

HUNDRED AND SEVENTY-SECOND REPORT

PUBLIC ACCOUNTS COMMITTEE (1983-84)

(SEVENTH LOK SABHA)

PURCHASE OPERATIONS OF THE SUPPLY
WING IN THE HIGH COMMISSION OF
INDIA, LONDON

MINISTRY OF EXTERNAL AFFAIRS

[Action Taken by Government on the Recommendations
of the Public Accounts Committee contained in their
116th Report (Seventh Lok Sabha)]



Presented in Lok Sabha on ? 1

Laid in Rajya Sabha on ? 3

LOK SABHA SECRETARIAT
NEW DELHI

October, 1983/Kartika, 1905 (Saka)

Price : Rs. 2.80

CORRIGENDA TO 172ND REPORT OF THE PUBLIC
ACCOUNTS COMMITTEE (1983-84).

<u>Page</u>	<u>Para</u>	<u>Line(s)</u>	<u>For</u>	<u>Read</u>
(v)	2	3	of the	on the
(vi)	3	2	sui able	suitable
(vi)	last line		1 05(S)	1905(S)
1	1.1	3	1 6th Report	116th Report
1	1.3	9	not	not been
4	1.9	10	<u>Delete</u> the word 'Defence'	
4	1.9	11	<u>Add</u> 'Defence' before ' 'themselves'	
7	1.11	6	external	External
10	1.15	12	Rs 1583 lakhs	Rs 15.83 lakhs
14	1.20	3	the	on the
16	1.21	3	Rs 1291 lakhs	Rs 12.91 lakhs
52	1.10	2	theron	thereon
53	1.15	6	a year	once a year
55	1.18	6	will allow	that will allow
55	1.21	2	had been	had

C O N T E N T S

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE	(iii)
INTRODUCTION	(v)
CHAPTER I Report	1
CHAPTER II Recommendations or Observations that have been accepted by Government. ...	17
CHAPTER III Recommendations or Observations which the Committee do not Desire to pursue in the light of the replies received from Government	39
CHAPTER IV Recommendations or Observations replies to which have not been accepted by the Committee and which require reiteration	43
CHAPTER V Recommendations or Observations in respect of which Government have furnished interim replies	48
PART II	
Minutes of the sitting of Public Accounts Committee (1983-84) held on 19 October, 1983	49
APPENDIX Conclusions/Recommendations ...	51

PARLIAMENT LIBRARY

Call No. 63627(8)
 Date 29/12/83

PUBLIC ACCOUNTS COMMITTEE

(1983-84)

Shri Sunil Maitra—CHAIRMAN

MEMBERS

Lok Sabha

2. Shri Chitta Basu
3. Shrimati Vidyavati Chaturvedi
4. Shri C.T. Dhandapani
5. Shri G.L. Dogra
6. Shri Bhiku Ram Jain
7. Shri Satyanarayan Jatiya
8. Shri K. Lakkappa
9. Shri Mahavir Prasad
10. Shri Dhanik Lal Mandal
11. Shri Jamilur Rahman
12. Shri Uttam Rathod
13. Shri Harish Rawat
14. Shri G. Narsimha Reddy
15. Shri Ram Singh Yadav

Rajya Sabha

16. Dr. Sankata Prasad
17. Shri Syed Rahmat Ali
18. Shrimati Pratibha Singh
19. Dr. (Shrimati) Sathiavani Muthu
20. Dr. Harekrushna Mallick
21. Shri Nirmal Chatterjee
22. Shri Kalyan Roy

(iv)

SECRETARIAT

1. **Shri T.R. Krishnamachari—*Joint Secretary***
2. **Shri H.S. Kohli—*Chief Financial Committee Officer***
3. **Shri K.K. Sharma—*Senior Financial Committee Officer***

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Seventy-second Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 116th Report (7th Lok Sabha) on Purchase operations of the Supply Wing in the High Commission of India, London relating to the Ministry of External Affairs.

2. In their earlier Report, the Committee had pointed out that the working of Supply Wing, London had been hamstrung by problems of coordination of the one hand and want of sufficiently qualified technical staff on the other. The Ministry of External Affairs have now informed the Committee that while it has been agreed to, in principle, that the Supply Wing will be staffed by the officials drawn from Ministries of Defence and Supply, a Committee consisting of Foreign Secretary, Secretary (Defence), Secretary (Supply) and Secretary (Defence Production) would examine the matter and take a final decision on the staffing, taking into account the job requirement and the functional responsibility of the concerned organisation. The Ministry have further stated that the final staffing of the Supply Wing, after completion of work transfer and implementation of concomitant recommendations, would be subject to a complete review to be undertaken after two years from the date of initiation of work transfer proceedings. In this Report the Committee have desired the Ministry of External Affairs to inform them of the recommendations of the Committee of Secretaries and the date by which the work transfer proceedings would be initiated by the Government. The Committee have also desired that the indenting Departments in the three Services Headquarters should be equipped with the requisite technical and necessary expertise and proper coordination should be maintained between them so as to avoid cases of duplication/overlapping after the work is actually transferred from the Supply Wing.

3. As there were a number of cases of delays on the part of the Shipping Directorate to locate the suitable vessels for the shipment of stores to India resulting in air-lifting of most of the stores procured by Supply Wing, London, the Committee had, in their earlier Report, recommended that the air-lifting of defence stores should be resorted to only in exceptional cases and the reasons for delay in locating suitable vessels should be examined critically by the team of officers and necessary steps taken to get over the problems in consultation with the Ministry of Shipping and Transport. The Ministry of External Affairs have informed the Committee that discussions with the Shipping Corporation of India, Indian Steam Ship Company and the Scindia Steam Company and the Air India have been held to work out a methodology that will allow for defence planning to ensure shipment of stores only through the Indian Flag Vessels and they have therefore stated that in view of the arrangements now made any further critical examination by a team of officers of the reasons for delay in locating suitable vessels was not considered immediately necessary. The Committee have not agreed with the above views of the Government and have reiterated their earlier recommendations for examining critically by a team of officers the reasons for delay on the part of the Shipping Directorate to locate suitable vessels for the shipment of stores to India so as to ensure that such cases do not recur. The Committee have further desired that the Ministry should also ensure that the shipment of stores to India should be made by Indian Flag Vessels only.

4. The Committee considered and adopted this Report at their sitting held on 19 October, 1983. Minutes of the above sitting form Part II of the Report.

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

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

NEW DELHI ;
October 26, 1983
Kartika 4, 1905 (S)

SUNIL MAITRA
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's recommendations and observations contained in their 16th Report (7th Lok Sabha) on Purchase Operations of the Supply Wing in the High Commission of India, London commented upon in paragraph 23 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) relating to the Ministry of External Affairs.

1.2 The Committee's 116th Report was presented to the Lok Sabha on 30th July, 1982 and contained 30 recommendations and observations. According to the procedure laid down, the notes indicating the action taken by Government in pursuance of the recommendations and observations contained in this Report, duly vetted by Audit, were required to be furnished to the Committee latest by 29th January 1983. Whereas the Ministry of External Affairs submitted advance copies of action taken notes in respect of all the recommendations by 5 April 1983, the vetted replies in respect of these recommendations were furnished to the Committee on 7 October, 1983.

1.3 The action taken notes received from Government have been broadly categorised as under :

(i) *Recommendations and observations which have been accepted by Government :*

Sl. Nos. 1—6, 10—25

(ii) *Recommendations and observations which the Committee do not desire to pursue in view of the replies received from Government :*

Sl. Nos. 7, 8 and 9

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

Sl. Nos. 27, 28, 29 and 30

(iv) *Recommendations and observations in respect of which Government have furnished interim replies :*

Sl. No. 26.

1.4 The Committee expect that the final reply to the recommendations in respect of which only interim reply has been given by Government, will be furnished to the Committee expeditiously after getting the same vetted by Audit.

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

*Lack of proper coordination between indentors and the Supply Wing
London (Paragraph 1.35 Sl. No. 5)*

1.6 Finding that there was lack of proper coordination between indentors and the Ministry of Defence on the one hand and between the Supply Wing, London and the Ministry of Defence on the other, the Committee had, in paragraph 1.35 of their earlier Report, observed :

“From the material made available to the Committee and the evidence tendered before them by the representatives of the Ministries of External Affairs, Defence and Supply, the Committee find that the working of the Supply Wing, London has been hamstrung by problems of coordination on the one hand and want of sufficiently qualified technical staff on the other. In a review of the working of the ISM, London carried out by the Chiefs of the Staff Committee in February, 1980, it was pointed out that the unsatisfactory functioning of the ISM, London was adversely affecting the operational preparedness owing to non-availability of vital spares and components for equipment of UK and European origin. The Chiefs of Staff Committee came to the conclusion that “the ISM was not responsive to the needs of the Services/Headquarters so much so that the number of the pending indents had been increasing progressively and a large number of indents were being unilaterally cancelled or returned.”

