for delay in taking action in the matter, the representative of the Ministry of Defence stated that although a decision to appoint an expert committee had been taken in August 1960, it could not be appointed before June 1961, due to administrative difficulties in finding the staff for the Committee, there being a ban on the creation of new posts and also due to time taken in the finalisation of the terms of reference and selection of personnel of the committee. As it was not a whole time committee, frequent changes in its personnel had taken place from time to time which resulted in

slow progress in its work. The report of the Committee was expected in November, 1962.

The Committee are not convinced with the explanation for the delay in appointment of the expert committee and slow progress of its work. They hope that the work of the expert committee will be completed soon and action initiated on its recommendations with the object of streamlining the accounting system of the Military Farms without delay.

### III

#### ARMY

##### General Staff Branch

*Infructuous expenditure in the manufacture of an equipment—  
page 9, para 11.*

13. A trial order for the manufacture of three units of an equipment was placed on an Ordnance Factory, in September 1954. In May 1955, the quantity of order was increased by 56 units required for user trials. The first three units were completed by the factory in March, 1957 and delivered for technical trials. In October 1957, a bulk order was placed for 478 units without waiting for the results of the user trials.

In October, 1958, a decision was taken to introduce some modifications in the design of the equipment and the modifications were desired to be carried out even in respect of the 56 units ordered in May 1955. The factory had, however, almost completed the manufacture of the 56 units by that time and had also manufactured some components against the 1957 order for 478 units, on the old design. The expenditure of Rs. 1.27 lakhs incurred in the manufacture of the components on the old design thus became infructuous.

The Secretary, Ministry of Defence stated during evidence that the General Staff Equipment Policy Committee decided in August 1954 to develop indigenous manufacture of this equipment. On the basis of technical trials carried out in April 1957 with the 3 units manufactured by the Director-General, Ordnance Factories, the technical authorities confirmed that the equipment manufactured indigenously would give a performance identical to that of the imported one and there would be no difference in the handling of the weapon. As the items were required urgently by the General Staff the holding of user trials was dispensed with, with the approval of the Chief of the General Staff and a bulk order was placed in October 1957. The equipment in question was designed on the pattern of that used in U.S.A. Technical authorities came to know of some modifications introduced by U.S.A. in the latest pattern of this equipment only in April 1958. The General Staff Branch had to study these modifications and therefore the modifications could be communicated to the Director General, Ordnance Factories only in October 1958.

Asked why no order was given to the Director General, Ordnance Factories to suspend the production in the meantime, it was stated that it was not considered worthwhile to suspend the order before studying the modifications.

The Committee are unable to agree with this view. In their opinion instead of adding to the infructuous expenditure by continuing the manufacture of components on the old design, the Director General, Ordnance Factories should have been asked to suspend further production soon after April 1958, when the technical authorities came to know of the modifications in the latest pattern by U.S.A. the position could be reviewed in the light of the outcome of study of these modifications.

#### ADJUTANT GENERAL'S BRANCH

*Unnecessary expenditure incurred on pay and allowances—page 9, para 12.*

14. In June 1959, the Army Headquarters sanctioned for a Base Workshop an establishment of 25 men (including a fire supervisor) for fire brigade duties. The fire brigade staff was to be employed only when a trailer fire pump was in position in the workshop. There was no trailer fire pump with the workshop till January 1962, but the fire brigade staff consisting of four fire engine drivers, four leading hands and eleven firemen was appointed on various dates from September 1959 to September 1960. The expenditure incurred on pay and allowances of these men upto the end of September 1961 amounted to about Rs. 36,700.

The Committee were informed during evidence that as there was acute shortage of the trailer fire pumps, the workshop could not procure this equipment. However, the repair of the trailer fire pumps being the responsibility of the workshop, a trailer pump was always available from September 1959 onwards from out of those received in the Workshop for repairs which could be utilised in the event of an emergency.

Asked whether there were no arrangements for fire fighting before the employment of this staff, the Committee were informed that there was some technical staff for testing the repaired equipment who could be utilised in an emergency, although there was no regular trained staff for fire-fighting. The workshop was dependent for fire-fighting on a neighbouring institution i.e. the C.O.D.

The Committee observe that as the sanction for the fire brigade staff contemplated that a trailer fire pump should be in position in the workshop and as there were already some arrangements for meeting emergencies, the employment of fire brigade staff without first procuring the trailer fire pump and in the absence of a fire supervisor lacked justification. They would like to point out in this connection that as late as February 1961, the Inspector of Fire Services on his visit to this workshop had felt that in the absence of such a trailer fire pump the fire services personnel were not suitably employed. It was admitted during the course of evidence that employment of the staff was not strictly in accordance with the Government sanction which was on the express condition that there should be a trailer fire pump in position, and formal sanction should have been obtained by the workshop for the revised arrangements. The Committee trust that such cases will not recur.

#### MASTER GENERAL OF ORDNANCE BRANCH

*Delay in disposal of surplus machines—page 10, para 13.*

15. In 1954, the authorities of the Central Ordnance Depot, Delhi Cantt. forwarded to the Army Headquarters a list of 12,235 machines (valued at over Rs. 2 crores) which had been lying idle since 1945 and sought instructions regarding their disposal/retention. Only about 36 per cent. of the machines were considered fit for use. A final decision regarding the disposal/retention of these machines has, however, not yet been taken. From April, 1946 to March 1961 an expenditure of about Rs. 21 lakhs had been incurred on the care and custody of these machines. While covered storage accommodation was being used in storing these machines, 60,000 tons of other usable stores were stocked in the open in the depot for want of covered accommodation with the attendant risk of deterioration.

The Committee were informed during evidence that most of the machines stocked in this Depot were procured under war-time conditions. Immediately after the war the stock of such machines was so large all over the country that nobody seriously thought of them. The available technical details were also very meagre. However, in 1955 due to the increased requirements of the armed forces and limited foreign exchange resources and as in the past the surplus stores had been utilised successfully, it was decided to standardise the surplus machines. A sub-Committee was appointed for this purpose which finished its work in May 1957. A further scrutiny of non-standard machines by the Controller General, Defence Production; Electrical and Mechanical Engineering Directorate and Engineer-in-Chief's Branch revealed prospects of utilising some of the

machines which had been declared surplus. Out of 12,235 machines referred to in the audit para, about 2,000 machines had been issued to the units for re-utilisation upto 31st January 1962. Further 81 road rollers which were declared surplus had been repaired and brought into service at a negligible expenditure saving foreign exchange to the extent of Rs. 27 lakhs. Thus as a result of systematic review of surplus items from time to time, it had been possible to utilise these surplus machines successfully.

\* It was, however, pointed out by the Comptroller and Auditor General that an audit of three units had revealed that some of the machines issued from the depot to units were lying unutilised. The Committee could not get any definite reply in this regard as the witness was not aware of the full facts. **The Committee desire that this matter should be looked into and the position intimated to them.**

16. As regards the amount of Rs. 21 lakhs stated to have been spent on care and custody of these machines it was explained that the amount was not incurred exclusively for the custody of these machines but was on account of total stock of machinery and spares in the depot besides normal expenditure on the receipts and issues from the depot. It was, however, pointed out by the Comptroller & Auditor General that proportionately large amount was spent on surplus machines as the number of other machines was only 1410 as against 13,683 surplus machines.

The Committee were also informed that on account of paucity of funds and engineering capacity, sufficient accommodation was not available and therefore some of the stores had to be kept in the open. However, these were treated with preservatives. Further as these were general purpose machines tools there was not possibility of their becoming outdated in the near future.

As regards the latest position regarding these machines, the Committee were informed that the total holdings of the machines on 1st November 1961 was 13,683 falling under the following categories:—

(i) No. of machines standardised	4,986
(ii) No. of machines recommended for re-utilisation	4,139
(iii) No. of machines recommended for disposal	1,625
(iv) No. of machines about whose disposal action was still to be taken	2,933

The screening of these machines [referred to in item (iv) above] had also been almost completed.

The Committee were concerned to note that due attention was not paid to the utilisation or disposal of surplus machines which had been lying idle since 1945. They understand from Audit that even taking into consideration the machines which are likely to be utilised before 1965, 70 per cent of the machines will continue to be surplus. They would like to observe that undue delay in the disposal of surplus machines results in avoidable loss due to attendant risk of deterioration of the machines besides expenditure on their care and custody. They therefore, desire that expeditious steps should be taken for the disposal of the machines not likely to be required for use within a reasonable period. The Committee also feel that the expenditure of about Rs. 21 lakhs incurred on the care and custody of these machines appears to be on the high side. They suggest that the position may be examined to see whether this expenditure can be brought down.

*Over-provisioning of Stores—page 10, para 14(a)*

17. Large quantities of electronic valves and spares for wireless sets which were purchased during 1951—53 remained unutilised for a period of several years. About 27·12 lakhs of electronic valves pertaining to two different types of wireless sets, which were purchased during 1951—53 have been lying in stock for over eight years. It has been estimated that 27·83 lakhs of valves which included some earlier stocks (of the value of about Rs. 183 lakhs) would be surplus after meeting the requirements upto the end of March 1963. Spares for wireless sets of the value of Rs. 32 lakhs were also received during the period from 1951 to 1953. The review of the stock position in November, 1960 showed that the bulk of these spares was surplus to requirements, the value of surplus spares being Rs. 19·12 lakhs.

Explaining the reasons for over-provisioning these stores, the Secretary of the Ministry of Defence stated during evidence that during 1951-53 when these stores were purchased the political situation was such that there was rush for stock piling of such equipment and spares. Therefore 36 months' requirements on 'war wastage basis' were provided for on the possibility of an emergency arising at any moment. However, this basis had been changed and provision was now being made for only 24 months maintenance requirements.

It was also explained that as this was a new type of equipment developed in U.K. the Ministry had no experience of the wastage at the time of procurement and had to accept the scales given by the manufacturers. It was however admitted that the stock on hand was more than what they had purchased in 1951-53 and that three years estimated requirements could not be used even in 10 years.



As regards the disposal of surplus stock, the Committee were informed that the Bharat Electronics Limited had been asked to examine the possibility of using these valves. Some valves were also proposed to be sold to the Police for wireless sets.

While the Committee note the circumstances under which these stores were purchased they are not satisfied that there was adequate justification for procuring these stores on three years' 'war wastage basis'. They view with regret that effective steps had not been taken for the utilisation/disposal of the surplus stores and it was only recently that the Bharat Electronics Limited had been asked to examine the possibility of utilising these valves. The Committee would urge that this matter should receive greater attention.

*Non-provision of suitable accommodation leading to down-gradation of ammunition—page 11, para 15.*

18. A Field Ammunition Depot in Western Command was established in 1948. Due to uncertainty of its retention, the ammunition was stored in tents. As the depot was continued, a project was initiated in 1954 for providing covered accommodation at a cost of Rs. 15 lakhs with a view to preventing deterioration of ammunition owing to monsoon, heat, moisture, storms etc. The project was, however, not proceeded with as Government felt that the depot might not continue at the same place for more than four years and that the cost of the project would be more than the loss due to deterioration of ammunition in that period. In December 1958, it was again decided that semi-permanent accommodation should be provided if it would be used for at least 5 years after it was ready. A case was initiated in August, 1959 to plan the requirements and a Board was constituted in January 1961. The proceedings of the Board were still under consideration. In the meantime, ammunition valued at Rs. 33.96 lakhs was downgraded during the period from December 1953 to March 1959; of this ammunition valued at Rs. 17 lakhs had become unserviceable.

Explaining the reasons for the delay in this regard, the Secretary of the Ministry stated that the question of providing covered accommodation for this depot was considered from time to time. But no decision could be taken as the permanency of the unit could not be determined due to tactical reasons. However, the Board constituted in January 1961 for planning the requirements in this regard recommended a scheme costing more than Rs. 1 crore. The question was under the consideration of the Government. The final decision in this regard had been delayed as the views of the State Government concerned on the question of shifting a high voltage power line were received only recently.

It was also contended that deterioration in this case could not be attributed solely to storage conditions although it was one of the important factors and there were various other factors responsible for downgrading of the ammunition. Down-gradation was a normal feature in case of ammunition even under covered accommodation depending upon its ingredients.

The Committee had come across a similar case in the past where there had been delay of 12 years in deciding about the location of a depot and ammunition worth Rs. 45 lakhs had to be downgraded (paras 41—44 of the 35th Report of Public Accounts Committee—1960-61). They regret to note that this is another similar case where the authorities had taken more than 10 years to decide about the permanent location of the depot. The Committee also learnt from Audit that in 1959 some pre-fabricated sheds were available and these had been earmarked for this depot. It is surprising that even then no steps were taken to provide at least some temporary covered accommodation to meet the immediate requirements of the depot, as the provision of permanent accommodation would, in any case, have taken some time. The Committee trust that the construction of building for the Depot would now be expedited to avoid any further deterioration of the ammunition.

*Purchase of ten ton cranes—page 12, para 16*

19. In the year 1954, the Master General of Ordnance purchased 10 ten-ton cranes costing in all Rs. 10.52 lakhs. Five of these cranes were not fully utilised, as indicated below:—

- (i) Two of the cranes received from the suppliers in the later part of 1954 remained in the receiving depot for about 2½ years before their despatch to the formations.
- (ii) One crane transferred to Vehicle Depot, Panagarh by the receiving depot in April 1955 was on receipt found to require major overhaul. After repairs, it was transferred in March 1959 to the Central Ordnance Depot, Kanpur, though the latter was not authorised to hold a ten-ton crane. Here it worked for 14½ hours during the total period of three years. The Ministry intimated in March 1962 that the crane was being shifted to the College of Military Engineering, Kirkee.
- (iii) Another crane was received in Dehu Road Depot in January 1957. It was loaned to the Army Base Workshop from where it was received back in February 1959. In March 1960, it was sent to the Base workshop for repair and had not been received back till October 1961.