“The Ministry of External Affairs have attributed the present situation to the fact that the Supply Wing have allowed

the various indenting Departments from India to burden them with additional and avoidable tasks, which should be outside the purview of their normal functions. The Ministry of the Defence on the other hand are of the view that the staff in the Supply Wing lacks expertise, experience and Defence background to appreciate the defence requirements and therefore requires revamping.”

1.7 In their reply dated 7 October, 1983 the Ministry of External Affairs have stated :

“A decision has already been taken on 21 January, 1983 to transfer to India all possible items of work. There is consensus now between the Ministries of External Affairs and Defence that the Supply Wing’s staff would continue to function under the local administrative control of the High Commission and will be functionally answerable to the Defence Ministry, as indeed happens in the case of commercial and other technical staff. The work of the Supply Wing officers would also be reviewed by the Defence Ministry and remarks of the Defence Secretary will be incorporated in their character rolls.

While it has been agreed to on 7 August, 1981 and 16 September, 1981, in principle that the Supply Wing will be staffed by officials drawn from the Ministries of Defence and Supply, a Committee consisting of the Foreign Secretary, Secretary (Defence), Secretary (Supply) and Secretary (Defence Production) will examine the matter and take a final decision on the staffing, taking into account the job requirements of the available expertise and experience and the functional responsibilities of concerned organisations.

The Public Accounts Committee will be informed of further developments in the matter.”

1.8 In their earlier Report, the Committee had pointed out that the working of Supply Wing, London had been hamstrung by problems of coordination on the one hand and want of sufficiently qualified technical staff on the other. In their reply, the Ministry of External Affairs have stated that while it has been agreed to, in principle, that the Supply

Wing will be staffed by the officials drawn from the Ministries of Defence and Supplies, a Committee consisting of the Foreign Secretary, Secretary (Defence), Secretary (Supplies) and Secretary (Defence Production) will examine the matter and take a final decision on the staffing, taking into account the job requirements and the functional responsibility of the concerned organisations. The Committee would like to be informed of the recommendations of the said committee and the action taken thereon.

Reorganisation of the Supply Wing Paragraph 1.40—Sl. No. 10)

1.9 Recommending the need for taking early decision for working out the details of transfer of work from Supply Wing, London by the Committee of Secretaries and affecting its necessary re-organisation without further loss of time, the Committee, in paragraph 1.40 of their earlier Report, had observed :

“In view of the dissatisfaction voiced by the Chiefs of Staff Committee about the present arrangements and also considering that over 90 per cent of stores procured through Supply Wing, London are defence stores, the Committee are of the Defence opinion that it would be desirable if the Ministry of themselves assume responsibility for their procurement from abroad. The question that needs to be considered is to what extent these functions can be discharged through the mechanism of the Foreign Stores Procurement Cell proposed to be set up under the aegis of the Ministry of Defence so that the Supply Wing in London can be divested of all such jobs which can better be done in India. The Committee desire that a decision on the suggestion to allow the indenting ministries to receive and process indents directly through the Co-ordination Cells—one in the Ministry of Defence and the other in the Ministry of Supply and monitoring of contracts, delivery schedules, shipment schedules etc. through these cells should be taken without further delay so as to put to an end the present state of uncertainty about the future of the Supply Wing. The Committee would urge that the details of transfer should be worked out by the Committee of Secretaries and necessary reorganisation

of the Supply Wing, London effected without further loss of time. The Committee would like to be apprised of the precise decisions taken in the matter.

1.10 In their action taken note dated 7 October, 1983, the Ministry of External Affairs have stated as under :

“The Ministries of Defence, External Affairs, Supply and the Cabinet Secretariat have considered in depth the mechanism suggested by the Public Accounts Committee. It has been decided on 21 January, 1983 that to the maximum extent possible, all routine purchase work and work following therefrom will be handled from India by the respective indenting departments and all facilities as well as the powers and practices followed with regard to purchases of different categories of items by the Supply Wing, London and the DGS&D, would be vested in the Purchase Directorates under the three Services Headquarters and the Director General, Ordnance Factories. The final staffing pattern in the interim phase will be decided by a Committee consisting of the Foreign Secretary and the Secretaries of Defence, Defence Production and Supplies. The final staffing of the Supply Wing after completion of work transfer and implementation of concomitant recommendations would be subject to a complete review to be undertaken two years from the date of initiation of work transfer proceedings. It has been decided not to set up a separate Foreign Stores Procurement Cell in India.

It was also decided (21-1-1983) that the following items of work could be delinked from the Supply Wing and handled directly :—

- (i) All aspects of contracts negotiated and concluded from India ;
- (ii) Winding up of the Shipping Directorate progressively. This will entail arranging of shipments of stores through the suppliers on FOB basis now prevalent, subject to the usual conditions. In exceptional cases of sensitive fragile goods C&F shipments could be used. However, the Shipping Ministry would also be consulted. This is being done.

- (iii) Inspection of stores will be dispensed with and stores would be accepted on the supplier's Quality Assurance Certificates and/or guarantee/warranty. Wherever inspection was felt absolutely necessary a team of experts would be deputed from India. The Inspection Directorate of the Supply Wing, London would also be progressively wound up.
- (iv) The work of sorting out discrepancy reports should normally be handled from India, except in cases of contracts concluded by Supply Wing, London.
- (v) Unless there are special reasons for not doing so, repeat orders upto Rupees one lakh where items are to be procured from the suppliers on whom the original contract was placed, would be placed from India directly by the indentors.
- (vi) Logistics indents normally placed on the Ministry of Defence, U.K., would be directly handled from India although Supply Wing, London could be involved to explore other sources of supply.
- (vii) Simultaneously it was agreed that Air Headquarters will take over on an experimental basis the procurement of proprietary items as well as catalogued items that is items of non-proprietary nature for which suppliers are already known and published price lists existed. This could be extended to the other two services and the Director General, Ordnance Factories later dependent upon the outcome of the experiment.
- (viii) Repair contracts and procurement against low-value indents for new items, without monetary limits would be procured through Supply Wing, London, if they cannot be directly procured from India.
- (ix) Market surveys, location of sources of supply and assistance to procurement agencies would be extended by the Supply Wing, London, in its final reduced form.

- (x) The delegation of powers to the Service Headquarters/Director General Ordnance Factories commensurate to the tasks to be undertaken was agreed to, in principle, subject to the details being worked out.
- (xi) The local administrative control of the High Commission over the Supply Wing will continue although its officials will be answerable to the Defence Ministry who would review their work and incorporate the remarks of the Defence Secretary in the character rolls."

1.11 In paragraph 1.40 of their earlier Report, the Committee had, in order to put to an end the state of uncertainty about the future of the Supply Wing, London, recommended that the details of transfer of work from Supply Wing, London should be worked out by the Committee of Secretaries and its necessary reorganisation effected without further loss of time. In their reply, the Ministry of external Affairs have stated that after considering the matter in depth, it has been decided that, to the maximum extent possible, all routine purchase work and work following therefrom would be handled from India by the respective indenting departments and all facilities as well as the powers and practices followed with regard to purchase of different categories of items by the Supply Wing, London and the DGS&D would be vested in the Purchase Directorates under the three Service Headquarters and the Director General, Ordnance Factories. The final staffing pattern of the Supply Wing in the interim phase will be decided by a committee consisting of Foreign Secretary and the Secretaries of Defence, Defence Production and Supply. The final staffing of the Supply Wing, after completion of work transfer and implementation of concomitant recommendations, would be subject to a complete review to be undertaken after two years from the date of initiation of work transfer proceedings. The Committee would like to be informed whether the work transfer proceedings have since been initiated and if not, by when these would be initiated and the reasons for not initiating the same so far.

1.12 The Ministry have also intimated a number of items of work which would be delinked from the Supply Wing and handled directly by the respective indenting departments. The Committee hope that the indenting Departments in the three Services Headquarters would be equipped with the requisite technical and necessary expertise and proper

coordination would be maintained between them so as to avoid cases of duplication/overlapping.