- (iv) Another crane remained off the road from April 1959 to October 1961 for want of repairs.

During evidence, the Master General of Ordnance informed the Committee that in order to meet a deficiency of 13 cranes, it was decided to purchase 10 new cranes and repair 3 old ones. Instead of having 6-ton cranes, it was decided to buy 10 ten-ton cranes considering their usefulness in handling new equipments requiring heavier carriage. But, as the cranes were a little too big for use, there had been certain problems in their full utilisation. Steps were being taken to utilise them in the new Defence Production Units. The representative of the Ministry of Defence stated that there was also some delay in the utilisation of some of the cranes because of repairs needed by them as a result of damage during transit between depots. The Committee were, however, informed that all of them had since been distributed and these were being used in various workshops and formations.

The Committee had an occasion to comment on the utilisation of one of these cranes in para 18 of their 43rd Report (Second Lok Sabha) in which case the width of the road in the depot was inadequate for its use. The fact that a number of these cranes on receipt remained unutilised for several years would indicate that there was lack of foresight and proper planning in the purchase of these heavy cranes. The problems concomitant with the use of ten-ton cranes should have been foreseen at the time of their purchase. The Committee note that all the cranes have been issued to workshops/formations and hope that they would be fully utilised in future.

*Delay in cancellation of orders—page 12, para 17*

20. The Central Ordnance Depot, Agra, placed demands for 130 units of an item in August 1952 and followed it up by further demands for the same item, 1,500 in December 1953 and 3,000 units in May 1954. The manufacture of all these units was entrusted by the Director General, Ordnance Factories to the Ordnance Factories, Dehra Dun in January and June, 1954. The manufacture against the first two demands was commenced in June, 1955 and that against the last demand in May, 1958.

In the mean time, the provision reviews carried out by the Ordnance depot in February, 1955, May, 1956 and November 1957 revealed surpluses of 1,105; 2,939 and 2,759 units respectively but no action to reduce its demands was taken by the depot till June 1959 when the factory was asked to suspend manufacture.

The revised requirements were worked out as 1,000 units only after a provision review carried out in October 1960. By this time,

an expenditure of Rs. 1.47 lakhs had been incurred on the part manufacture of the rest of the quantity (3,630 units). In addition, a further expenditure of Rs. 23,659 was expected to be incurred in completing the semi-manufactured units.

It was explained during evidence that the manufacturing processes were in an advanced stage in 1955-56 and any cancellation would have resulted in considerable avoidable expenditure. It was added that maintenance requirements for 1954-56 had been on the increase. The surpluses constituted requirements for three to four years only. Further with the increase in the requirements of this item, the rate of repair output was also anticipated to increase. Although a new type of wireless set was expected to replace the type of set of which this item was a component, this type of set was now expected to continue in service and therefore, the stock position of this item was being reviewed. The total cost of the components manufactured was about Rs. 87,600. However, as some issues out of the stock of this item had already been made the cost of the remaining stock was only Rs. 60,000. Efforts were being made to find alternative use for these remaining items.

The Committee were informed by Audit that provision reviews conducted during 1958-60 disclosed even larger surpluses as compared with the figures in earlier years. The reasons advanced by the Ministry for not reducing the demand for the item in question are, therefore, not very convincing. The Committee were informed that the stock position of this item was being reviewed again as the wireless sets of which this item is a component were likely to continue in service. They would like to be informed of the outcome of this review and the progress of utilisation of the surpluses.

#### QUARTER MASTER GENERAL'S BRANCH

*Delay in disposal of surplus lands and buildings—Page 13, para 18*

21. The audit para disclosed six cases in which non-disposal/delayed disposal of lands and buildings, lying unutilised for the last several years (some of them since as far back as 1947) entailed loss to the State due to the deterioration of the building besides expenditure on maintenance of watch and ward amounting to several lakhs.

It was explained during evidence that in view of the difficulties experienced in piecemeal acquisition of land, disposal of the lands/buildings was resorted to only after all avenues of utilising them by the other Defence Organisations, other Ministries, State Governments and public undertakings etc., had been fully explored.

It was the experience of the Ministry that delays in the disposal of these assets in some of the cases had been justified as on account of expansion etc. some new uses had been discovered for these assets.

The Committee were also informed that all military lands and properties were reviewed periodically and recommendations for their retention or otherwise were forwarded to the Army Headquarters. These lists were reviewed by the Quarter Master General's Committee quarterly and their recommendations were forwarded to the Ministry for final decision.

While the Committee share the anxiety of the Ministry to dispose of the vacant lands and buildings only as a last resort after exploring all avenues of utilising them by Defence Organisations/other Ministries etc. they cannot over-look the fact that some of these buildings were lying unutilised since 1947. It is, therefore, apparent that due attention had not been paid to the utilisation/disposal of these buildings resulting in considerable expenditure on maintenance and watch and ward staff besides unnecessary locking up of funds. The Committee desire that this matter should now receive due attention and steps taken for utilisation/disposal of surplus buildings.

The Committee feel that the expenditure incurred on the watch and ward is excessive. They were informed that the number of watchmen appointed was according to the scale laid down by the Government. The Committee suggest that the prescribed scale should be carefully examined to see what economies are possible.

*Delay in de-hiring of land—page 15, para 19*

22. In Katihar (Bihar), 86.98 acres of land belonging to private individuals were taken over by the local Army authorities in April 1950 for locating an ordnance depot without settling the terms of hire. The land became surplus to Army requirements in July 1953. The question of acquiring the land was considered on various occasions, but the Army Headquarters did not favour the proposal. Finally, in December 1960, they directed the lower authorities to dispose of the assets, clear the site and de-hire the land but the latter again recommended acquisition to meet the changed requirements. This proposal to acquire the land was under consideration. As the period of occupation exceeded ten years, sanction of Government for the continued hiring of the land became necessary.

The Committee were informed that at the time of taking over the land in 1950, there was some confusion about the ownership of the land. A few months later the Zamindari Abolition Act came into force in Bihar which created some difficulties in entering into a

regular lease agreement with the land-owner. The collector's advice was sought on a number of occasions as to the manner in which the occupation should be regularised. One of the proposals was to requisition and later acquire the land. These proposals were under consideration of the Army Headquarters. For strategic reasons it had been decided to retain the land on hire. One party who claimed to be the owner of the major portion of the land had preferred a claim of about Rs. 3 lakhs but there was still a dispute about the actual ownership of the land and the advice of the Ministry of Law was being sought before issuing the formal orders.

As regards liability of Government for the rent of the land, the Committee were informed that the rent for the whole area was fixed at Rs. 217 in 1951 whereas the latest assessment of rent by the collector was Rs. 69 per acre.

The Committee observe that this is yet another case where there had been a delay of several years in taking decision about the disposal/acquisition of the land.

They desire that the question of ownership of land should be pursued vigorously with the authorities concerned so that some formal agreement could be entered into for the hiring/acquisition of the land.

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

*Tractors lying idle for want of spares—page 15, para 20*

23. One hundred and thirty tractors and connected attachments valued at over one crore of rupees supplied by the Director General, Ordnance Factories between July 1959 and October 1960 had been lying unutilised in an Engineer Stores Depot owing to delay in procurement of spares. While the indents for the tractors themselves were placed in December 1958 (for 100 units) and April 1959 (for 130 units), the scales of requirements for spares were finalised by the Army Engineers only in March 1960 and an order, on the basis of scales so finalised, was placed on the Director General, Ordnance Factories after the lapse of another year in March, 1961. The Ministry stated that the delay in placing of the indent for the spares was mainly due to non-availability of a catalogue and the relevant price list.

During evidence, the representative of the Ministry of Defence stated that the tractors were required for replacement of the old fleet phased over a period of five years and were not intended for

immediate use. A collaboration agreement was signed for the indigenous manufacture of tractors in the Ordnance Factories. One of the conditions was that the collaborators would supply 100 tractors, and the order for spare parts was to be placed on the basis of the forecast given by them. As the tractors were not required for immediate use, it was decided not to rush in for spare parts and thus conserve foreign exchange. As there was no experience about the equipment in the country, the scale of spares could not be determined with accuracy required. After entering into the agreement, the collaborators were asked to furnish their recommendations about spare parts, which were received between February—April 1959 (the tractors were to be supplied from June 1959). On the basis of these recommendations, the Engineer-in-Chief's Branch placed an *ad hoc* indent stipulating certain conditions which could not be complied with and this resulted in delay. Later the *ad hoc* order was cancelled and the final order placed. It also took some time to obtain the prices of the spares, as the firm did not manufacture all the parts themselves.

Asked why the order for 100 tractors placed in December 1958 was required to be completed by March 1959, if these were not required for urgent use, the Director General, Ordnance Factories stated that as the tractors were to be assembled in India after adding some indigenous parts, it was proposed to start their production as early as possible in order to save foreign exchange on the project as a whole.

As regards the latest position, the Committee were informed that out of 230 tractors ordered against phases I and II, 210 had been received, 104 tractors had been issued and 106 kept in reserve against 116 authorised. All the spares in respect of these tractors had been received and issued.

The Committee note that large funds (over a crore of rupees) remained locked up in this case because of the tractors remaining idle for a considerable period. They feel that this could have been avoided with better planning in placing the orders and closer co-ordination between the Engineer-in-Chief's Branch and Director General, Ordnance Factories. It is regrettable that there was undue delay in finalising the requirements of spares although the recommendations of the manufacturers had been received between February—April, 1959. Out of 210 tractors received, 106 are still lying in reserve. The Committee would like to know the progress made in the utilisation of these tractors and the number of operational hours done by each tractor.

***Heavy breakage of imported wired glass sheets—para 21 pages 15-16***

24. Out of 22,318 wired glass sheets valued at Rs. 3.34 lakhs approx. imported from abroad during June and December, 1950, 4,972 sheets valued at Rs. 1.20 lakhs were found broken on receipt by the Garrison Engineer, Kanpur. No action was taken then to investigate the breakages and regularise the loss. Another 515 sheets valued at Rs. 9,847 were also found broken in April, 1962.

In April, 1958, a Court of Enquiry was convened to investigate the loss. The Court gave its findings in November, 1960; the breakages were attributed to the rough and careless handling of packages by the bullock cart contractor entrusted with their transportation from the rail head to the work-site. No departmental officer had been deputed to supervise the loading, unloading and transportation of the packages. Five Military Engineer Services Officers were held responsible for the loss.

During evidence, the representative of the Ministry of Defence admitted that there had been some avoidable delay in investigating the case and initiating disciplinary action against the officers responsible for the loss. The question of the action to be taken against the officers was still under consideration, of whom two were no longer in service. The court of enquiry had come to the conclusion that the loss was due to the extreme carelessness and dereliction of duty on the part of the MES officers, although it also considered some breakages attributable to normal transit and storage.

The Committee note with regret the abnormal delay which has occurred in this case in instituting a Court of Enquiry and finalising the action to be taken against the officers responsible. The Committee have repeatedly emphasised in the past the necessity of instituting Courts of Enquiry without delays. They would like to be informed about the action taken against the officers concerned. The Committee also desire that necessary instructions should be issued about proper packing and handling of delicate materials like wired glass sheets in order to avoid losses during transit.

***Purchase of soft wood ballies—para 22 pages 16-17***

25. Against two indents from the Chief Engineer, Western Command for the supply of 1.99 lakhs soft wood (fir, chir, kail and deodar) ballies, the Director General, Supplies and Disposals placed an order on the Chief conservator of Forests, Jammu and Kashmir, Government in January, 1958 for supply by December, 1958.



The supplies commenced in October, 1958. Out of 1.39 lakhs ballies supplied by October, 1959, 1.21 lakhs ballies, i.e., about 87 per cent were rejected by the consignees on the ground that the ballies had not been given preservation treatment as provided in the contract and that they were cracked, twisted and infested. On complaints made by the consignees from time to time, further supplies were suspended in October, 1959, but no re-inspection, as provided for in the supply order, was carried out by the Forest Department of the Jammu and Kashmir Government. A joint inspection of the ballies already supplied was, however, carried out in June-July, 1960 by representatives of the Director General, Supplies and Disposals, the supplier and the indenter. The dispute has not yet been settled.

During evidence, the Director General, Supplies and Disposals stated that the ballies had been inspected by the Inspectors of the Forest Department J. & K. Government before despatch. Of the five consignees, one who had received a small quantity accepted the ballies, while the other four complained about them from time to time. The main reason for the rejection was that the ballies had not been given preservation treatment. On the matter being taken up with the J. & K. Government they stated that no facilities for preservation treatment were available with them. As such the State Government should not have accepted the contract. The representative of the Ministry of Defence stated that the State Government neither accepted the percentage of rejections intimated by the military authorities nor did they take any action to reinspect the ballies. A joint inspection carried out in June-July 1960 by the representative of D.G.S. & D., the J. & K. Government and the Military authorities did not produce an agreed solution. On the basis of the views of his representative on the inspection team, D. G. S. & D. had recommended acceptance of 90 per cent of the supplies subject to a rebate of 50 nP. per ballie for not having been given preservation treatment. But this recommendation was not agreed to by the Military authorities who found a smaller percentage of ballies acceptable. The dispute was, therefore, referred to D. G. S. & D. for arbitration under the terms of the contract. According to the arbitration award the entire supply was to be accepted with an overall reduction of 15 per cent in addition to the rebate of 50 nP. per ballie. The award was under consideration of the Ministry. To a question by the C. & A. G. whether the Chairman of the Enquiry Committee had stated that most of the deterioration seemed to have taken place during storage, the Director General, Supplies & Disposals replied that the Chairman had suggested a reduction of 10 per cent after taking into account the overall position. In reply to a question, the representative of the Ministry of Defence stated that ballies would be utilised for some alternative

purposes and not for the purpose originally intended. The total financial loss in the matter would be worked out in due course.

The Committee are of the view that the difficulties in this case have arisen because of non-verification by the D. G. S. & D. before placing the contract whether arrangements for preservation treatment of soft wood ballies existed with the Forest Department, J. & K. Government. Further, no provision was made for the inspection of the goods by the M.E.S. authorities before despatch. The Committee would suggest that adequate safeguards should be taken by the D. G. S. & D. while placing future contracts on the State Government. The Committee would like to be informed in due course as to what alternative use the ballies were put and what was the total financial loss incurred in the transaction.

The Committee also recommend that the dispute in the present case should be settled with the State Government expeditiously, as the ballies which have been lying unused for periods ranging from 2 to 3 years are likely to deteriorate further.

#### DIRECTOR GENERAL OF WORKS

##### *Defective operation of contracts—para 23, page 17*

26. In 1957-58, the Commander Works Engineer, Meerut concluded four contracts for the renewal of roofs of certain buildings at Muradnagar.

In 1958, the Commander Works Engineer issued a revised drawing in respect of the lap joint in purlins and issued directions to the Garrison Engineer, Meerut to initiate a deviation order for this change. The Garrison Engineer did not issue the deviation order during the execution of the work. On the other hand, he issued certificates (between June 1959 and March 1960) to the effect that the works had been satisfactorily completed according to the contracts.

Subsequently during the check of the bills in Commander Works Engineer's Office certain over-payments were detected and the Garrison Engineer was asked to effect recovery. In June-July 1960, the Garrison Engineer issued the deviation orders and at that stage deducted a total sum of Rs. 30,969 from the contractors' bills for the omitted portion of the work. The contractors did not accept the deductions and ultimately obtained (January, 1961) an award in their favour for Rs. 25,134 by referring the case to arbitration.

The contractors had also used timber of 8' length instead of the minimum length of 12' as stipulated in the contracts. But this was not objected to during the course of execution of the work. As the market rate for timber of 8' length was lower than that of 12' length by Rs. 6 per cft., the contractors made an unintended profit of Rs. 43,548 on 7,258 cft. of timber used on the works. Government preferred a claim before the arbitrator for an amount of Rs. 31,870 in this regard. The arbitrator, however, awarded only Rs. 15,930 in favour of the Government.

In evidence, the Director-General of Works stated that the type of joint to be used over the rafter as shown in the original drawing needed clarification. The Commander Works Engineer issued a clarificatory drawing after the contract had been accepted, which was to that extent a clarification and not relaxation of specifications. The contractors were formally asked to carry out the work in accordance with the clarificatory drawing. An attempt was made to prepare a deviation order but the contractors did not agree to the deviation, who contended that the work was according to the terms of the contract and no deduction was called for. The arbitrator gave his award in favour of the contractors which showed that he upheld the contractors' contention that the deviation was not necessary and the work was done according to the terms of the contract.

The Committee's attention was drawn to a statement made by the Ministry to Audit that although the Garrison Engineer was asked to initiate a deviation order for the change, it was neither called for nor issued by the Garrison Engineer. The Garrison Engineer correctly certified that the work had been completed, without issuing any order to the contractor for the change as there was no justification for doing so under the terms of the contract. The mistake was made in the Commander Works Engineer's Office during technical check of the final bills when that office came to the conclusion that recovery was due from the contractors. If this was the position, the Committee are unable to understand why the Garrison Engineer did not represent to the Commander Works Engineer immediately on receipt of the revised drawing that no deviation order was called for. On the other hand, the Committee find that the Garrison Engineer while communicating the revised drawing to the contractors had stated 'please note that necessary D.O. will be issued to you for this change'. But the Garrison Engineer did not follow up this condition. Later, after completion of the work, on a direction from the Commander Works Engineer's Office to make deductions from the contractors, the Garrison Engineer issued a deviation order. But even at that stage, Garrison Engineer did not represent to the Commander Works Engineer that this action was not called for.

The Committee are, inclined to feel that there was an omission on the part of Garrison Engineer in not complying with the instructions of the Commander Works Engineer issued in May 1958.

As regard the use of short length timber, the representative of the Ministry of Defence stated that the contracts provided for supply of minimum of 12ft. length timber except where otherwise permitted by the Garrison Engineer. As the supports were at 8 ft. intervals, the use of 8 ft. timber was according to the contract and issue of the completion certificate by the Garrison Engineer was in order. The Committee note that the Commander Works Engineer had stated before the arbitrator that the provision in the contract was minimum length of 12ft. for timber and joints on supports (not all supports) and this basis was altered by the contractors of their own accord to suit themselves for the reason that there was a difference of Rs. 6 per cubic foot for timber up to 8 ft. length and timber in length 12ft. and above. The very fact that Government's claim was admitted by the arbitrator to the extent of 50 per cent showed that the execution of the contract was defective.

#### IV

##### DIRECTOR GENERAL, ORDNANCE FACTORIES

*Uneconomical manufacture of Stores for civil trade—Page 18—20, Para 24.*

27. Ordnance Factories also undertake manufacture of stores for civil consumption with a view to utilising their surplus capacity and labour to the maximum extent.

During evidence, the Director General, Ordnance Factories stated that items of civil trade were manufactured in Ordnance Factories in peace time to utilise their idle capacity and keep the skill and technique alive, so that in an emergency they could be switched over to the service production quicker. The Committee enquired about the criteria followed in selecting items of civil trade for production. They were informed that the selection of civil trade items depended upon the type of plant available in a factory so as to keep the technique for defence production alive. In order to save foreign exchange, items of imported origin were selected for production after taking into consideration their market prices. In this matter, Government had taken broad decisions, on the basis of which the discretion to select items for production had given to the Controller-General, Defence Production or Director General, Ordnance Factories. The Ordnance Factories took up such items under the instructions of the Director General, Ordnance Factories. Asked if any financial limit had been fixed on the powers of the Director General, Ordnance Factories in the matter, the Controller General, Defence Production stated that it was difficult to estimate the cost of production in advance which varied according to the numbers to be produced. A list of civil trade items which the Director General, Ordnance factories was authorised to manufacture for stock purpose to meet further requirements had been drawn up. *The Committee feel that any additions or alterations in the list should have prior approval of Government.*

The Committee would like to reiterate the recommendations made in para 50 of their Forty-third Report (Second Lok Sabha) that (i) the Defence production should not in any way suffer because of the civil trade orders and (ii) the costing of articles produced for civil

trade should be done strictly in accordance with sound commercial principles. They suggest that before taking up production of civil trade items a proper survey of the prices and marketability should also invariably be made.

28. The audit paragraph disclosed the following cases where production of certain stores for civil trade was apparently undertaken without carefully assessing the probable cost of production and the marketability of the goods.

(a) *Photo enlarger*

In July 1953, the Director General, Ordnance Factories, with the concurrence of Government authorised the Ordnance Factory, Dehra Dun to manufacture 25 units of photo enlarger at an estimated cost of Rs. 275 each. In August 1955, by which time a prototype of the enlarger had been manufactured by the factory, the Ministry agreed to increase the number of enlargers to 250. Till September 1957 the manufacture of even a single unit had not been completed but the expenditure incurred and commitments entered into amounted to Rs. 2 lakhs giving a figure for the cost of production greater than the market value of similar imported photo enlargers. The manufacture was, therefore, suspended in September, 1957 pending further examination.

The Director General, Ordnance Factories expected that if a complete ban was imposed on the import of the enlargers it might be possible for the factory to sell about 200 enlargers per annum at a wholesale price of Rs. 600 each. The Ministry, after a review of the expenditure already incurred, decided in January, 1958 to complete the manufacture of 50 units in the first instance. The work on manufacture was accordingly resumed in the same month. A regular extract for the manufacture of 50 units was issued by the Director General, Ordnance Factories in March, 1958. By that time 14 photo enlargers had been completed by the factory against the original order issued by the Director General, Ordnance Factories in July, 1953 for 25 units. The expenditure incurred on the 14 enlargers was Rs. 85,314. Manufacture against the regular extract was resumed but upto end of December 1961, only 9 photo enlargers were completed. The cost of production per unit was estimated to be about Rs. 2,745. The retail sale price fixed by the Director General, Ordnance Factories in March, 1961 was Rs. 1,100 per enlarger inclusive of the 25 per cent commission of the selling agents. Against this sale price, the price of similar photo enlargers in the market in December, 1959, as ascertained by the Director General, Ordnance Factories was about Rs. 450 per unit.

Explaining the reasons for high cost of production in this case, the Director General, Ordnance Factories stated that at the initial stage of production when a few prototypes of a store were produced by general engineering methods, the production cost was usually 6 to 7 times more than under bulk production. The cost of a store was also linked up with the production activity of a factory at the time of preparation of estimates and actual production. At the time of manufacture of the photo enlargers the production activity of the Ordnance factory, Dehra Dun having dropped because of shrinkage of service orders, the overheads had risen abnormally, resulting in the inflation of the production cost. The revised estimated cost of the store worked out to Rs. 689 (minimum) and Rs. 1,311 (maximum) per unit over 50 numbers, and the market price was Rs. 1,200 per unit.

As for the slow progress in the manufacture of the store, the Committee were informed that development of certain components and procurement of materials took some time, and the fitting capacity of the factory was limited because of assembling of other precision instruments also being in hand at that time. Asked how the stores were proposed to be disposed of, the Director General, Ordnance Factories replied that these would be sold and their production would be resumed after completion of the present service orders placed on the factory. The witness named 8 indentors to whom the store had been sold. A number of enquiries had been received from various Government and private indentors. Some enquiries from private bodies for allotment of agencies had also been received.

The Committee are unable to understand how the Director General, Ordnance Factories had worked out an estimated cost of Rs. 275 per unit over a batch of 25 units in July 1953 when the concurrence of Government was accorded to take up the manufacture of the item. This estimated cost has no relation whatsoever to the actual cost subsequently worked out. The Committee also note with regret the delay of several years in establishing manufacture of the store.

The Committee would like to know the progress made in the sale of existing completed units of photo enlargers giving profit or loss made. \*

#### (b) Cinema Projectors

In May, 1955, at the instance of the Ministry, the Ordnance Factory Dehra Dun, took up the manufacture of a prototype of 35 MM Cinema Projector on a high priority basis. The intention was to

undertake bulk manufacture of the cinema projectors for civil trade. No formal sanction for undertaking the manufacture was, however, issued either by the Ministry or the Director General, Ordnance Factories nor was financial concurrence obtained.

A prototype of the projector was completed by June 1956. The demonstrations carried out in 1957 showed that the amplifier developed in the factory was not quite upto the standard. It was also realised by that time that the manufacture of the projectors would not give much load to the factory and that against the cost of an imported projector, viz Rs. 30,000, the cost of a factory produced projector would be about Rs. 43,750.

In December, 1957, the Ministry decided that in view of the inadequate facilities available and the negligible quantum of work that could be done at the factory, the production of 35 mm projectors should not be undertaken by the factory. However, in June, 1959, the manufacture of a second prototype of this projector was taken up in pursuance of a general directive that Ordnance Factories should try and produce as much as possible for civil trade, provided there was sufficient demand for the article in question. This was completed in July, 1961, but no regular manufacture had yet been undertaken. The total expenditure incurred on the manufacture of the two prototype was about Rs. 3 lakhs.

The Ministry and the Director General, Ordnance Factories were aware by about November, 1955 that Government had already granted licences to two firms for manufacture of cinema projectors.

During evidence, the Committee were informed that the total expenditure of Rs. 3.06 lakhs incurred on the two projectors included development charges amounting to Rs. 2½ lakhs which if spread over a batch of 1,000 units under bulk production would come to only Rs. 250 per unit. If the development cost was segregated as in the case of a commercial firm, the projectors could easily be sold at a market price. The market price of a projector was about Rs. 35,000, while estimated cost in ordnance factories on bulk production basis (a batch of 1,000 units) worked out at Rs. 24,000. Before, putting projectors for sale it was necessary to prepare detailed drawing in order to ensure their quick production. Asked if any orders had been placed by the Army, the Director General, Ordnance Factories stated that Army had now under consideration standardisation in terms of 16 mm projectors, and that nothing had been settled finally and that the whole question was still under consideration.

Referring to the private firms who had been granted licences for production of cinema projectors, the representative of the Ministry



of Defence stated that the proposal of the first firm which had been approved in 1955 did not materialise and it was allowed to develop only 16 mm projector equipment in 1960. 35 mm cinema projector in private sector was approved only in 1961, but the production consisted only of assembly of imported components.

The Committee are surprised to learn that such a project involving considerable financial outlay was taken up without a formal sanction either by the Ministry or the Director General, Ordnance Factories and without proper financial concurrence.

They would like to know whether formal sanction has since been accorded and what was the reason for the delay. They would also like to know in due course how many projectors were manufactured and sold and at what price.

(c) *Espresso Coffee Machines*

During the years 1958—60, the Rifle Factory, Ishapore, manufactured 15 Espresso coffee machines at a total cost of Rs. 53,764 without obtaining formal government sanction or financial concurrence. The Ministry informed Audit on the 24th May, 1962 that a sale price of Rs. 2,750 has been fixed for the senior machine.