Non-bulking of indents by the Indentor (Para 3.20—Sl. No. 22)

1.13 Expressing their concern over the non-bulking of indents by the indentors resulting in avoidable extra expenditure to the tune of Rs. 6.14 lakhs in three cases pointed out in the Audit paragraph, the Committee had, in paragraph 3.20 of their earlier Report, observed :

“The audit paragraph has given details of three cases which together entailed avoidable extra expenditure to the tune of Rs. 6.14 lakhs on account of non-bulking of indents by the indentors. Similar cases of extra expenditure were reported by the C & AG in the Audit Report (Defence Services) for the year 1977-78. The Committee find that there is a sharp divergence of views between the Ministry of External Affairs and the main indentors viz. the Ministry of Defence on this question. While the Ministry of External Affairs are of the view that the primary responsibility of bulking of indents is that of the indentors, the Ministry of Defence feel that bulking of requirements is a procurement function. According to the latter, the possibilities of bulking are very remote because each indent is dedicated to a particular type of equipment or weapons system and might contain as many as 100 or 150 items. During evidence the representative of the Ministry of Defence expressed the view that apart from the remote possibility of bulking of indents, “the economy that would flow from this sort of bulking of two or three items would be more than off-set by the amount of effort which would be necessary in this regard.” However, instructions have been issued to the effect that adequate care should be taken by the respective Service Headquarters to ensure that requirements of similar items being procured by them are bulked.”

1.14 The Ministry of External Affairs, in their action taken note dated 7 October 1983, have stated in this regard :

“The Committee has already been informed (para 3.2 of the 116th Report of the Public Accounts Committee (7th Lok

Sabha) by the Ministry of Defence that instructions to ensure adequate bulking by the respective Headquarters have already been issued. In view of the fact that the majority of work items particularly indenting is now being transferred to the respective Purchase Directorates under the Service Headquarters/Director General, Ordnance Factories/Ministry of Supply in India, the question of any bulking being done by Supply Wing, London does not arise and therefore the divergence of views on this issue between the Ministries of External Affairs and Defence is no longer relevant.

The observations made by the Committee have noted by the Ministry of Defence.

There is hardly any commonality of items required by the three Services as the equipment/machinery, spares etc. used in one Service are different from those used in the other Services. It is therefore not possible to bulk items required by the three Services. However, the bulking is done Service-wise as explained in the succeeding paragraphs.

The Naval items are reviewed once a year and on the basis of these reviews indents are raised. As the reviews are carried out equipment-wise, bulking is automatically achieved.

The projections of indents in the Air Force is done once a year for high-value items, except for a small range. A proposal is under consideration to change the periodicity of review from six months to annual basis even for this small range. As a result, all the indents would be placed once a year and the requirements of various items would be bulked on an annual basis for procurement.

As regards the Army, indents for supply of spares are placed on ISW(L) once a year based on the requirements assessed as a result of annual provision review carried out by the respective Central Ordnance Depots (CODs). The requirements so assessed by the CODs are on an all India basis and the same item is not demanded by any other COD separately. However, there are rare and exceptional cases where supple-

mentary demands are placed to meet the operationally urgent requirement when some equipment is out of action.”

1.15 In their earlier Report, the Committee had expressed concern over the non-bulking of indents by the indentors resulting in avoidable extra expenditure to the tune of Rs. 6.14 lakhs in three cases relating to the Air Headquarters. The Ministry of External Affairs have now informed the Committee that the projections of indents in the Air Force is done once a year for high value items, except for small range. A proposal is under consideration to change the periodicity of review from 6 months to annual basis even for a small range. As a result all the indents would be placed once a year and the requirements of various items would be bulked on an annual basis for procurement. The Ministry of Defence also issued instructions to ensure bulking by the respective Headquarters. As certain instances of extra expenditure of Rs. 15.83 lakhs arising out of non-bulking of indents were also reported in paragraph 31 (Rs. 2.23 lakhs) and paragraph 42(a) Rs. 13.60 (lakhs) of the Report of C&AG of India, Union Government (Defence Services) for the year 1977-78, the Committee hope that the Ministry of Defence would ensure that such cases of avoidable and infructuous expenditure do not recur. The Committee need hardly emphasize the need for continuous liaison and coordination among the three Services Headquarters to ensure that orders for the same items from different Services are bulked together.

Delay in Locating suitable Vessels for the Shipment of Stores
(Paragraph 3.36—Sl. No. 27)

1.16. Stressing the need for critical examination by the team of officers the reasons for delays on the part of Shipping Directorate to locate suitable vessels for the shipment of stores to India the Committee, in paragraph 3.36 of their Report, had, observed :

“The team of officers has pointed out that in most cases the defence supplies, except hazardous consignments, are air-freighted through Air India and critical defence stores are periodically air-lifted by special courier flights. Since air freight will, in any case, be much more than the sea freight, the Committee recommend that the air lifting of Defence stores should be resorted to only in exceptional cases. They consider that as far as possible Indian Flag vessels should be

used for all stores to be imported into the country and that with advance planning, it should be possible to locate Indian Flag vessels for shipment of defence stores. The Committee would also urge that the reasons for delays on the part of Shipping Directorate to locate suitable vessels for the shipment of stores to India should be examined critically by the team of officers and necessary steps taken to get over the problem in consultation with the Ministry of Shipping and Transport."

1.17. In their action taken note dated 7 October 1983, the Ministry of External Affairs stated :

"The Committee's recommendations that air-lifting of Defence stores should be resorted to only in exceptional cases and that as far as possible Indian Flag vessels should be used for all stores to be imported into the country have been noted and are being complied with. Only in the most emergent cases or where no immediate Indian Flag vessels are available or where air-freighting proves economical, it is being resorted to. Discussions with the Shipping Corporation of India, the Indian Steamship Company and the Scindia Steamship Company and Air-India have been held to work out a methodology that will allow for advance planning to ensure shipment of stores only through Indian Flag vessels. Studies have revealed that the frequency of vessels bearing Indian Flags between UK and India has increased in the recent past ; the low frequency of suitable shipping vessels was one possible reason for delays on the part of the Shipping Directorate. In view of the fact that the responsibility for ensuring timely shipment on Indian Flag vessels is being vested in the suppliers, any further critical examination by the team of officers of the historical reasons for delays in locating suitable Indian vessels is not considered immediately necessary. The Public Accounts Committee will be informed of further developments in the matter."

1.18. As there were a number of cases of delays on the part of Shipping Directorate to locate the suitable vessels for the shipment of stores to India resulting in air-lifting of most of stores procured by Supply

Wing, London, the Committee had, in paragraph 3.36 of their earlier Report, recommended that the airlifting of defence stores should be resorted to only in exceptional cases and the reasons for delay in locating suitable vessels should be examined critically by the team of officers and necessary steps taken to get over the problem in consultation with the Ministry of Shipping and Transport. The Ministry of External Affairs have now intimated that discussions with the Shipping Corporation of India, the Indian Steamship Company and the Scindia Steamship Company and Air India have been held to work out a methodology that will allow for advance planning to ensure shipment of stores only through Indian Flag vessels. The Committee feel that it is a step in the right direction. They, however, do not agree with the reply of the Ministry of External Affairs that as 'the responsibility for ensuring timely shipment on Indian Flag vessels is being vested in the suppliers, any further critical examination by the team of officers of the historical reasons for delays in locating suitable Indian vessels is not considered immediately necessary'. The Committee reiterate their earlier recommendation that the reasons for delays on the part of the Shipping Directorate to locate suitable vessels for the shipment of stores to India should be examined critically by the team of officers so as to ensure that such cases do not recur. The Ministry should also ensure that the shipment of stores to India should be made by Indian Flag vessels only.

*Under-utilisation of computer facility available in the Supply Wing
(Paragraphs 3.45—3.47—Sl. No. 28-30).*

1.19. Urging Government to take suitable steps so as to ensure that the computer facility available in the Supply Wing is put to optimum use, the Committee had in Paragraph 3.45 to 3.47 had stated :

"A computer (cost—Rs. 12.91 lakhs) was installed in the Supply Wing in December 1976 with a view to achieving better efficiency in the processing of indents. Audit have however, pointed out that no advance planning was done with regard to items which were to be computerised nor any detailed study was made to identify the difficulties. What is still worse is that no efforts were made to codify the various items to lay down in advance the functional specifications and the processes or checks to be exercised by computer and those to be done manually. Even the System Analysts, pro-

grammers and computer operator were posted as late as in August 1977, January 1978 and July 1978 respectively. The Director EDP Systems in the Defence Research and Development Organisation in his Report (September 1981) on the functioning of the computer in the Supply Wing, London has pointed out that the computer is at present loaded with routine, though important functions and sufficient manpower has not been provided for coding/key boarding functions related to the computerised information system with the result that the data relating to the contracts have fallen in arrears. Contract amendments have not been carried out for over 18 months and consequently related reports from the EDP Directorate would not be up-to-date. The Report has emphasised the need for a computer system which will enable the building up of an integrated data base for the Supply Wing functions as well as for other wing/departments of the India High Commission. It has therefore been recommended that the High Commission should set up an integrated indent progress control system for use by the Supply Wing and that the computer should also support the Consular, Science and Defence Wings of the High Commission. It has further been recommended that other functions in the High Commission such as accounts, pay rolls, library etc. should be computerised. The Committee were given to understand during evidence that action on the report has been pended in view of the ongoing review with regard to the over-all functioning of the Supply Wing. In a subsequent note, the Ministry have informed the Committee that the comprehensive report on the functioning, of Supply Wing, London (January 1981) *inter-alia*, contained suggestions on the relocation of the Computer Cell in India is being considered by the Committee of Secretaries and that the Ministry of Defence are preparing paper incorporating the coordinated views of the three Service Headquarters on this subject. The Committee would like to be apprised of the decision taken in the matter.