Explaining the reasons for taking up the production of coffee machines, the Director General, Ordnance Factories stated that there was known to be a demand for introducing these machines in the Army canteens and at the Railway Stations. One machine had been sold to the Railways who wanted to place bulk orders after trials. An enquiry had been received from another party for sale of 100 machines, who had also obtained one machine for trials. The cost of a senior machine (restaurant model) was estimated as Rs. 1,500 per machine and a junior machine (house model) as Rs. 106. The machines would be manufactured on receipt of firm orders, and no machines were being manufactured at present.

The Committee regret to note that this is another case where prior sanction was not issued before taking up production. In particular, there was no justification for producing as many as 15 machines without ascertaining whether there would be real demand for them. The Committee would like to know whether a formal sanction for the manufacture of the machines has been issued and whether responsibility has been fixed for incurring this expenditure which to date remains largely infructuous. They would also like to know the final outcome of the enquiries received from the Railways and private parties.

29. In this connection, the Committee would like to mention here that their Study Group which recently visited the Rifle Factory, were informed by the Director General of Ordnance Factories that due to heavy surpluses of rifles with the Services, the production at the Factory was gradually reduced during the period 1951-52 to 1954-55. The provision review as on 1st January, 1955 showed a huge surplus. Consequently the production was further curtailed. This led to the question of the retrenchment of the staff. As this would have resulted in a loss of skill and technique, it was decided to utilise a part of the surplus capacity of the Factory to the production of civil trade items such as sports Rifles. Espresso Coffee Machines etc. As to the present position, it was stated that the entire capacity of the Factory was being utilised for the manufacture of service stores. In this connection, the Committee would like to mention that they are in general agreement with the policy of utilising the surplus capacity of Ordnance Factories in peace time for the production of civil trade items in order to keep the skills and techniques alive, so long as by so doing the manufacture of service stores which is the first and foremost duty of the Ordnance Factories does not in any way suffer.

*Delay in manufacture of a store by an Ordnance Factory—Pages 20-21, para 28.*

30. With reference to a demand received in May 1953 for the supply of 1,150 units of an item by October 1953, the Director General, Ordnance Factories placed an order in November 1953 on the Ordnance Factory, Dehra Dun. The Factory did not supply even a single unit till November 1960, when the indenter suggested suspension of the order. It was ultimately cancelled in May 1961. An expenditure of Rs. 1.17 lakhs was incurred by the Factory.

During evidence, the representative of the Ministry of Defence agreed that the Ordnance Depot concerned should have suspended the order in 1957 when the provision review had indicated holdings of the item in excess of requirements for the next four years upto the 31st March, 1961. The Depot had been informed by the Army Headquarters in November 1957 that in view of the surplus holdings, there was nothing further to be covered. But this was interpreted by the Depot to mean that no further demands were required to be placed and that no reduction or cancellation of the order already placed was called for.

In regard to the utilisation of the components manufactured, the representative of the Ministry of Defence stated that these had been

accepted by Ordnance Depots against other requirements. Audit pointed out that according to the information available with them about Rs. 9,000 worth of components only had been utilised by the depots and the rest had not utilised as they had already surplus stocks of these items.

Explaining the reasons for the Ordnance Factory not being able to establish production of the equipment for seven years, the representative of the Ministry of Defence stated that it was not possible to manufacture two components. Attempts to procure them through private trade also failed. The quota certificates for their import were obtained in February 1960 and the order was suspended in November, 1960.

The Committee note with regret the failure on the part of the Ordnance Depot to suspend the Order in 1957, even when they were informed about the surplus holdings as revealed by the provision review. The Committee suggest that the question may be properly investigated, responsibility fixed and remedial measures taken to avoid a recurrence. The Committee would like to know the total expenditure rendered infructuous as also the value of components utilised elsewhere.

*Unnecessary purchase of vehicles—pages 21-22—para 27.*

31. During the period April 1957 to April 1960, the Director General, Ordnance Factories placed demands on the Director General, Supplies & Disposals, for the purchase of fourteen 3 ton 4 × 2 lorries at an estimated cost of about Rs. 4 lakhs. In April 1961, it was pointed out in Audit that the provision review in respect of this type of lorries held by the Master General of Ordnance as on 30th June, 1960 had shown a surplus of 5,148 lorries and that the requirements of the Director General, Ordnance Factories could have been met from the surplus stocks. The provision reviews conducted in the years 1957, 1958 and 1959 had also revealed surpluses of 3 ton 4 × 2 vehicles.

In December 1961, the Ministry intimated that though in accordance with the procedure the Director General, Ordnance Factories was not required to communicate his demands to the Master General of Ordnance, it was proposed to examine whether the Director General, Ordnance Factories should consult the Master General of Ordnance before procuring any common user items. In March 1962, the Ministry intimated that out of the surplus holdings referred to, the serviceable lorries were being used against a deficiency in another type and that the Director General, Ordnance Factories, who

was advised of the surplus available under the repairable category did not prefer any demand for them.

Explaining the reasons for placing the demand in the present case on the Director General, Supplies & Disposals for the purchase of vehicles without consulting the Master General of Ordnance Branch, the Director General, Ordnance Factories stated that it was known that the Army had large stocks of  $4 \times 2$  vehicles in repairable condition and had a limited capacity for repairs. After the receipt of the Audit para, the indents placed on the Director General, Supplies & Disposals were kept under suspension and efforts were made to obtain the requirements of the Ordnance Factories from the Army, but because of difficulties of supplies from the Army, the Ministry agreed to the revival of orders. Asked if it was not possible to repair the requisite number of vehicles for supply to the Director General, Ordnance Factories, the Master General of Ordnance stated that since priority was being given to the Army requirements of repaired vehicles, supplies could not be made to the Director General, Ordnance Factories. The Army were still short of the requirement of fit vehicles. At the instance of the Ministry, the Master General of Ordnance Branch had been able to deliver only 3 vehicles so far. To a question if the vehicles could not be got repaired through civil workshops, the representative of the Ministry replied that the private trade was tried in the matter but this experience was not good. The Controller General, Defence Production stated that use of the old Army vehicles of pre-1948 period after repairs also entailed higher operational cost which would result in increasing the cost of production in the factories. Therefore, unless these vehicles were more economical not only in capital cost but also in operation, it would be false economy for the Director General, Ordnance Factories to use them.

It is not clear to the Committee whether in the present case the Director General, Ordnance Factories did not consult the Master General of Ordnance Branch for his requirements of  $4 \times 2$  vehicles because of his reluctance to use old vehicles of pre-1948 period or non-availability of adequate repair capacity in the Army Workshops. The Committee understand that these old vehicles were after repair considered to be as good as 80 per cent brand new ones and the cost of overhaul was only about Rs. 2,850 per vehicle. In the light of this the Committee find little justification for the contention of the Controller General, Defence Production that use of old vehicles would be uneconomical. In order to utilise any surplus stocks of common user items in the Army, it would be desirable that all the non-Army organisations under the Ministry of Defence should route

their demands for such items through the Master General of Ordnance who should endeavour to meet their requirements out of the surpluses as far as possible.

The Committee note with concern that the repair capacity of the workshops falls short of the requirements. It is obviously desirable that the repairable vehicles are repaired at the earliest possible date. If they are kept lying for years there is bound to be further deterioration. If, as stated by the Defence Ministry, the private trade cannot handle this work efficiently, the possibility for augmenting the existing capacity of the workshops should be seriously examined. In addition, the Committee suggest that in view of the present emergency, a proper survey of the repair facilities in the private sector should be made, and necessary facilities provided to them so that, if and when so needed, their services might also be utilised.

*Visit by the Study Group 'B' of the Public Accounts Committee to the Gun Carriage Factory, Jabalpur and Ordnance Factory, Khamaria.*

32. During their visit to the Gun Carriage Factory, Jabalpur and Ordnance Factory, Khamaria, the Study Group 'B' of the Committee were impressed with the coordinated effort of officers and workers for increasing production, and their awareness of the need of the country in the present emergency.

The Study Group made the following suggestions to increase the production of the factories:

**Gun Carriage Factory, Jabalpur:**

- (i) Priority should be given to this factory for the supply of steel of particular specifications and qualities required by them. All procedural and other delays in this matter should be removed immediately. Other raw materials e.g. timber and brass of the requisite quality and quantity should also be made available to the Factory.
- (ii) A few machines at present being used in the Factory were very old. It should be seen whether any of them need replacements. If so, necessary action may be initiated promptly.
- (iii) There was a lot of congestion in the Factory which was hampering the production. Urgent steps should, therefore be taken to provide more floor space so that the Factory could increase their production as quickly as possible.

**Ordance Factory, Khamaria:**

- (i) Government might consider the feasibility of introducing in the Ordnance Factories incentive schemes for maintenance staff at appropriate time.
- (ii) At present the Factory has considerable surplus covered accommodation. Steps should be taken to utilise the extra floor space by expanding the activities of the Factory.
- (iii) There was a great deal of wild growth of weeds, etc. in the Factory areas which when dried up might be the cause of accidental fire. Although the weeds were being cut regularly now for which a lot of labour had to be engaged involving heavy cost, steps should be taken to fully eradicate their growth.
- (iv) Apart from meeting the present requirements of Defence, efforts should be made to develop and manufacture latest types of items for the Defence forces.

**The Committee desire that necessary action should be taken on the above mentioned suggestions.**

## NAVY

### Purchase of Stores—page 23, para 28

33. In paras 19-20 of the 35th Report (Second Lok Sabha) of the Public Accounts Committee a mention was made of the irregular and avoidable purchase of two items of stores by the Captain Superintendent, Naval Dockyard, Bombay at abnormally high prices resulting in an extra expenditure of about Rs. 3.26 lakhs. The Audit para disclosed further facts in regard to the purchase of the two items. Apart from these items, ten other items were purchased by the Captain Superintendent, Naval Dockyard, Bombay during the period 1955 to 1959 which were considerably in excess of requirement or for which unreasonably high rates were paid indicated below:—

S. No.	Material purchased	Price paid	Market price	Amount paid in excess
(In thousands of rupees)				
1	30,000 fire bricks	1,56	13	1,43
2	10 tons coloured natson powder	1,25	20	1,05
3	44 cwts. ironite powder	57	4	53
4	5 tons roofex	53	5	48
5	5 tons lissapol	60	19	41
6	5 tons adhesive solution	45	8	37
7	5 tons cemexo	40	13	27
8	215 rolls bituminous felt	82	29	53
9	39-1/2 tons of shellmac	35	20	15
10	503 gallons vala priming	13	5	8
TOTAL		6,66	1,36	5,30

The Ministry stated in February 1962 that it was proposed to institute a Board of Enquiry to investigate the facts.

The representative of the Ministry of Defence stated during the course of evidence that the court proceedings had started against the accused officers. As regards the investigations by a Board of Enquiry, the witness stated that on the advice of the Special Police Establishment, the departmental enquiry had been postponed as it might have repercussions on the court proceedings. All the relevant papers had been collected by the Special Police Establishment and had been submitted to the court.

It was pointed out by the Comptroller and Auditor General that while the irregularities had been detected in March 1959 the case was referred to the court in April 1962, therefore, the departmental

proceedings could have been completed earlier. The representative of the Ministry stated that the case had been handed over to the Special Police Establishment immediately after the irregularities were detected and all relevant records were taken away by them. On the attention of the witness being drawn to the instructions issued by Government that in such cases photostat copies of the documents should be made to proceed with the departmental action, the witness stated that the Special Police Establishment had advised in 1959 not to proceed with the departmental enquiry. The Committee were also informed that according to the report of the Special Police Establishment the criminal responsibility of the Captain Superintendent in any manner was not established; the question of administrative responsibility was to be gone into by the departmental enquiry.

The Committee find little justification for not initiating the departmental proceedings against the officers concerned immediately after the irregularities were detected in March 1959. If the records had been taken away by the Special Police Establishment, photostat copies could have been made out for proceeding with the departmental action. The Committee suggest that the instructions contained in the Ministry of Home Affairs Office Memorandum No. 39/30/54-Estt. dated the 7th June, 1955 requiring completion of departmental proceedings before initiating criminal action should also be adopted on the Defence side. The Committee would also like to be informed of the results of the departmental enquiry in due course.

*Overprovisioning of stores—pages 24-25—para 29, Sub-para (a).*

34. In the cases detailed below, stores were imported from the United Kingdom in excess of requirements:—

- (i) Out of 26,272 boiler tubes purchased during the period December 1955 to June 1957, a quantity of 23,365 tubes was still lying unutilised in May 1961. The provision review carried out in 1960 had shown a surplus of 22,211 tubes valued at Rs 1.29 lakhs even after providing for the requirements upto end of March, 1962.
- (ii) Out of 42 steel plates purchased during 1955 and 1956, 39 plates valued at Rs. 1.01 lakhs were still lying in stock in May, 1961.
- (iii) The entire quantity of 689 feet of copper tubes purchased during the period December 1955 to March 1956 at a cost of Rs. 36,727 was lying unutilised in May 1961.



Explaining the reasons for over-provisioning of stores the representative of the Defence Ministry stated that the stores had been indented for special refit (D2 refit) of certain naval ships which were more than 8 years old, during the period 1958—60. But due to the limited capacity of the Naval Dockyard, the refit programme could not be carried out. Some refit work had been entrusted to the Garden Reach Workshop and Mazagon Docks by the Defence Ministry, which were taken over by Government in 1960. It was proposed to undertake more refit work during 1963-64 and the stores were expected to be utilised completely in the next 2 to 3 years. In reply to a question the representative of the Naval Headquarters stated that tubes had been kept under proper storage conditions.

The Committee feel that this case is indicative of lack of proper planning. Before procuring the stores, the capacity of the Naval Dockyard for special refit work should have been taken into consideration. The Committee hope that these stores would be fully utilised in the next 2 to 3 years.

*Delay in revision of Regulations for the Indian Navy—page 25, para 30.*

35. In October 1951, Government sanctioned the appointment of a Lieut. Commander and two clerks, initially for a period of six months in connection with the revision of Regulations for the Indian Navy. These posts and three others (one peon, one stenotypist and one daftry) sanctioned during 1952 and 1953 were extended upto 31st December, 1961. The work has not yet been completed.

Explaining the present position of revision of the Naval Regulations, the representative of the Ministry of Defence stated that 49 chapters and 17 appendices had been printed and the remaining 5 chapters and one appendix were expected to be completed by the end of 1962. As regards the delay in completing the work, the witness stated that the review of the regulations was taken up on the basis of U.K. model which were themselves later revised in 1953 and a copy received in 1954. Further, consequent upon the supersession of the Indian Navy Act, 1934 by a new Act of 1957, considerable re-writing in the chapter relating to the Navy Act had to be done. Asked if the staff was fully engaged during the period, the witness replied in the affirmative.

The Committee deprecate the inordinate delay of over ten years in the revision of Regulations for the Indian Navy, which has resulted in the sanction of the staff for this purpose being extended from time to time. The Committee hope that this work would now be completed without further delay.

## VI

### AIR FORCE

*Outstandings against Hindustan Aircraft Ltd.—para 31—pp. 26-27.*

36. (a) During the years 1948 and 1949, certain types of spares required for the overhaul of service aircraft were supplied by the Indian Air Force to Hindustan Aircraft, Limited which was also entrusted with their storage, custody and accounting. A reconciliation of the ledgers with the ground balances as on 30th November, 1949 showed large discrepancies. A list of these was sent to Hindustan Aircraft, Limited in 1952 but they refused to accept the same on the ground that it was not correct and that for many discrepancies they were not responsible. A court of enquiry, appointed by Air Headquarters in 1956 to investigate these discrepancies drew attention to certain accounting and other irregularities and held the Company responsible for the deficiencies to the extent of Rs. 15.50 lakhs. A final settlement has still not been reached.

(b) In addition, a balance of Rs. 17.31 lakhs is due from Hindustan Aircraft Ltd. on account of three other transactions of equipment and spares. As against the total value of Rs. 37.31 lakhs of spares supplied, HAL have made an *ad hoc* payment of Rs. 20 lakhs. The Company have not accepted the figures on the ground that some vouchers were over-priced and the claims included certain items already returned. In the third case, the company proposed to return some spares and have also suggested arbitration regarding the price payable in respect of the balance.

In evidence, the representative of the Ministry of Defence stated that the Hindustan Aircraft Ltd. had not accepted the recommendation of the court of enquiry regarding the discrepancies in the accounts of spares, as they considered them as unilateral. The question of settling the matter through arbitration or otherwise was under consideration of Government. Two representatives of Hindustan Aircraft Ltd. were co-opted with the court of enquiry as members in attendance. The findings of the court of enquiry were at no stage co-ordinated with the representatives of Hindustan Aircraft Ltd.; even some important questions put by them were disallowed by the court.

As regards the pricing of spares referred to in sub-para (b), the representative of the Ministry of Defence stated that the Air Force

and Hindustan Aircraft Ltd. had agreed to refer the third case to arbitration. The question of referring the other two cases also to arbitration was under consideration.

The Committee regret that large discrepancies amounting to lakhs of rupees in the accounts of aircraft spares have remained unreconciled for the last 13 years. The situation had warranted immediate effective action after the discrepancies were detected. The Committee are unable to understand why the representatives of Hindustan Aircraft Ltd. which is a Government agency, were not fully associated with the court of enquiry appointed by the Air Headquarters in 1956. Such a joint enquiry would have been helpful in settling the discrepancies. The Committee suggest that the whole matter (including the dispute over the pricing of stores supplied to Hindustan Aircraft Ltd.) should be brought to an early settlement, and they should be informed of the result in due course.

*Non-utilisation of imported equipment—para 32—p.27.*

37. For certain equipment required for testing overhauled fuel pumps of aero-engines, an operational indent was placed by the Air Headquarters on the India Stores Department, London in January, 1958 with the stipulation that the equipment should be delivered by December, 1958. The Air Headquarters also clarified in February, 1958 that the equipment could be fully utilized from July, 1958 onwards, but that it would not be practicable for the contractors to complete the supply before December. The equipment costing Rs. 7.54 lakhs was received in the Base Repair Depot, Kanpur, between December, 1959 and April, 1960. As, however, there was no sanction to the construction of the building required for the installation of the equipment and as there was no covered storage accommodation in the depot, the bulk of packages were transferred during July—September, 1960 to the Equipment Depot, Manauri. The equipment had been lying unused for nearly two years after the receipt. Due to the non-installation of the testing equipment, the fuel pumps had to be sent abroad for repair in order to maintain operational efficiency.

The Committee asked the justification of placing an operational indent and of the statement of the Air Headquarters at that time that the equipment could be utilised from July, 1958. The representative of the Ministry of Defence stated that at the time of indenting the equipment, the Air Headquarters had expected that it could be installed in the already existing building. After the contract for supply of the equipment had been entered in September, 1958, the suppliers were immediately consulted whether it could be installed in the

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existing building. The suppliers advised in December, 1958 the construction of a new building for the purpose and the final plan was approved in November, 1959. The administrative approval to the building was accorded in September, 1960. The witness admitted that there was delay in according administrative approval to the building, which was under investigation. The building being required for the installation of a highly technical and specialised equipment, its completion was delayed due to certain factors like time taken in the preparation of detailed estimates and drawings, departmental procurement of materials through the D. G. S. & D., and technical difficulties in the layout of the underground high tension cables. Explaining the present position, the witness stated that the testing rig room was almost complete and the installation of the equipment was in progress.

The Committee regret that this is another case of lack of proper planning and foresight resulting in the equipment costing Rs. 7.54 lakhs remaining unused for 2½ years. The representative of the Air Headquarters expressed the view that even if the question of the provision of new building had been considered from the beginning, the saving of time in initiating action in this regard would have been three months *i.e.* from July to September, 1958. The Committee are unable to accept this view. As the equipment was of a highly technical and specialised nature of which the Air Force had no experience, enquiries should have been made from suppliers before placing the final order regarding the building required for its installation. The Committee are surprised how the Air Headquarters thought that the equipment could be installed in the existing building and rushed to place an operational indent. The indent should have been planned in such a manner that the equipment was received by about the time the buildings were ready for its installation. The Committee are also concerned over the delay in the construction of the building partly due to delay in according administrative approval, which was stated to be under investigation. They would like to be informed about the result of investigation.

## VII

### APPROPRIATION ACCOUNTS (DEFENCE SERVICES), 1960-61

#### *Controller General of Defence Accounts' Certificate—Page 8, para 16*

38. The Controller General of Defence Accounts' Certificate, 1960-61 *inter alia* disclosed the following irregularities in stores accounts:

- (i) Cases of incomplete maintenance/non-maintenance/non-production of stores accounts/connected documents continued to be reported.
- (ii) Cases also occurred in which credit could not be verified in the ledgers of the consignees. There were 1,497 such cases in the Army, 4,370 cases in the Air Force and 430 cases in the Navy. Cases in which vouchers had not been produced to audit continued to recur, there being 8,679 cases in the Army and 5,911 cases in the Air Force.

During evidence, the representative of the Ministry of Defence stated that during the years 1959-60, 1960-61 and 1961-62, number of cases under 'incomplete maintenance of accounts' was 38, 20 and 10 respectively, under 'non-maintenance of accounts', 37, 21 and 28 respectively, and under 'non-production of accounts' or 'connected documents' 65, 84 and 31 respectively. It was pleaded that considering the total number of units and formations, wide range and value of stores and a large number of issues and receipts, the number of objections relating to the maintenance of stores accounts was not abnormal. In a number of cases, audit objections had been settled after explaining the position to Audit, in others errors were being rectified. A number of objections related to non-maintenance of POL accounts by field units who were under the impression that they were not required to do so: the units had been asked to maintain proper accounts.

The position of the number of cases outstanding for verification in the consignees' ledgers as on 1st August, 1962 was 319 cases in the Army, 1,990 cases in the Air Force and 37 cases in the Navy. As regards the vouchers not produced to audit, the position as on 1st August, 1962 was 315 cases in the Army and 641 cases in the Air Force. Concerted efforts were being made to improve the position further. Difficulty in some cases was that stores were not received

in units or depots, and in some cases stores had been diverted to other units. Audit pointed out that the position of the cases where credit could not be verified in the ledgers of consignees had not improved in 1960-61 as compared with 1959-60 when the cases outstanding for verification in the consignees' ledgers were 1,200 in the Army and 3,800 in the Air Force against 1497 and 4370 respectively in 1960-61.

In para 8 of their 17th Report (Second Lok Sabha) Vol. I, while commenting on the unsatisfactory state of store accounting in the Army formations persisting year after year the Committee had urged the Ministry of Defence, the three Services, and the Ministry of Finance (Defence) to take all possible steps to see that sufficient staff in both quality and number were provided for store keeping and store-accounting work. The Committee were concerned to find that the position had not materially improved in the subsequent years. The representative of the Ministry of Defence assured the Committee that some method would be devised to improve the position of store accounting. Representative of the Air Headquarters stated that in the case of Air Force, the unsatisfactory position of store accounting was due to the pressure of work in the context of considerable expansion after the Independence and frequent transfers of staff from one unit to another. The Committee hope that vigorous efforts will be made to achieve better results in future.

*Annexure II to the Controller General of Defence Accounts' Certificate—page 18.*

*Serial No. 3*

38. A large number of articles of personal clothing returned by a National Cadet Corps Unit to a Salvage Depot were found to have actually come from 'Kabari Market'. Apparently these stores bearing salvage stamps were procured by National Cadet Corps personnel from the market and produced before the Condemnation Board for obtaining replacement of new clothing at concessional rates and were accepted by the Board. Apart from this, some other serious irregularities, viz. change of figures in Condemnation Board Proceedings, non-credit of stores received from Ordinance Depot etc. were also noticed.

During evidence, the representative of the Ministry of Defence stated that the matter had been investigated by a court of enquiry and their findings were under examination. Meanwhile, instructions had been issued regarding the accounting procedure of defence stores in National Cadet Corps Units.

**The Committee consider that the irregularities in this case appear to be serious. They would like to know the final out-come of the investigations and the action taken against the persons concerned.**

*Section V—Review of Military Engineer-Services Expenditure—pages 36-37, para 26.*

40. The position in regard to finalisation of cases of losses deteriorated slightly during 1960-61. As against the sum of Rs. 3·57 crores and Rs. 3·97 crores requiring finalisation at the end of the years 1958-59 and 1959-60, respectively, the amount outstanding on this account at the end of the year 1960-61 was Rs. 4·05 crores.

During evidence, the representative of the Ministry of Defence stated that a number of cases related to the war period or the period immediately following thereafter. In some cases losses were due to the difference between book-value of stores and their actual-sale proceeds, and there was a controversy whether such losses need regularisation. The Committee were assured that most of these cases had been put up for consideration of Government and would be resolved as quickly as possible. **The Committee desire that vigorous efforts should be made to finalise these old cases and result intimated to them in due course.**

*Page 43, S. No. 2, Pages 50-51, S. No. 1, Pages 51-52, S. Nos. 4-5.*

41. In these cases, resale of goods after default by the initial bidders at auctions had been effected after a considerable interval of time. Large amounts were written off on account of irrecoverable ground rents due from the original bidders.

The Committee enquired why it was necessary to wait for an indefinitely long period before resale of goods was effected. The representative of the Ministry of Defence stated that after getting allotment of a bid, the party was required to clear the goods within the period prescribed for the purpose, failing which a notice was issued for operating the penalty clause and forfeiting the security deposit. The witness agreed that the lots should not be allowed to lie indefinitely before these were put to resale.

**The Committee suggest that the reasons for delay in resale of goods in these cases should be investigated and necessary instructions issued to ensure that resale of goods after default of the initial bidders is expedited.**

*Canteen Stores Department—pages 126—133 and para 17 of Audit Report (Civil), 1962.*

42. The Canteen Stores Department is being run as a Government commercial undertaking but its transactions are being kept outside

the Consolidated Fund of India. The future set up of the Department has been under consideration for several years.

During evidence, the representative of the Ministry of Defence stated that the matter had been discussed with the Comptroller and Auditor General, who had suggested that either the Department might be constituted into a statutory corporation or a Canteen Stores Fund might be created within the Public Account of India with the approval of Parliament by a token vote. The Ministry of Defence had tentatively accepted the second alternative and the Budgetary aspects of the proposal were under examination in consultation with the Ministries of Finance (Defence) and Finance (Department of Economic Affairs) and the Comptroller and Auditor General. Every effort was being made to finalise the matter.

The Committee would reiterate the recommendation made in para 10 of their 43rd Report (Second Lok Sabha) that a decision on this question which has been pending for several years should be taken early.

43. The financial transactions of another body, Soldiers', Sailors' and Army men's Board have also been kept outside the Consolidated Fund of India. The Committee were informed during the evidence that it had been decided to treat these Boards as departments of the respective State Governments. A reference to that effect had already been made to the State Governments but replies from all the State Governments had not yet been received. The Committee would like to know the final decision taken in this regard which may be expedited.



## VIII

### SCOPE AND EXTENT OF AUDIT CONDUCTED BY THE COMPTROLLER AND AUDITOR-GENERAL OF INDIA AND THE FORM AND CONTENT OF AUDIT REPORT.