The Committee note with concern that currently the pay roll and expense recording and analysis system of the Indian

High Commission in London is being got done by a service bureau outside at a cost of £1200 per month. As early as in 1979, the Minister (Supply) Indian High Commission, London had suggested that this function should be taken over by the Computer Wing with some marginal capital expenditure of around £3500. Thus, there would be recurring savings of at least £14400 per annum on this application alone.

The Committee consider it extremely unfortunate that the computer facility procured at considerable cost has been allowed to be grossly under-utilised over the last six years. In the meantime, an extra expenditure £14400 (Rs. 2.5 lakh approximately) per annum is being incurred on pay roll and expense recording of the High Commission by obtaining the services of an outside body. The Committee desire that the matter should be reviewed without further loss of time so as to ensure that the computer facility available in the Supply Wing is put to optimum use."

1.20. The Ministry of External Affairs have stated in their action taken note dated 7 October, 1983 as under :

"The Committee's recommendation the setting up of an integrated indent progress control system for use by all the wings of the Mission including Supply Wing and the Chancery have been noted.

It is submitted that the accounts, pay-rolls etc. are already computerised although a different computer is being used for such computerisation, since this computer was initially meant for fulltime use by the Supply Wing alone.

Since the future of the Supply Wing has now been decided and transfer of majority of work items to the respective departments in India is already in hand, re-programming of this particular computer along the lines suggested in the EDP Systems Report of September, 1981 may prove infructuous at this stage. However, it has now been decided that once the work transfer has been completed the present computer

would then be re-programmed to handle residual work items of the residual Supply Wing Unit in addition to giving support to the Consular, Science, Defence, Library, Chancery Wings of the High Commission if its capacity so permits and if such functioning proves economical from the point of view of availability of computer tapes and spare parts etc. keeping in view the model of the computer. Against the background of rapid evolution of computer technology the element of cost-effectiveness in the utilisation of this present computer would also be kept in view. The Public Accounts Committee will be informed of further developments in the matter.

The Committee's concern about the annual expenditure being incurred on the pay-roll and expense recording and analysis system by service bureau outside is noted. In this connection attention is invited to our above reply. As has been submitted the question of reprogramming the present computer for this work in addition to their other work items detailed in the reply under reference in terms of its cost benefit will be examined at the appropriate time, to ensure Government's financial interests.

.....In this connection it is further submitted that until work transfer has been completed it would not be possible to quantify the residual workload on account of the Supply Wing for this computer. To add on the additional work items referred to above would mean the augmentation of the capacity of this computer at an expenditure of about £5,000/- non-recurring and about £1,500/- per annum recurring. This would be more or less equivalent to what we are paying the Service Bureau for accounting, recording and analysis. It was, therefore, felt that augmentation of the capacity of the present computer without removing routine load from it would not prove cost effective to the Government. The examination to ensure the optimum use of the computer facility availability in the Supply Wing is therefore being kept pending subject to finalisation of work transfer as brought out in our replies.....”

1.21. In Paragraph 3.45 of the earlier Report, the Committee had commented upon the procurement of a computer costing about Rs. 12.91 lakhs for the Supply Wing, London in December 1976 without doing any advance planning with regard to the items which were to be computerised or identifying in detail the difficulties in this regard. As the payroll and expense recording and analysis system of the Indian High Commission in London was being done by a service bureau outside at a cost of £1200 per month, the Committee had suggested that this function should be taken over by the Computer Wing with some marginal capital expenditure of around £3500, as stated by the Minister (Supply), Indian High Commission, London as early as in 1971. This would have resulted in recurring savings at least of £14,400 per annum on this account alone. The Ministry of External Affairs have now stated that the accounts, payrolls, etc. were already being computerised through a different computer and the computer with them was meant for full time use by the Supply Wing alone. They have, therefore, stated that this computer would be reprogrammed after the work transfer has been completed to handle residual work items of residual Supply Wing unit in addition to giving support to the Consular, Science, Defence, Library and Chancery Wings of the High Commission if its capacity so permits and if such functioning proves economical from the point of view of availability of computer tapes and spare parts, etc., keeping in view the model of the computer. The Ministry have informed that to add on the additional work items referred to above would mean the augmentation of the capacity of this computer at an expenditure of about £5000 non-recurring and about £1500 per annum recurring and this amount would be more or less equivalent to what they were paying to the service bureau. The Ministry have, therefore, expressed the view that augmentation of the capacity of the computer without removing routine load from it would not prove cost effective to the Government.

1.22. The above reply of the Ministry fortifies the view already expressed by the Committee that this computer was purchased without any advance planning and without ensuring if it was required at all. As the work transfer in the Supply Wing is likely to take considerable time, the computer will not be put to use for all this period. This is, to say the least, shocking. The Committee recommend that the circumstances in which a decision was taken to purchase the computer without advance planning and properly assessing its usefulness should be investigated and responsibility fixed. Moreover, ways should be found out to ensure to gainfully utilise the computer already purchased.

CHAPTER II

CONCLUSIONS OR RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Supply Wing of the Indian High Commission in London makes purchases for the Government of India, State Governments, autonomous bodies etc. and also arranges for inspection of the stores and their shipment. In recent years more than 90 percent of these stores represented defence purchases. The control over the Supply Wing was transferable from the Department of Supply to the Ministry of External Affairs in April 1975 on the ground that "the indenting departments were not satisfied with the existing arrangements and desired a new set up accountable to them, if not directly, at least indirectly through a department other than Department of Supply. It was felt expedient to vest the administrative control of the ISM with the Ministry of External Affairs as all general questions in Parliament relating to our establishments abroad have to be answered by this Ministry."

[Sl. No. 1 (Para 1.31) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha).]

Action Taken

In continuation of the oral evidence (reproduced at pages 3-4 of 116th Report of the Public Accounts Committee) (7th Lok Sabha) given before the Public Accounts Committee, it is further elaborated that the Supply Missions in London and Washington existed as entities separate from the High Commission Embassy prior to April 1975. It was felt that with a progressive decrease in the volume of purchase work being handled by these Missions and with a simplification of procedures being followed by them alongwith a simultaneous strengthening of the Embassy itself, these Supply Missions could perhaps be wound up with substantial savings to the exchequer. In other words, the Supply

Missions under control of the Department of Supply were to be merged in a reduced form with our High Commission/Embassy under the control of the Ministry of External Affairs who would then be responsible for answering all general questions in Parliament relating to their functioning.

(Ministry of External Affairs OM No. Q/Accts-1/7340/3/82 dated 7 October, 1983)

Recommendation

The Committee understand that the long term objective defined by the Committee of Secretaries in April 1975 was "the winding up of the Supply Missions in London and Washington, while certain functions, which consistent with the requirements of efficiency and economy could not be undertaken in India will be retained by the High Commission/Embassy."

[S. No. 2 (para 1.32) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha).]

Action Taken

The long term objective defined by the Committee of Secretaries has been achieved since the Supply Missions in London and Washington have ceased to exist as independent organisations and have been re-organised and converted into the Supply Wings of the High Commission/Embassy with effect from 1st April, 1975, which undertake those functions which, consistent with the requirement of efficiency and economy, cannot be undertaken from India.

(Ministry of External Affairs. O. M. No. Q/Accts-I/7340/3/82 dated 7 October, 1983).

Recommendation

According to the Ministry "this long term objective is yet to be realised; meanwhile transfer of all impossible work within the parameters of efficiency and economy and national interest, re-formulation of and adaptation of existing governmental regulations and procedures

to enable the handling of the Supply Wing work from India is underway.”

- [S. No. 3 (para 1.33) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha).]

Action Taken

A decision has been taken on 21.1.1983 to transfer to India as many as possible of the purchase related items of work, which it is felt, can be handled from here, leaving residual essential work items. These will be :-

- (i) Repair contracts.
- (ii) Market survey and location of sources of supply.
- (iii) Processing of low value indents for new items without monetary ceiling.
- (iv) Assistance to procurement agencies in India which may be felt necessary.
- (v) Any other procurement work which cannot be directly handled from India.

The concerned Ministries are taking action to implement this decision.

(Ministry of External Affairs O. M. No. Q/Accts-I/7340/3/82 dated 7 October, 1983).

Recommendation

The Committee understand that as a follow up of the directive issued by the Prime Minister for reducing the staff in the Supply Wing, the strength has been successively reduced from 123 in March 1979 to 114 in 1979-80 and 85 in 1980-81.

- [S. No. 4 (para 1.34) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

The assessment of the Committee is correct. The strength of the Supply Wing will continue to stand at 85 during the work transfer phase

and final staffing will be decided after a review, to be undertaken not later than 2 years from the date of commencement of work transfer proceedings. The transfer proceedings will start after a final decision on the same is taken by the Committee of Secretaries.

[Ministry of External Affairs O. M. No. Q/Accts-I/7340/3/82
dated 7 October, 1983]

Recommendation

From the material made available to the Committee and the evidence tendered before them by the representatives of the Ministries of External Affairs, Defence and Supply, the Committee find that the working of Supply Wing, London has been hamstrung by problems of coordination on the one hand and want of sufficiently qualified technical staff on the other. In a review of the working of the ISM, London carried out by the Chiefs of Staff Committee in February, 1980, it was pointed out that the unsatisfactory functioning of the ISM, London was adversely affecting the operational preparedness owing to non-availability of vital spares and components for equipment of UK and European origin. The Chiefs of Staff Committee came to the conclusion that "the ISM was not responsive to the needs of the Services/Headquarters so much so that the number of pending indents had been increasing progressively and a large number indents were being unilaterally cancelled or returned." The Ministry of External Affairs have attributed the present situation to the fact that the Supply Wing have allowed the various indenting Departments from India to burden them with additional and avoidable tasks, which should be outside the purview of their normal functions. The Ministry of Defence on the other hand are of the view that the staff in the Supply Wing lacks expertise, experience and Defence background to appreciate the defence requirements and therefore requires revamping.

[S. No. 5(para 1.35) of Appendix III to 116th Report of the Public
Accounts Committee (7th Lok Sabha)]

Action Taken

A decision has already been taken on 21.1.1983 to transfer to India all possible items of work. There is consensus now between the Ministries of External Affairs and Defence that the Supply

Wing's staff would continue to function under the local administrative control of the High Commission and will be functionally answerable to the Defence Ministry, as indeed happens in the case of commercial and other technical staff. The work of the Supply Wing officers would also be reviewed by the Defence Ministry and remarks of the Defence Secretary will be incorporated in their character rolls.

While it has been agreed to on 7.8.1981 and 16.9.1981 in principle, that the Supply Wing will be staffed by officials drawn from the Ministries of Defence and Supply, a Committee consisting of the Foreign Secretary, Secretary (Defence), Secretary (Supply) and Secretary (Defence Production) will examine the matter and take a final decision on the staffing, taking into account the job requirements of the available expertise and experience and the functional responsibilities of concerned organisations. The Public Accounts Committee will be informed of further developments in the matter.

[Ministry of External Affairs O.M. No. Q/Accts. I/7340/3/82
dated 7 October, 1983]

Recommendation

In the later sections of this Report, the Committee have highlighted the inordinate delays in procurement of stores by the Supply Wing due to various factors which have inhibited its functioning. It has been admitted that one of the reasons for inefficient performance of the Supply Wing is lack of proper coordination between the indentors and the Ministry of Defence on the one hand and between the Supply Wing and the Ministry of Defence on the other.

[S. No. 6 (para 1.36) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha).]

Action Taken

The Ministries of External Affairs and Defence are agreed that once avoidable work items have been transferred out from the Supply Wing, London, and technical qualified personnel man its seats, coordination between the indentors, the Supply Wing and the Ministry of Defence would improve.

[Ministry of External Affairs O. M. No. Q/Accts-I/7340/3 82
dated 7 October, 1983]

Recommendation

In view of the dissatisfaction voiced by the Chiefs of Staff Committee about the present arrangements and also considering that over 90 per cent of stores procured through Supply Wing, London are defence stores, the Committee are of the opinion that it would be desirable if the Ministry of Defence themselves assume responsibility for their procurement from abroad. The question that needs to be considered is to what extent these functions can be discharged through the mechanism of the Foreign Stores Procurement Cell proposed to be set up under the aegis of the Ministry of Defence so that the Supply Wing in London can be divested of all such jobs which can better be done in India. The Committee desire that a decision on the suggestion to allow the indenting Ministries to receive and process indents directly through the Co-ordination Cells one in the Ministry of Defence and the other in the Ministry of Supply and monitoring of contracts, delivery schedules, shipment schedules etc. through these Cells should be taken without further delay so as to put to an end the present state of uncertainty about the future of the Supply Wing. The Committee would urge that the details of transfer should be worked out by the Committee of Secretaries and necessary reorganisation of the Supply Wing, London effected without further loss of time. The Committee would like to be apprised of the precise decisions taken in the matter.

[S. No. 10 (para 1.40) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

The Ministries of Defence, External Affairs Supply and the Cabinet Secretariat have considered in depth the mechanism suggested by the Public Accounts Committee. It has been decided on 21.1.1983 that to the maximum of extent possible, all routine purchase work and work following there-from will be handled from India by the respective indenting departments and all facilities as well as the powers and practices followed with regard to purchases of different categories of items by the Supply Wing, London and the DGS&D, would be vested in the Purchase Directorates under the three Services Headquarters and the Director General, Ordnance Factories. The final staffing pattern in the interim phase will be decided by a Committee consisting of the Foreign Secretary and the Secretaries of Defence, Defence Production and

Supplies. The final staffing of the Supply Wing after completion of work transfer and implementation of concomitant recommendations would be subject to a complete review to be undertaken two years from the date of initiation of work transfer proceedings. It has been decided not to set up a separate Foreign Stores Procurement Cell in India.

It was also decided (on 21.1.1983) that the following items of work could be delinked from the Supply Wing and handled directly :-

- (i) All aspects of contracts negotiated and concluded from India ;
- (ii) Winding up of the Shipping Directorate progressively. This will entail arranging of shipments of stores through the suppliers on FOB basis now prevalent, subject to the usual conditions. In exceptional cases of sensitive/fragile goods C&F shipments could be used. However, the shipping Ministry would also be consulted. This is being done.
- (iii) Inspection of stores will be dispensed with and stores would be accepted on the supplier's Quality Assurance Certificate and/or guarantee/warranty. Wherever inspection was felt absolutely necessary a team of experts would be deputed from India. The Inspection Directorate of the Supply Wing, London would also be progressively wound up.
- (iv) The work of sorting out discrepancy reports should normally be handled from India, except in cases of contracts concluded by Supply Wing, London.
- (v) Unless there are special reasons for not doing so, repeat orders upto Rupees One Lakh where items are to be procured from the same suppliers on whom the original contract was placed, would be placed from India directly by the indentors.
- (vi) Logistics indents normally placed on the Ministry of Defence, U.K , would be directly handled from India although Supply Wing London could be involved to explore other sources of supply.

- (vii) Simultaneously it was agreed that Air Headquarters will take over on an experimental basis the procurement of proprietary items as well as catalogued items, that is, items of non-proprietary nature for which suppliers are already known and published price lists existed. This could be extended to the other two services and the Director General, Ordnance Factories later dependent upon the outcome of the experiment.
- (viii) Repair contracts and procurement against low value indents for new items, without monetary limits would be procured through Supply Wing, London, if they cannot be directly procured from India.
- (ix) Market surveys, location of sources of supply and assistance to procurement agencies would be extended by the Supply Wing, London, in its final reduced form.
- (x) The delegation of powers to the Services Headquarters/ Director General, Ordnance Factories commensurate to the tasks to be undertaken was agreed to, in principle, subject to the details being worked out.
- (xi) The local administrative control of the High Commission over the Supply Wing will continue although its officials will be answerable to the Defence Ministry who would review their work and incorporate the remarks of the Defence Secretary in the character rolls.

The Public Accounts Committee will be informed of further developments in the matter.