44. During the course of discussion on Demands for Grants for the Defence Ministry on the 31st May 1962, the Minister for Defence referred to the manner in which audit of the accounts of Defence Services is being conducted and audit report thereon presented to Parliament, and suggested that the Members of the Public Accounts Committee might consider the matter. In course of interpellation on this subject in Parliament on the 18th June 1962 the Finance Minister stated that the reports of the Comptroller and Auditor-General were considered by the Public Accounts Committee and it was open to that Committee to seek elucidation on any point from the Comptroller and Auditor General.

As it is desirable that there should be a clear appreciation of the scope of functions of such an important constitutional authority as the Comptroller and Auditor General, the Committee decided to examine the matter with reference to the constitutional and legal provisions as also to the practice obtaining in the matter in other democratic countries like U.K. and U.S.A.

The following aspects of the question were considered by the Committee in particular—

- (i) What is the extent and scope of Audit conducted by the Comptroller and Auditor General? Does the system of administrative audit fall within the purview of the Comptroller & Auditor General?
- (ii) What should be the form and content of Audit Report on the accounts of Government submitted by the Comptroller and Auditor General?
- (iii) In auditing the accounts of the Government, should Audit make independent enquiries from private individuals or members of the general public?

Audit Reports are submitted in pursuance of Article 151 of the Constitution which enjoins that the Comptroller & Auditor General shall submit his report on the accounts of the Union and the States to the President and the Governor for being laid before Parliament and

the State Legislatures. Neither the Constitution nor the Audit & Accounts Order, 1936, as adapted, has defined the scope and extent of audit conducted by the Comptroller & Auditor General. This has been left, as in other democratic countries, to the sole discretion of the Comptroller & Auditor General. To enable him to prepare his report he has laid down the principles and issued instructions for the guidance of the officers and staff of the Indian Audit & Accounts Department for conducting the audit of the accounts of the Union and the States etc. These processes today are substantially the same as they were before the inauguration of the Constitution.

The main controversy in regard to the scope and extent of audit centres round the statement that the audit of the Comptroller & Auditor General is financial and not an administrative audit. A statement like that is apt to create confusion and it is therefore necessary to state what is meant by administrative audit. Administrative Audit may be defined as an examination of the technical and organisational processes of the administrative apparatus with a view to see how far the apparatus is working with maximum efficiency and what technical and organisational changes should be made so that the optimum results could be obtained. This examination must of necessity be the primary responsibility of the administrative departments and for this purpose they will have to have a built-in organisation in the departments themselves. The Public Accounts Committee examined this aspect of Administrative Audit as early as in 1951 and in their report on the accounts of 1947-48 (post-partition) made the following recommendation:—

“While discussing the case mentioned in para 21(i) (3) of the Audit Report on Civil Accounts, we accepted the suggestion of the Comptroller and Auditor-General that in order to obviate such cases in future a system on the pattern of an administrative audit in vogue in the M.E.S. should, in addition to the audit exercised by his officers, be introduced in all the large spending departments such as the C.P.W.D.”

This recommendation was reiterated by the Public Accounts Committee in subsequent years also. The system of administrative audit thus envisaged requires the setting up of an organisation in the department itself for carrying out an internal check of their transactions and for exercising proper control by inspections and scrutiny of relevant data on the work done by the executive officers. In pursuance of this recommendation, the organisation of the Chief Technical Examiner was set up by the Ministry of Works, Housing and Supply. The Ministry of Irrigation and Power have also accepted the suggestion

for implementation in the various Multi-Purpose River Valley Projects.

Administrative Audit as explained above does not come within the purview of the Comptroller & Auditor General. The Audit conducted by him does not concern itself with the audit of **administrative organisations and procedures as such**. However, when a particular course of administrative action has resulted in waste, extravagance or improper expenditure, it is certainly the duty of Audit to call specific attention to matters of that kind and to bring the facts to the notice of Parliament. For instance, in a project for construction of a canal, Audit would not concern itself with the administrative set up for the actual construction of the canal, the qualifications of the staff, the manner of recruitment, the alignments of the canal, whether it should pass through a particular part of the country or not etc. These are matters which are purely the concern of the Administration as such and no scrutiny of these processes, which is an important aspect of Administrative Audit, is to be done by the Comptroller and Auditor-General. But, if in the process of execution, it is found that the alignments had been drawn up on insufficient data necessitating a subsequent change involving additional or infructuous expenditure or that the financial results were less than had been anticipated, then it is clearly the duty of Audit to examine the circumstances which resulted in the wrong alignments being decided upon in the first instance resulting in loss or avoidable expenditure to the tax-payer or those which led to a fall in return. Such an examination, though an aspect of administrative audit, unquestionably falls within the ambit of Comptroller and Auditor-General's audit. **It is not the intention that Audit should encroach upon purely administrative matters or range over the entire field of administration. But where administrative action has serious financial implications, it is the duty of audit to see that administrative action is not only in conformity with prescribed law, financial rules and procedure but it is also proper and does not result in any extravagance, loss or infructuous expenditure.**

The Committee also examined in this connection the position that prevails in this regard in U.K. and found that the practice in this regard is exactly similar to the practice that is obtaining in our country. In the United Kingdom "with the approval of the Treasury and the Public Accounts Committee, and often at their instigation, the Auditor General is wont to push his inquiries further than the letter of the statute warrants, and to inquire also into any payments which on the face of the documents submitted to him to be imprudent and wasteful . . . As distinguished from his Appropriation Audit, this may be called his Administrative Audit. If in the course of his examination he becomes aware of facts which indicate improper expenditure, or

loss of public money, or waste of it, he is not debarred from calling to them the attention of the Treasury and the Committee by the fact that there is nothing irregular in them according to the scheme of appropriation. It is even his duty to do so....In contrast with appropriation part of the Auditor General's work, necessary no doubt but technical, this administrative part is of the highest practical value as a remedy for the epidemic complaint of financial administration in these days of vast expenditure, neglect of rigid economy in details" (Hilton Young—The System of National Finance). This extension of audit "arose out of the normal scrutiny of accounts, for losses, frauds, unusual charges and outstanding claims all appeared on the face of the accounts, had to have Treasury sanction and needed explaining. Inquiries of this nature led to investigation of the circumstances under which such irregularities occurred and, thus, directly to a consideration of machinery and means, departmental methods and action.... Thus, by a natural growth of their functions, the (Public Accounts) Committee and the Comptroller & Auditor General were being led to a wider investigation of departmental action and to questions of economy and efficiency" (Basil Chubb—The Control of Public Expenditure.)

As regards the second item, viz., the form and content of the Audit Report, the Committee consider that as an instrument of Parliamentary Control over Financial transactions of Government it is essential that Audit Reports must be independent and objective. It is because of its vital importance that the Constitution has taken special care to see that the Comptroller & Auditor General can perform his duties "without fear or favour, affection or ill will". The Constitution has not, therefore, prescribed the form and content of the Audit Report. It is no doubt necessary that the factual statements relating to various transactions mentioned in the Audit Report should be correct and Comptroller & Auditor General takes all possible steps to verify the facts. The different matters mentioned in the Audit Report are earlier sent in the form of draft paragraphs to the Ministries and Departments so that the facts stated in the paragraphs can be verified by them. The comments made in various matters are, however, his own, but in framing his comments the view points of the Ministries and Departments are always taken into account and where necessary these are also mentioned in the Report. If the Audit Reports are to be of any value to Parliament it is essential that the matters to be included and the comments to be made therein are left to the sole discretion of the Comptroller & Auditor General.

The position of the Comptroller and Auditor General in this regard in the United Kingdom is substantially the same as in India. He has a completely free hand in the matter of the form and content of the

audit report. As a matter of fact, the Select-Committee on Public Accounts in U.K. have encouraged the Comptroller and Auditor General to scrutinise and criticise improper and wasteful expenditure and to indicate where censure was, in his opinion, required. Commenting on an objection raised about the competence of the Comptroller and Auditor General to enter upon matters of administration, the Committee on Public Accounts, U.K., in the year 1888. had observed in their Second Report:—

“It is, no doubt, difficult in all cases to draw a distinction between questions bearing directly on audit matters and those which may trench upon the administrative functions of the Secretary of State. At the same time if, in the course of his audit, the Comptroller and Auditor General becomes aware of facts which appear to him to indicate an improper expenditure or waste of public money, it is his duty to call the attention of Parliament to them,.....”

The Government of U.K. accepted this view and it was stated in the Treasury Minutes:

“My Lords think it important that the Comptroller and Auditor General should have great freedom in drawing his reports to Parliament. He may draw attention to any circumstance that comes to his knowledge in the course of audit, and point out its financial bearing.”

51. In all democratic countries it has been accepted that it is the function of the Comptroller and Auditor General to satisfy himself that every expenditure has been incurred with ‘faithfulness, wisdom and economy’. As regards the matters to be included in the Audit Report, the Committee were assured that the long standing practice followed in India is on all fours with that in the United Kingdom. This practice has been described in the following words of Mr. D. C. Richmond, the then Comptroller and Auditor General of the United Kingdom in his evidence before the Select Committee on National Expenditure of 1903:—

“In the first instance, my object is to report in such a way as to assist the House of Commons in making its way through what may be a very bulky volume of accounts; but beyond that I do not feel myself debarred from calling attention to anything which has occurred in the course of my audit during the year which indicates loss or waste, or anything of that kind, which I think it is well that Parliament should know. Of course in doing so, I have to act with great care and discretion. It is not for me

to criticise administrative action as such; the departments are responsible for their own action as regards general administration; but if I find the result of administrative action has been a loss or a wastefulness of public money, then.....as an officer of the House of Commons, if I call specific attention to matters of that kind, even though the account itself would not disclose the facts...Even if an account were in perfect order, I would in practice call the attention of Parliament to any instance of waste or extravagance."

It would be worth noting here that the above Select Committee on National Expenditure further recommended to the Public Accounts Committee:

"even more than in the past, to encourage the Comptroller and Auditor General to scrutinise and criticise improper and wasteful expenditure, and to indicate where censure is in his opinion required."

That this practice still continues to be implemented in the United Kingdom is evident from the following extract of the evidence given by the Treasury to the Public Accounts Committee in 1951:

"This wider responsibility (of the Accounting Officer) has gone hand in hand with the tendency of succeeding Comptrollers and Auditors-General to exercise freely their rights of drawing the attention of the Public Accounts Committee to cases of waste and inefficiency in the conduct of a Department's business—a much wider responsibility than that of merely attesting the technical correctness of the payments. Accounting Officers have, therefore, to be prepared to defend the conduct of their Department's business in this wider sense and to make good, not only the "correctness and propriety" of the payments in the technical sense, but the efficiency and economy of the administration."

The position in regard to the scope and extent of audit, and the form and content of Audit Report is also similar in U.S.A. Section 312 of the Budget and Accounting Act, 1921, provides that the Comptroller General in his reports to the Congress "shall make recommendations looking to greater economy or efficiency in public expenditures....He shall submit to Congress reports upon adequacy and effectiveness of the administrative examination of accounts and claims in the respective Departments and Establishments and upon the adequacy and effectiveness of departmental inspection of the offices and accounts of fiscal officers."

The Committee are therefore, definitely of the view that it is the function of the Comptroller and Auditor General to satisfy himself not only that every expenditure has been incurred as per prescribed rules, regulations and laws, but also that it has been incurred with 'faithfulness, wisdom and economy'. If, in the course of his audit, the Comptroller and Auditor General becomes aware of facts which appear to him to indicate an improper expenditure or waste of public money, it is his duty to call the attention of Parliament to them, through his Audit Reports. At the present time when there is heavy taxation and heavy expenditure, the Committee hope that Comptroller and Auditor General will pay even greater attention than in the past to this aspect of his duties and that Government will give him every facility to perform them.

As regards the third item, viz., whether the Audit authorities should make independent enquiries from private individuals or members of the general public, the Committee would like to invite attention to the statement made by the then Comptroller and Auditor General of India (Shri V. Narahari Rao) at the meeting of the Public Accounts Committee held on the 22nd May 1951, regarding the procedure followed in the preparation and submission of Audit Reports to Parliament as given in Appendix L, Annexure II of their First Report (First Lok Sabha). The relevant extract from this statement is enclosed in Appendix I for ready reference. It explains in detail the various processes adopted by the audit department in the preparation and presentation of audit reports. The facts included in the Audit Reports are not only based on official documents but are also vetted by the departments concerned. The Committee have ascertained the present position from the Comptroller and Auditor General and they have been assured that the procedure outlined in the Appendix continues to be followed and that there has been no case where matters reported in the audit reports were based on facts other than those obtained through official channels. The witnesses from the Defence Ministry were unable to quote any instance where audit comments in the Report had been based on information from sources other than Accounts, official records and documents.

The Committee understand that a healthy convention has been built up in our country for making available to the Comptroller and Auditor General all documents and records relating to any financial transaction of the Government. This enables him to properly discharge his constitutional functions. Effective and useful audit may not always be possible by a mere examination of the accounts

and subsidiary documents such as vouchers submitted to audit. It is only as a result of the examination of all relevant documents leading to a particular transaction including the sanction that it is possible to arrive at a final audit view in the matter. It is also an accepted convention for the Auditor General in U.K. to call for any document relating to transactions to which his duties in respect of Audit extend. The position in this regard has been very clearly stated by Durell in his "The Principles and Practice of the System of Control over Parliamentary Grants in the following words:—

"He (the Comptroller and Auditor General) alone is competent to say what information is necessary for the discharge of his statutory functions, and if required for audit purposes it cannot be withheld....He is bound to afford to Parliament the fullest and best information in his power with regard to expenditure; but Parliament would not require to be furnished with information which it would not be in the public interests to make public. In the exercise of this, as in that of many other of his functions, the decision must be left to his discretion."