[Ministry of External Affairs O.M. No. Q/Accts-I/7340/3/82
dated 7 October, 1983]

Recommendations

The Committee find that of an average of 8080 indents during the three year period 1976-77 to 1978-79 received by/pending with the SupplyWing, as many as 2288 indents have had to be carried forward at the end of the year. A test-check in audit has revealed that out of 416 contracts examined by audit, only 153 contracts could be finalised

within four months while the remaining 263 took between four months to over one year to materialise.

The information made available to the Committee has brought out the following disturbing aspects :

- (i) There have been delays even in the matter of calling for quotations in respect of proprietary articles which are to be obtained from specified firms only. The delays have been attributed mainly to the additional and excessive workload which has accrued to the Supply Wing due to procedural errors in indenting leading to avoidable but protracted correspondence.
- (ii) In a large number of cases back references had to be made to the indentors on technical matters since the indents were not complete in all respects. Some of the common lacunae noticed are last purchase price not mentioned, previous references and probable sources of supply not given, basis for estimates, drawings and specifications and other technical details, proprietary article certificate not furnished etc. etc. A sample study made by the Ministry at the instance of the Committee shows that the percentage of incomplete indents ranged between 23 to 26 per cent of the number of indents received during the months of January 1979, 1980 and 1981, i.e. on an average 25 per cent of the indents were lacking in necessary details. This involves processing of one indent at several stages over and over again thereby increasing the burden on the staff of the Supply Wing.
- (iii) Delays in getting the necessary foreign exchange released have also been found responsible for delays in processing the indents. In a large number of cases, indentors base their estimates either on contracts/supplies made very far back in time or purely on *ad hoc* basis. Back references to the indentors in such cases become inevitable.

According to the Ministry of External Affairs, the delays in finalisations of contracts are due to faulty indenting and procedural errors on the part of the indentors in India and poor all round coordination. Disagreeing with this analysis the Ministry of Defence have

opined that while there might be some odd cases of faulty indenting, the delays in finalisation of contracts are primarily due to lack of expertise in the Supply Wing, London to understand the criticality of Defence requirements.

The Committee are concerned to find that even though the various deficiencies noticed by Audit were reported to the Ministries of External Affairs and Defence in October 1989 and again in April, 1980, there has been no improvement in the situation. A further study made by audit in respect of 216 contracts during February - July, 1980 revealed that the same deficiencies were mostly persisting. This underscores the imperative need for revamping the organisational set up of the Supply Wing.

[S. Nos. 11 to 14 (paras No. 2.28 to 2.31 of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

The Committee's observations have been noted. Detailed studies had already been undertaken for streamlining and revamping the organisational set up of the Supply Wing, London. In pursuance of these studies, a consensus had been achieved between the Ministries of Defence, Supply and External Affairs that the delays in functioning of the Supply Wing, London were mainly on account of faulty indenting, procedural errors on the part of the indentors in India, poor all-round coordination and the lack of expertise of the staff working in the Supply Wing, London. A decision has now been reached whereby the Supply Wing staff while continuing under the local administrative control of the High Commission will be functionally answerable to the Defence Ministry and most of the technical staff, (except PAs and Stenos) will be chosen from the user Ministries of Defence and Supply. Details of the manning table are under consideration of a high level committee.

In addition, a number of purchase power and procedural methods have been reviewed and are being changed in order to simplify the functioning of the Supply Wing to cut down on superfluous and avoidable paper work as well as to gear up purchase and despatch procedures to ensure faster and more efficient supplies. Further, a large

number of work items which can be handled from India are being transferred to the respective Ministries/Departments leaving only the minimum essential work load with the Supply Wing, London, in keeping with the financial and administrative powers delegated to it. In this connection it may be stated that procedural changes and review of purchase powers with a view to simplifying the functions of Supply Wing, London are predicated upon direct indenting from India and transfer of work that is presently handled by Supply Wing, London to respective Departments of the Government of India/autonomous bodies. These recommendations are yet to be considered by the Committee of Secretaries.

The Public Accounts Committee will be informed of further developments in the matter.

Ministry of Defence have taken further specific steps to avoid any recurrence of faulty indenting and procedural errors at the Indian end. A chek-list has been introduced by the Services Headquarters for scrutinizing the indents to ensure that they are correct and complete in all respects before they are approved and forwarded to the Supply Wing, London. Besides, attention of all staff and authorities concerned with the preparation and submission of the indents has also been drawn to the instructions on the subject for strict compliance.

Powers of the Ministry of Defence to release foreign exchange have since been increased upto Rs. 75 lakhs per proposal in the case of maintenance items and upto Rs. 50 lakhs per proposal in the case of Capital items. Besides, out of the allocation of foreign exchange made to the Ministry of Defence, certain amounts are placed at the disposal of the Services Headquarters to meet their urgent requirements. These measures are expected to reduce delays in the release of additional foreign exchange

The delays in the release of additional foreign exchange will be further reduced when the powers of the Supply Wing to release additional foreign exchange are enhanced. The proposal of the Ministry of External Affairs is under examination in the overall context of the Supply Wing's future.

[Ministry of External Affairs OM No. Q/Accts-I/7340/3/82 dated
7 October 1983]

Recommendation

It is disconcerting for the Committee to note that over 2200 out of an average of 8000 indents received every year by the Supply Wing have to be carried forward for want of experienced and qualified staff. Repeated requests of the Supply Wing for qualitative and technical improvement of the staff have elicited the belated response that "a review is under way on the necessity of substituting IFS(B) personnel by technically qualified personnel with purchase experience."

[S. No. 15 (para 2.32) of Appendix III to 116th Report of Public Accounts Committee (7th Lok Sabha)]

Action Taken

The review for substituting IFS(B) personnel by technically qualified personnel with experience of procurement work has been completed. Consensus has been achieved that except for PAs and Stenos and non-technical/class IV staff all technical posts both in the officers and staff cadre would be manned by technically qualified personnel with purchase experience drawn from the user Ministries of Defence and Supply in a proportion to be decided upon by a high level committee.

[Ministry of External Affairs OM No. Q/Accts-I/7340/3/82 dated 7th October, 1983]

Recommendation

The Committee stress that while effecting changes in the organisational set up of the Supply Wing on lines proposed in the earlier paragraphs the Ministry should keep this aspect fully in view and provide the Supply Wing with the requisite qualified staff to enable it to discharge the role and functions that may be assigned to it in the revised set up.

[S. No. 16 (para 2.33) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

The Committee's observations have been noted. It has already neebaccepted that only persons of appropriate status and with adequate qualifications and experience of actual work of procurement of equip-

ment and stores, market survey and shipping should be posted to man the various posts in the Supply Wing, London in its revised set-up. A complete review of the strength of staff and level required for the ISW, London is to be undertaken not later than two years from the date of implementation of the various revised procedures which have been agreed upon by the various Ministries in order to realistically assess the strength and qualifications of the staff to be posted to the Supply Wing, London in its revised role.

[Ministry of External Affairs OM No. Q/Accts-I/7340/3/82 dated 7th October, 1983]

Recommendation

The Committee understand that question of raising the powers of the Supply Wing to meet the foreign exchange requirements from 50 to 75 percent in defence indents and from 10 to 33.1/3 percent in Civil indents and from Rs. 5 lakhs to Rs. 15 lakhs as the overall limit is under consideration of the Committee of Secretaries. As this question is linked with the question of future set up of the Supply Wing, the desirability/necessity of raising the powers of the Supply Wing would need to be viewed in the context of the exchanges contemplated in its set up. The Committee expect that a decision in the matter would be taken keeping in view the need for eliminating delays in release of foreign exchange which account for inordinate delays in procurement of stores in large number of cases.

[S. No. 17 (para 2.34) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

As Committee have observed the question of raising the financial powers of the Supply Wing, London is directly linked with the question of the future set-up of the Supply Wing, London. Since it has been decided that the majority of work items would be handled from India eventually and ISW, London would handle procurements against low value indents for new items which cannot be procured from India without any monetary ceilings being imposed on the placement of indents, the question of further enhancing the Supply Wing's financial powers for release of foreign exchange has been held in abeyance for the time being. However, all facilities currently available with the ISW,

London and the DGS&D will be made available to the Purchase Directorate of the Services Headquarters who are to take on the procurement work on an experimental basis, for the time being. The question of any further delegation of powers either to the Purchase Directorates under the Services Headquarters in India or to the residual Supply Wing set-up will be considered after the transfer of procurement work to the respective Departments/Ministries in India has been concluded. The transfer of procurement work will start after a final decision on the same is taken by the Committee of Secretaries. These powers will be commensurate with the tasks to be undertaken by the India-based Purchase Directorates and the Supply Wing, London in its revised role.