In the U.S.A. the Budget & Accounting Act specifically provides for the production of all records which the Comptroller General requires for the purposes of audit. On a complaint made by the Comptroller and Auditor General in U.K. in 1917 the Treasury agreed with the P.A.C. in sharing the hope that the documents necessary to enable the Comptroller and Auditor General to audit Navy Accounts would in future be supplied to him with the least possible delay. The Committee understand that even in the worst days of the Second World War, no restrictions were placed on the Comptroller & Auditors-General in U.K. and U.S.A. in the matter of calling for such papers and files as they considered necessary.

The Committee understand that Government has been examining a proposal to introduce legislation defining the duties and powers of the Comptroller and Auditor General as required under Article 149. They would urge upon them to expedite the same. The Committee would like to point out that when the Exchequer and Audit Department Bill was introduced for the first time in the United Kingdom Parliament in 1866, it was referred to the Committee on Public Accounts of the House of Commons. Also, in the year 1921, when another Bill was introduced to amend the above Act, it was examined by an Expert Committee appointed by the Government. The report of the Expert Committee was considered by the Public Accounts Committee and their pronouncement was included as an Appendix



to the report and circulated to the Members of Parliament. The Committee hope that a suitable procedure would be evolved to enable the Public Accounts Committee to consider the proposed legislation at an appropriate stage.

NEW DELHI;  
The 21st November, 1962.  
Kartika 30, 1884 (Saka).

MAHAVIR TYAGI,  
Chairman,  
Public Accounts Committee.

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## **APPENDICES**

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## APPENDIX I

*Extract from the statement made by the Comptroller and Auditor General of India at the meeting of the Public Accounts Committee held on the 22nd May, 1951 re: the Procedure followed for the preparation and submission of Audit Reports to Parliament (Given at pages 302-303, Annexure II of Appendix L of the First Report of the Public Accounts Committee, 1951-52)*

"I am going very briefly to explain how the audit work is done. The accounts come to the Accounts Officers. They are all examined and checked up. So many questions are sent out, some of which may be for eliciting information. We ask the Executive for their explanation. The explanation comes. Then, if we are not satisfied, the Audit Officer sends it to the higher officer asking him what he has to say. He may, perhaps, explain or say that the person concerned has been warned and so on. Perhaps, the Audit Officer may be satisfied after the receipt of the explanation, that there was nothing really wrong. That is how most of the things happen. There are some bigger things which are discovered in the course of audit. Correspondence may even go on with the Government and most of the correspondence is of the nature of asking for an explanation from the Government or for eliciting information or facts. Such correspondence is not a report. There are various stages and processes for Audit to satisfy itself that a transaction was regular or irregular. The Audit Officer may find that it is a bad enough matter, or it may be an ordinary irregularity which should not be repeated, regarding which we would like to report to the Parliament. There may also be cases in which, at the instance of Audit, improvements in financial or accounts rules and procedure have been devised, or the authorities have refused to accept the advice of Audit. The Audit Report ultimately includes, at the discretion of the Audit authorities, an account of irregularities and other important or interesting matters. The more serious cases where the delinquents have not been adequately punished, are also reported. We report even where people have been sent to jail, and all sorts of things, which in our opinion ought to be reported to Parliament.

As to the process of preparing the Audit Reports, all the materials are collected by the Audit Officer concerned. The Draft Paras contain allegations of things that have happened or have been discovered in the course of the Audit. It is only right and fair to the

Audit department as well as to the administration that the facts stated therein should be verified. These drafts are not Audit Reports under Article 151 of the Constitution at this stage. These drafts are sent to the departments for their comments on the facts stated therein. If they say that they do not accept the facts arguments ensue between the Audit on the one hand and the administration on the other. If they say that the facts stated are not correct, we ask them what the correct facts are. Then they say that the facts are such and such. Evidence has to be produced by the administration in support of their statements being correct. If adequate evidence is produced to justify a correction in the Draft Paras, they have to be amended because the Audit Report must be a faithful statement of facts. It is prepared without fear or favour; without any affection or ill-will. It would be a miserable document if it were a prejudiced one or untrue to facts. Therefore, we give every opportunity to the authorities concerned to contradict our statement of facts and produce the requisite evidence in support of their case. After having done all this, the report is finalised. Until this stage is completed, the Paras are only drafts or provisional statements without any authority".

## APPENDIX III

### *Summary of main Conclusions/Recommendations*

S. No.	Para No.	Ministries/ Departments concerned	Conclusions/Recommendations
I	2	3	4
1	3 (Intro.)	Defence	The Committee are in general agreement with the policy of utilising the surplus capacity of ordnance factories in peace time for production of civil trade items in order to keep the skills and techniques alive, so long as by so doing the manufacture of service stores which is the first and foremost duty of the Ordnance Factories does not in any way suffer. During their visits to some of the Ordnance Factories, the Study Groups of the Committee were deeply impressed with the enthusiasm and coordinated efforts of the officers and workers in increasing defence production and their sense of awareness of the need of the country in the present emergency. It was heartening that various trade unions had sunk their differences and were working unitedly to raise the defence production to the maximum. The Committee have no doubt that greater emphasis will continue to be laid on the development and production of new armaments and equipments.
2	4 (Intro.)	Do. <hr/> Finance (Defence)	The Committee would suggest that such measures as may be necessary to achieve budgetary targets may be examined by the Ministry of Defence in consultation with the Ministry of Finance.

1	2	3	4
3	1	Defence Finance (Defence)	The Committee note with regret the deterioration in the percentage of savings, both in respect of Voted Grants and Charged Appropriations.
4	2	Do.	(i) The Committee consider it unfortunate that there should have been shortfalls against the items like manufacture of trucks and tractors, manufacture of arms and ammunition and purchase of vehicles.  (ii) While the Committee appreciate the Ministry's efforts to save foreign exchange by restricting imports to the minimum, they would suggest that before making budget provision for imported stores, the possibility of their becoming obsolescent as a result of change of policy or the prospects of their indigenous manufacture should be fully considered, so that as far as possible, funds are not obtained which might not be required later. The Committee would like to watch the improvement in reducing the percentage of savings over Defence Grants further.
5	3	Do.	The Committee are not happy over the practice of surrendering funds year after year on the last day of the financial year. They note that in pursuance of the recommendation contained in para 4 of their 35th Report (Second Lok Sabha), the Ministry of Finance (Department of Economic Affairs) have issued instructions to the administrative Ministries for exercising strict budgetary control and surrendering savings immediately they were foreseen. The Committee hope that with closer liaison between the indenting and supplying departments and the accounts offices, better results would be achieved in this respect in future.

1 2	3	4
6 4	Defence	While the Committee hope that under the revised procedure the outstanding relating to the current years would not accumulate, they are concerned over some old dues still outstanding since the year 1946. They desire that every effort should be made to recover them expeditiously. They would like to be furnished with a statement showing the break-up of the outstandings since 1946 and the progress made in the settlement of old cases.
7 5	Do. Finance (Defence)	The Committee suggest that the present accounting system of the ordnance factories should be suitably changed as the practice of inclusion of the value of imported equipment in the production of factories does not convey the correct picture of their output.
8 6	Defence	The Committee feel concerned over the shortfall in the production of tractors and trucks. They also note that the foreign exchange content has not been reduced to the extent anticipated. They hope that all out efforts would be made to ensure that there is no further shortfall in production.
9 7	Do.	The Committee recommend that the required analysis should be completed as early as possible. They would also suggest that in future the details of the facilities extended to such works might be shown separately in the proforma accounts of such works to facilitate the final costing for the purpose of comparison.
10 8	Do.	The Committee trust that all out efforts would be made to clear the outstanding Vouchers/Invoices/Inspection Notes expeditiously.
11 9	Do.	While the Committee appreciate the Ministry's point of view, they see

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little justification for retaining unwanted and obsolete surplus stores indefinitely which are not likely to be utilised in foreseeable future. The Committee have already stressed the need to screen the old stock and dispose of obsolete and unwanted stores in para 55 of their Sixth Report (Second Lok Sabha). The retention of such stores would not only result in blocking up of much needed storage accommodation in the depots but also involve unnecessary expenditure on their care and maintenance. As the years roll by the stores might become operationally unsuitable.

12 10

Defence

. The Committee are of the view that the prescribed time-limit for furnishing comments on draft Audit paras should be adhered to and suggest that lower formations might be asked to submit their explanation to the Ministry through proper channel as soon as they receive audit objections to enable the Ministry to communicate their replies to the audit paragraphs within the prescribed period.

13 11

Do.

. The Committee have already in their previous Reports (Paras 79-80 of 19th Report—1st Lok Sabha and 87 of 6th Report—2nd Lok Sabha) emphasised the importance of timely linking of invoices with packing accounts to avoid losses due to shortages, pilferage or misappropriation. They are concerned to note that invoices pertaining to the years 1948-49 to 1956-57 are still outstanding after a lapse of several years. The Committee would urge on the Ministry to undertake a special drive to liquidate the old invoices by augmenting the staff, if necessary. The Committee also recommend that the linking of invoices relating to the current



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			years should not be allowed to accumulate, as the delay in this regard is likely to result in losses due to shortage, pilferage etc. remaining undetected.
14	12	Defence	The Committee are not convinced with the explanation for the delay in appointment of the expert committee and slow progress of its work. They hope that the work of the expert committee will be completed soon and action initiated on its recommendations with the object of streamlining the accounting system of the Military Farms without delay.
15	13	Do.	The Committee are unable to agree with the view that it was not worthwhile to suspend the order before studying the modifications. In their opinion instead of adding to the infructuous expenditure by continuing the manufacture of components on the old design, the Director General, Ordnance Factories should have been asked to suspend further production soon after April, 1958, when the technical authorities came to know of the modifications in the latest pattern by U.S.A. The position could be reviewed in the light of the outcome of study of these modifications.
16	14	Do.	The Committee observe that as the sanction for the fire brigade staff contemplated that a trailer fire pump should be in position in the workshop and as there were already some arrangements for meeting emergencies, the employment of fire brigade staff without first procuring the trailer fire pump and in the absence of a fire supervisor lacked justification. They would like to point out in this connection that as late as February 1961, the Inspector of Fire Services

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on his visit to this Workshop had felt that in the absence of such a trailer fire pump the fire services personnel were not suitably employed. It was admitted during the course of evidence that employment of the staff was not strictly in accordance with the Government sanction which was on the express condition that there should be a trailer fire pump in position, and formal sanction should have been obtained by the workshop for the revised arrangements. The Committee trust that such cases will not recur.

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Defence

The Committee desire that the position regarding utilisation of the machines issued to units should be looked into and intimated to them.

18 16

Do.

The Committee were concerned to note that due attention was not paid to the utilisation or disposal of surplus machines which had been lying idle since 1945. They understand from audit that even taking into consideration the machines which are likely to be utilised before 1965, 70% of the machine will continue to be surplus. They would like to observe that undue delay in the disposal of surplus machines results in avoidable loss due to attendant risk of deterioration of the machines besides expenditure on their care and custody. They, therefore, desire that expeditious steps should be taken for the disposal of the machines not likely to be required for use within a reasonable period. The Committee also feel that the expenditure of about Rs. 21 lakhs incurred on the care and custody of these machines appears to be on the high side. They suggest that the position may be examined to see whether this expenditure can be brought down.

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19	17	Defence	<p>While the Committee note the circumstances under which these stores were purchased they are not satisfied that there was adequate justification for procuring these stores on three years' 'war wastage basis.' They view with regret that effective steps had not been taken for the utilisation/disposal of the surplus stores and it was only recently that the Bharat Electronics Limited had been asked to examine the possibility of utilising these valves. The Committee would urge that this matter should receive greater attention.</p>
20	18	Do.	<p>The Committee had come across a similar case in the past where there had been delay of 12 years in deciding about the location of a depot and ammunition worth Rs. 45 lakhs had to be downgraded (paras 41-44 of the 35th Report of Public Accounts Committee—1960-61). They regret to note that this is another similar case where the authorities had taken more than 10 years to decide about the permanent location of the depot. The Committee also learnt from Audit that in 1959 some pre-fabricated sheds were available and these had been earmarked for this depot. It is surprising that even then no steps were taken to provide at least some temporary covered accommodation to meet the immediate requirements of the depot, as the provision of permanent accommodation would, in any case, have taken some time. The Committee trust that the construction of building for the Depot would now be expedited to avoid any further deterioration of the ammunition.</p>

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21	19	Defence.	<p>The Committee had an occasion to comment on the utilisation of one of these cranes in para 18 of their 43rd Report (Second Lok Sabha) in which case the width of the road in the depot was inadequate for its use. The fact that a number of these cranes on receipt remained unutilised for several years would indicate that there was lack of foresight and proper planning in the purchase of these heavy cranes. The problems concomitant with the use of ten-ton cranes should have been foreseen at the time of their purchase. The Committee note that all the cranes have been issued to workshops/formations, and hope that they would be fully utilised in future.</p>
22	20	Do.	<p>The Committee were informed by Audit that provision reviews conducted during 1958—60 disclosed even larger surpluses as compared with the figures in earlier years. The reasons advanced by the Ministry for not reducing the demand for the item in question are, therefore, not very convincing. The Committee were informed that the stock position of this item was being reviewed again as the wireless sets of which this item is a component were likely to continue in service. They would like to be informed of the outcome of this review and the progress of utilisation of the surpluses.</p>
23	21	Do.	<p>(i) While the Committee share the anxiety of the Ministry to dispose of the vacant lands and buildings only as a last resort after exploring all avenues of utilising them by Defence Organisations/other Ministries etc. they cannot overlook the fact that some of these buildings were lying unutilised since 1947. It is, therefore, apparent that due attention had not been paid to the utilisation/disposal</p>

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of these buildings resulting in considerable expenditure on maintenance and watch and ward staff besides unnecessary locking up of funds. The Committee desire that this matter should now receive due attention and steps taken for utilisation/disposal of surplus buildings.

- (ii) The Committee feel that the expenditure incurred on the watch and ward is excessive. They were informed that the number of watchmen appointed was according to the scale laid down by the Government. The Committee suggest that the prescribed scale should be carefully examined to see what economies are possible.

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Defence

The Committee observe that this is yet another case where there had been a delay of several years in taking decision about the disposal/acquisition of the land.

They desire that the question of ownership of land should be pursued vigorously with the authorities concerned so that some formal agreement could be entered into for the hiring/acquisition of the land.

25

23

Do.

The Committee note that large funds (over a crore of rupees) remained locked up in the case referred to in para 23 of the Report because of the tractors remaining idle for a considerable period. They feel that this could have been avoided with better planning in placing the orders and closer coordination between the Engineer-in-Chief's Branch and Director General, Ordnance Factories. It is regrettable that there was undue delay in finalising the requirements of spares although the recommendations of the manufacturers had been received between February-April, 1959. Out of 210 tractors received, 106 are

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			<p>still lying in reserve. The Committee would like to know the progress made in the utilisation of these tractors and the number of operational hours done by each tractor.</p>
26	24	Defence	<p>The Committee note with regret the abnormal delay which has occurred in the case referred to in para 24 of the Report in instituting a Court of Enquiry and finalising the action to be taken against the officers responsible. The Committee have repeatedly emphasised in the past the necessity of instituting Courts of Enquiry without delays. They would like to be informed about the action taken against the officers concerned. The Committee also desire that necessary instructions should be issued about proper packing and handling of delicate materials like wired glass sheets in order to avoid losses during transit.</p>
27	25	Do.	<p>(i) The Committee are of the view that the difficulties in this case have arisen because of non-verification by the D.G.S.&amp;D. before placing the contract whether arrangements for preservation treatment of soft wood ballies existed with the Forest Department, J &amp; K Government. Further, no provision was made for the inspection of the goods by the M.E.S. authorities before despatch. The Committee would suggest that adequate safeguards should be taken by the D.G.S.&amp;D. while placing future contracts on the State Government. The Committee would like to be informed in due course as to what alternative use the ballies were put and what was the total financial loss incurred in the transaction.</p> <p>(ii) The Committee also recommend that the dispute in the present case should be settled with the State Govern-</p>

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			<p>ment expeditiously, as the ballies which have been lying unused for periods ranging from 2 to 3 years are likely to deteriorate further.</p>
28	26	Defence	<p>(i) The Committee are unable to understand why the Garrison Engineer did not represent to the Commander Works Engineer immediately on receipt of the revised drawing that no deviation order was called for. On the other hand, the Committee find that the Garrison Engineer while communicating the revised drawing to the contractors had stated 'Please note that necessary D.O. will be issued to you for this change'. But the Garrison Engineer did not follow up this condition. Later, after completion of the work, on a direction from the Commander Works Engineer's Office to make deductions from the contractors, the Garrison Engineer issued a deviation order. But even at that stage, Garrison Engineer did not represent to the Commander Works Engineer that this action was not called for. The Committee are inclined to feel that there was an omission on the part of Garrison Engineer in not complying with the instructions of the Commander Works Engineer issued in May, 1958.</p> <p>(ii) As regards the use of short length timber, the very fact that Government's claim was admitted by the arbitrator showed that the execution of the contract was defective.</p>
29	27	Do.	<p>(i) The Committee feel that any additions or alterations in the list of civil trade items which the Director General, Ordnance Factories is authorised to manufacture for stock purpose, should have prior approval of Government.</p>

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(ii) The Committee would like to reiterate the recommendations made in para 50 of their Forty-third Report (Second Lok Sabha) that (i) the Defence production should not in anyway suffer because of the civil trade orders and (ii) the costing of articles produced for civil trade should be done strictly in accordance with sound commercial principles. They suggest that before taking up production of civil trade items a proper survey of the prices and marketability should also invariably be made.

30 28(a)

Defence

The Committee are unable to understand how the Director General, Ordnance Factories, had worked out an estimated cost of Rs. 275 per unit over a batch of 25 units in July, 1953 when the concurrence of Government was accorded to take up the manufacture of the item. This estimated cost has no relation whatsoever to the actual cost subsequently worked out. The Committee also note with regret the delay of several years in establishing manufacture of the store.

The Committee would like to know the progress made in the sale of existing completed units of photo enlargers giving profit or loss made.

31 28(b)

Do.

The Committee are surprised to learn that such a project for the manufacture of cinema projectors involving considerable financial outlay was taken up without a formal sanction either by the Ministry or the Director-General, Ordnance Factories and without proper financial concurrence. They would like to know whether formal sanction has since been accorded and what was the reason for the delay. They would also like to know in due course how many projectors



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			<p>were manufactured and sold and at what price.</p>
32	28(c)	Defence	<p>(i) The Committee regret to note that the manufacture of Espresso Coffee Machines is another case where prior sanction was not issued before taking up production. In particular, there was no justification for producing as many as 15 machines without ascertaining whether there would be real demand for them. The Committee would like to know whether a formal sanction for the manufacture of the machines has been issued and whether responsibility has been fixed for incurring this expenditure which to-date remains largely infructuous. They would also like to know the final outcome of the enquiries received from the Railways and private parties.</p>
	29	Do.	<p>(ii) The Committee would like to mention that they are in general agreement with the policy of utilising the surplus capacity of Ordnance Factories in peace time for the production of civil trade items, in order to keep the skills and techniques alive, so long as by so doing the manufacture of service stores which is the first and foremost duty of the Ordnance Factories does not in any way suffer.</p>
33	30	Do.	<p>The Committee note with regret the failure on the part of the Ordnance Depot to suspend the Order in 1957, even when they were informed about the surplus holdings as revealed by the provision review. The Committee suggest that the question may be properly investigated, responsibility fixed and remedial measures taken to avoid a recurrence. The Committee would like to know the total expenditure rendered infructuous as also the value of components utilised elsewhere.</p>

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34	31	Defence	<p>(i) It is not clear to the Committee whether in the present case the Director General, Ordnance Factories, did not consult the Master General of Ordnance Branch for his requirements of 4x2 vehicles because of his reluctance to use old vehicles of pre-1948 period or non-availability of adequate repair capacity in the Army Workshops. The Committee understand that these old vehicles were after repair considered to be as good as 80% brand new ones and the cost of over-haul was only about Rs. '2,850 per vehicle. In the light of this the Committee find little justification for the contention of the Controllor General, Defence Production, that use of old vehicles would be uneconomical. In order to utilise any surplus stocks of common user items in the Army, it would be desirable that all the non-Army organisations under the Ministry of Defence should route their demands for such items through the Master General of Ordnance who should endeavour to meet their requirements out of the surpluses as far as possible.</p> <p>(ii) The Committee note with concern that the repair capacity of the workshops falls short of the requirements. It is obviously desirable that the repairable vehicles are repaired at the earliest possible date. If they are kept lying for years there is bound to be further deterioration. If, as stated by the Defence Ministry, the private trade cannot handle this work efficiently, the possibility of augmenting the existing capacity of the workshops should be seriously examined. In addition, the Committee suggest that in view of the present emergency, a proper survey of the repair facilities in the private sector should be made, and necessary facilities provided to them so that, if and when so needed, their services might also be utilised.</p>

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35	32	Defence	The Committee desire that necessary action should be taken on the suggestions of their Study Group which visited the Gun Carriage Factory, Jabalpur and Ordnance Factory, Khamaria.
36	33	Do.	The Committee find little justification for not initiating the departmental proceedings against the officers concerned immediately after the irregularities were detected in March, 1959. If the records had been taken away by the Special Police Establishment, photo-stat copies could have been made out for proceeding with the departmental action. The Committee suggested that the instructions contained in the Ministry of Home Affairs Office Memorandum No. 39/30/54-Estt. dated the 7th June, 1955 requiring completion of departmental proceedings before initiating criminal action should also be adopted on the Defence side. The Committee would also like to be informed of the results of the departmental enquiry in due course.
37	34	Do.	The case referred to in para 34 of the Report is indicative of lack of proper planning. Before procuring the stores the capacity of the Naval Dockyard for special refit work should have been taken into consideration. The Committee hope that these stores would be fully utilised in the next 2 to 3 years.
38	35	Do.	The Committee deprecate the inordinate delay of over ten years in the revision of Regulations for the Indian Navy, which has resulted in the sanction of the staff for this purpose being extended from time to time. The Committee hope that this work would now be completed without further delay.

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39	36	Defence .	<p>The Committee regret that large discrepancies amounting to lakhs of rupees in the accounts of aircraft spares have remained unreconciled for the last 13 years. The situation had warranted immediate effective action after the discrepancies were detected. The Committee are unable to understand why the representatives of Hindustan Aircraft Ltd. which is a Government agency, were not fully associated with the court of enquiry appointed by the Air Headquarters in 1956. Such a joint enquiry would have been helpful in settling the discrepancies. The Committee suggest that the whole matter (including the dispute over the pricing of stores supplied to Hindustan Aircraft (Ltd.) should be brought to an early settlement, and they should be informed of the results in due course.</p>
40	37	Do.	<p>The Committee regret that this is another case of lack of proper planning and foresight resulting in the equipment costing Rs 7.54 lakhs remaining unused for 2 years. The representative of the Air Headquarters expressed the view that even if the question of the provision of new building had been considered from the beginning, the saving of time in initiating action in this regard would have been three months i.e. from July to September, 1958. The Committee are unable to accept this view. As the equipment was of a highly technical and specialised nature of which the Air Force had no experience, enquiries should have been made from suppliers before placing the final order regarding the building required for its installation. The Committee are surprised how the Air Headquarters thought that the equipment could be installed in the existing building and rushed to place</p>

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			<p>an operational indent. The indent should have been planned in such a manner that the equipment was received by about the time the buildings were ready for its installation. The Committee are also concerned over the delay in the construction of the building partly due to delay in according administrative approval, which was stated to be under investigation. They would like to be informed about the result of investigation.</p>
41	38	Defence	<p>In para 8 of their 17th Report (Second Lok Sabha) Vol. I, while commenting on the unsatisfactory state of store accounting in the Army formations persisting year after year, the Committee had urged the Ministry of Defence, the three Services and the Ministry of Finance (Defence) to take all possible steps to see that sufficient staff in both quality and number were provided for store keeping and store-accounting work. The Committee were concerned to find that the position had not materially improved in the subsequent years.</p> <p>The Committee hope that vigorous efforts will be made to achieve better results in future.</p>
42	39	Do.	<p>The Committee consider that the irregularities in this case appear to be serious. They would like to know the final outcome of the investigations and the action taken against the persons concerned.</p>
43	40	Do.	<p>The Committee desire that vigorous efforts should be made to finalise the old cases of losses and result intimated to them in due course.</p>
44	41	Do.	<p>The Committee suggest that the reasons for delay in resale of good</p>

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			in these cases should be investigated and necessary instructions issued to ensure that resale of goods after default of the initial bidders is expedited.
45	42	Defence	The Committee would reiterate the recommendation made in para 10 of their 43rd Report (Second Lok Sabha) that a decision on this question of the future set up of the Canteen Stores Department, which has been pending for several years, should be taken early.
46	43	Do.	The Committee would like to know the final decision taken in regard to the future set up of the Soldiers' Sailors' and Airmen's Board, which may be expedited.
47	44	Do.	(i) It is not the intention that Audit should encroach upon purely administrative matters or range over the entire field of administration. But where administrative action has serious financial implications, it is the duty of audit to see that administrative action is not only in conformity with prescribed law, financial rules and procedure but it is also proper and does not result in any extravagance, loss or infructuous expenditure.  (ii) The Committee are definitely of the view that it is the function of the Comptroller and Auditor General to satisfy himself not only that every expenditure has been incurred as per prescribed rules, regulations and laws, but also that it has been incurred with 'faithfulness, wisdom and economy'. If, in the course of his audit, the Comptroller and Auditor General becomes aware of facts which appear to him to indicate an improper expenditure or waste of public money, it is his duty to call

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the attention of Parliament to them, through his Audit Reports. At the present time when there is heavy taxation and heavy expenditure, the Committee hope that Comptroller & Auditor General will pay even greater attention than in the past to this aspect of his duties and that Government will give him every facility to perform them.

- (iii) The Committee have ascertained the present position from the Comptroller and Auditor General and they have been assured that the procedure outlined in Appendix L, Annexure II, of their First Report (1st Lok Sabha), continues to be followed and that there has been no case where matters reported in the audit reports were based on facts other than those obtained through official channels.

The Committee understand that a healthy convention has been built up in our country for making available to the Comptroller & Auditor General all documents and records relating to any financial transaction of the Government. This enables him to properly discharge his constitutional functions. Effective and useful audit may not always be possible by a mere examination of the accounts and subsidiary documents such as vouchers submitted to audit. It is only as a result of the examination of all relevant documents leading to a particular transaction including the sanction that it is possible to arrive at a final audit view in the matter.

- (iv) The Committee understand that Government has been examining a proposal to introduce legislation defining the duties and powers of

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the Comptroller and Auditor General as required under Article 149. They would urge upon them to expedite the same.

The Committee hope that a suitable procedure would be evolved to enable the Public Accounts Committee to consider the proposed legislation at an appropriate stage.

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