[Ministry of External Affairs O.M. No. Q/Accts-I,7340/3/82
dated 7th October, 1983]

Recommendation

The test check in audit has revealed that extra expenditure to the tune of Rs. 11.88 lakhs had to be incurred in 20 cases on account of revision of quotations by firms because of delays from over 4 months to over 2 years in procurement action for various reasons. The Committee have no doubt in their mind that the number of such cases and the financial implications of delays involved in processing the indents are much more than have come to surface. The Committee would like to point out that apart from the direct financial implications of delayed procurement action, a more disturbing aspect of the situation is the natural tendency on the part of the suppliers to jack up prices so as to provide a cushion in a highly inflationary situation.

[S. No. 18 (para 2.35) of Appendix III to 116th Report of the
Public Accounts Committee (7th Lok Sabha)]

Action Taken

The measures contemplated to tone up the functioning of the Supply Wing, London are expected to accelerate the process of procurement and payments. This would minimise the cases of extra expenditure resulting from the upward revision of quotations by firms because of delays in payments etc. In this connection it may be stated that procedural changes and review of purchase powers with a view to simplifying the functions of Supply Wing, London are predicated upon direct

indenting from India and transfer of work that is presently handled by Supply Wing, London to respective Departments of the Government of India/autonomous bodies. These recommendations are yet to be considered by the Committee of Secretaries.

The Public Accounts Committee will be informed of further developments in the matter.

[Ministry of External Affairs OM No. Q/Accts-I/7340/3/82 dated 7th October, 1983]

Recommendation

The Committee find that there have been wide variations in the prices estimated by indentors and those actually secured. In the case of large value items such as aircrafts-spares, the price differential was found to be as high as 215 percent ; in case of aeronautical engineering stores it was 184 percent ; in case engineering stores it was 227 percent ; while in case of refrigeration and air-conditioning spares, it was as high as 376 percent.

[S. No. 19 (para 2.36) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

The question of wide variations in prices between those estimated by indentors and those actually secured have been studied in depth. It has been found that one basic reason for such wide variation apart from the world inflationary trends, was that indentors assessed the price of items based on prices quoted some times as early as 10 to 15 years ago and allowed only a 10 percent increase over such originally obtained prices. It will be obvious that such an assessment of prices would be unrealistic under the present market conditions, resulting in a very high price differential between the estimated prices of indentors and actual prices.

[Ministry of External Affairs OM No. Q/Accts-I 7340/3/82 dated 7 October, 1983]

Recommendation

The Committee regret to observe in this connection that there is no organised system in the Supply Wing to evaluate the reasonableness

of the prices quoted. The Committee urge that the matter should be looked into without delay and necessary action taken to remove this deficiency in the system. The Committee expect that adequate and properly qualified staff would be provided to the Supply Wing to study the market trends and gather relevant data for feedback to the indentors in India.

[S. No. 20 (para 2.37) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

The Committee's observation about creating an organisation in the Supply Wing to evaluate the reasonableness of the prices quoted has been noted. Meanwhile it has been decided that one of the specialised work items which will continue to be handled by the Supply Wing, London in its revised role would be market survey and location of sources of supply. Properly qualified staff in adequate numerical strength will be provided to the Supply Wing to cover the specialised work area and send the relevant feed-back to the indentors in India. This is one of the many steps which is contingent upon the final decision of the Committee of Secretaries on transfer of work from London to India.

[Ministry of External Affairs OM No. Q/Accts. I/7340/3/82 dated 7 October, 1983]

Recommendation

The Committee find that an inordinately high percentage of indents placed with the Supply Wing is marked urgent, operational by the indenting Department in the Ministry of Defence—the percentage of such indents being 72 in 1978-79, 69 in 1979-80, 68 in 1980-1981 and 65 in 1981-82. Such indiscriminate marking of indents as urgent/operational makes it virtually impossible for the Supply Wing to accord priority to all of them because of constraints of Staff. The Committee are concerned to find that even in such cases, the average time taken in procuring the supplies varies between four to seven months. The representative of the Ministry of Defence, therefore, argued in evidence before the Committee that one of the reasons for the high percentage of indents marked as urgent or operational is the slow pace at which the supplies become available. While the Committee appreciate that in

certain situations it may become necessary to meet the requirements of defence stores on an emergency basis they would like to point out that indiscriminate marking of indents as urgent or operational defeats the very purpose of doing so and it is therefore necessary to exercise effective check over this tendency. The Committee consider that the system of forecasting the requirements of defence stores and equipment particularly in respect of spares, needs to be revamped. The Committee would, therefore, urge the Ministry of Defence to tighten up and streamline the system of assessing the requirements of supplies from foreign countries. The Committee would like to be apprised of the precise steps taken in this direction.

[S. No. 21 (para 3.9) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

The Committee's observation in this regard has been noted. A system for forecasting the requirement of defence stores, equipment and spares already exists as given in our reply to Sl. No. 22 (para 3.20). The Ministry of Defence have since taken steps to tighten up and streamline the system of assessing their requirement of supplies from foreign countries as detailed in our reply to S. No. 11 to 14 (para 2.28—2.31). However, it may be submitted that in the revised role being envisaged for the Supply Wing, London, whereby only those indents which cannot be directly procured from India would be marked on to it, this question of excessively high percentage of indents being marked as urgent or operational will not have as much of relevance as hitherto.

It has also now been decided that henceforth priorities on indents would be approved at the level of Brigadier/Colonel or equivalent only.

[Ministry of External Affairs OM No. Q Accts. 1,7340 3/82 dated 7 October, 1983]

Recommendation

The audit paragraph has given details of three cases which together entailed avoidable extra expenditure to the tune of Rs. 6.14 lakhs on account of non-bulking of indents by the indentors. Similar cases of extra expenditures were reported by the C & AG in the Audit Report

(Defence Services) for the year 1977-78. The Committee find that there is a sharp divergence of views between the Ministry of External Affairs and the main indentors viz. the Ministry of Defence on this question. While the Ministry of External Affairs are of the view that the primary responsibility of bulking of indents is that of the indentors, the Ministry of Defence feel that bulking of requirements is a procurement function. According to the latter, the possibilities of bulking are very remote because each indent is dedicated to a particular type of equipment or weapons system and might contain as many as 100 to 150 items. During evidence the representative of the Ministry of Defence expressed the view that apart from the remote possibility of bulking of indents, "the economy that would flow from this sort of bulking of two or three items would be more than offset by the amount of effort which would be necessary in this regard". However, instructions have been issued to the effect that adequate care should be taken by the respective Service headquarters to ensure that requirements of similar items being procured by them are bulked.

[S. No. 22 (para 3.20) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

The Committee has already been informed (para 3.20 of the 116th Report of the Public Accounts Committee (7th Lok Sabha) by the Ministry of Defence that instructions to ensure adequate bulking of indents by the respective Headquarters have already been issued. In view of the fact that the majority of work items particularly indenting is now being transferred to the respective Purchase Directorates under the Service Headquarters, Director General, Ordnance Factories/Ministry of Supply in India, the question of any bulking being done by Supply Wing, London does not arise and therefore the divergence of views on this issue between the Ministries of External Affairs and Defence is no longer relevant.

The observations made by the Committee have been noted by the Ministry of Defence.

There is hardly any commonality of items required by the three Services as the equipment/machinery, spares e'c. used in one service are different from those used in the other Services. It is therefore not

possible to bulk items required by the three Services. However, the bulking is done service-wise as explained in the succeeding paragraphs.

The Naval items are reviewed once a year and on the basis of these reviews indents are raised. As the reviews are carried out equipment-wise, bulking is automatically achieved.

The projections of indents in the Air Force is done once a year for high-value items, except for a small range. A proposal is under consideration to change the periodicity of review from six months to annual basis even for this small range. As a result, all the indents would be placed once a year and the requirements of various items would be bulked on an annual basis for procurement.

As regards the Army, indents for supply of spares are placed on ISW(L) once a year based on the requirements assessed as a result of annual provision review carried out by the respective Central Ordnance Depots (CODS). The requirements so assessed by the CODs are on an all India basis and the same item is not demanded by any other COD separately. However, there are rare and exceptional cases where supplementary demands are placed to meet the operationally urgent requirement when some equipment is out of action.

[Ministry of External Affairs OM No. Q/Accts-I/7340/3/82 dated 7 October, 1983]

Recommendation

Considering the large variety of items and the scale of requirements of the Defence Services in particular, the Committee are inclined to agree with the Ministry of External Affairs that it is not possible for the Supply Wing to compare and tally all the items contained in about 4,000 annual indents received by them and such coordination can only be done in India at the indenter's end. The Committee do not see any reason why it should not be possible for the three Service Headquarters to ensure bulking of indents in respect of items which have to be procured on an annual repetitive basis. The Committee consider that considerable economies can be achieved and better terms obtained from suppliers if adequate care is taken by the indenting departments to project their requirements in a coordinated manner. The Committee would therefore like all the major indentors, particularly the Ministry of

Defence to ensure that indents are not placed for the same items at too short intervals and that the requirements of various items are bulked on an annual basis as far as possible. The Committee would like to be apprised of the precise steps taken in this direction and the result achieved.

[S. No. 23 (para 3.21) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

It is noted that the Committee are in agreement with the views of the Ministry of External Affairs. The Ministry of Defence have already intimated during oral evidence (para 3.19) of 116th Report of the Public Accounts Committee (7th Lok Sabha) that instructions have been issued to the effect that adequate care should be taken by the respective Service Headquarters to ensure that requirements of similar items being procured by them are bulked. Reference is also invited to the reply to S. No. 22 (Para 3.20) of the 116th Report of the Public Accounts Committee (7th Lok Sabha).

[Ministry of External Affairs OM No. Q/Accts. I 7340/3/82 dated 7 October, 1983]

Recommendation

The audit para has highlighted the inordinate delays in issue of inspection notes by the Supply Wing despite the fact that in majority of the cases these are issued on the basis of guarantees, test certificates or release notes provided by the suppliers. This is again confirmed by the Reports submitted by the Team of officers deputed by the Ministry of External Affairs to study the functioning of the Supply Wing in September 1981. On the basis of numerous complaints received from the major suppliers and a study of many relevant files, the team found that after the intimation of the readiness of stores for inspection had been received by the Supply Wing, there was usually a delay of 2 to 3 months before inspection of stores was actually carried out. The resultant delay affects trade discount, future contractual prices and of course creates shortages in India. As the rejection of stores supplied by firms of international repute who have been tried and tested over a period of time by the Supply Wing, is only about 7 percent of the stores inspected,

the team has recommended that the stores can be accepted from such suppliers on the basis of supplier's guarantee/inspection certificates.

The Committee are greatly concerned over the inordinate delays in issue of inspection notes by the Supply Wing and would like the matter to be looked into by the Ministry with a view to taking necessary remedial measures. They would also like to be apprised of the decision taken on the suggestion given by the team of officers for dispensing with the inspection requirement in respect of stores supplied by well established and reputed concerns.

[S. No. 23(para 3.33) of Appendix III to 11th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

The recommendation of the team of officers deputed by the Ministry of External Affairs in January, 1981 about acceptance of stores from tried and tested suppliers of international repute on the basis of the suppliers guarantee/inspections certificates, quality assurance certificate/warranty has been accepted in principle and routine inspection of stores has been decided to be dispensed with. However, whenever inspection is considered absolutely necessary because of the sensitive/expensive nature of the equipment/stores or the non-availability of the suppliers guarantee/warranty certificate, inspection of stores would be carried out by a team of experts deputed from India for this specific purpose. Concomitantly, the Inspection Directorate of ISW, London would be progressively, wound up. It may be stated in this connection that recommendations relating to transfer of work including dispensing with routine inspection of stores are still under consideration of Department of Supply and Ministry of Defence.

[Ministry of External Affairs OM No. Q/Accts. I/7340/3/82 dated. 7 October, 1983]

Recommendation

The Committee are concerned to find that it takes roughly three to six months on the part of the Shipping Directorate of the Supply Wing to locate suitable vessels for shipment of stores to India resulting in loss of trade discount as well as goodwill of the suppliers who has to

incur avoidable expenditure on storage and has to wait for longer periods for reimbursement of his finances. In such a situation the suppliers could also mark up the prices for fresh contracts.

[S. No. 25 (para 3.34) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

It is submitted that a decision has been taken that the Shipping Directorate of the Supply Wing, London could be wound up progressively and efforts should be made to arrange the shipment of stores on C & F basis through the suppliers instead of the FOB basis now prevalent, subject to the usual conditions. The Ministry of Shipping and Transport are also being consulted in the matter. The Public Accounts Committee will be informed of further developments in the matter.

[Ministry of External Affairs OM No. Q/Accts. I/7340/3/82 dated 7 October, 1983]

CHAPTER III

CONCLUSIONS OR RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The Committee understand that as a follow up of the criticism by the Chiefs of Staff Committee, the Ministry of External Affairs deputed a team of four officers in January, 1981 to study the functioning of the Supply Wing and to suggest measures to improve its efficiency. The team is stated to be of the considered opinion that a gradual phasing out of the workload of the Supply Wing and only very minimum of functions left to it, is necessary and will be conducive to the better and more efficient functioning of the Supply Wing. It would also ensure better servicing of the defence and civilian supply needs of the country. One of the important recommendations of the study team is the setting up of two indenting Cells in India—one under the Ministry of Defence and the other under the Ministry of Supply to handle most of the contractual work. The Report of the team of officers visualises setting up of a Foreign Stores Procurement Cell under the aegis of Ministry of Defence for receiving and processing indents of defence and civil indentors directly from suppliers abroad. Only such indents would be crossmandated to the Supply Wing as are of urgent operational nature or where efforts to place orders on foreign suppliers directly from India have failed. The Cell would also maintain data bank on information regarding latest prices, market trends etc. The Supply Wing, London would consequently be converted into a Liaison Cell/Directorate with a staff of about 20 people. The Liaison Cell/Directorate in London would undertake market surveys and analysis of all specified items and would be sending monthly reports to the two Cells in the respective Ministries in India, and render such assistance as may be required in locating sources of supply of obsolete items or such other items which the indenting cells have failed to obtain. It would also undertake inspection of stores if so required and monitor the contracts on request

in case of breakdown of communication between the indentors in India and the foreign suppliers.

[S.N. 7 (Para 1.37) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

Consensus has been reached between the Ministers of External Affairs and Defence that all efforts would be made to handle from India as much of the work of the Supply Wing, London as possible leaving only the minimum inescapable functions with the Supply Wing. However, the setting up of two indenting Cells in India was not considered necessary. Nor was it considered necessary to set up a centralised agency like the Foreign Stores Procurement Cell for undertaking procurement and related work, since the three Service Headquarters and the Department of Supply already have their respective Purchase Directorates which could be suitably augmented to undertake the additional work.

[Ministry of External Affairs OM No. Q/Accts-1/7340/3/82 dated 7th October, 1983].

Recommendation

The Committee observe from the foregoing that the objective of transferring the control of the Supply Wing from the Ministry of Supply to the Ministry of External Affairs has not been achieved and that it has in no way resulted in any improvement in the efficiency of the Supply Wing.

[S.No. 8 (para 1.38) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

It is submitted that the long term objective for the merger of the Supply Missions (under the Ministry of Supply) with the Indian Missions in the form of Supply Wings (under the Ministry of External

Affairs) was a functional improvement consistent with the changing trade trends, coupled with a saving to the exchequer. This has been achieved. A consensus has recently been reached among three Ministries to post suitably qualified personnel either from Ministry of Defence or Department of Supply possessing requisite technical qualifications and experience for the purchase operations. Implementation of this consensus will further improve the efficiency of the Supply wing, London. Recommendations suggested by the Ministry of External Affairs' team are still under consideration of Department of Supply and Ministry of Defence.

[Ministry of External Affairs OM No. Q Accts-I/7340/3/82 dated 7th October, 1983].

Recommendation

The evidence tendered before the Committee has revealed basic divergence of views between the Ministry of External Affairs and the Ministry of Defence with regard to the future set up of the Supply Wing. The Ministry of External Affairs consider it necessary to divest the Supply Wing of all functions with regard to placements of indentors, their monitoring etc, which they feel can be better handled by the indentors themselves in India through the mechanism of the Foreign Stores Procurement Cell referred to above. The Ministry of Defence who initially welcomed the proposal, have found on detailed examination that "creation of such a coordination Cell would unnecessarily introduce an additional level of scrutiny resulting in further delay. The creation of such a Cell would therefore, be redundant."

[S.N. 9 (para 1.39) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

The earlier divergence of views between the Ministry of External Affairs and Defence with regard to the future set up of the Supply Wing, London has been reconciled. There is general agreement that as many as possible of the items of purchase work would be transferred to

India, divesting the Supply Wing of most of its routine functions. Likewise it has been agreed that it is not necessary to set up a central agency in India for coordination purposes.

**[Ministry of External Affairs OM No. Q/Accts-I/7340/3/82 dated
7th October 1983].**

CHAPTER IV

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

Recommendation

The team of officers has pointed out that in most cases the defence supplies except hazardous consignments, are air-freighted through Air India and critical defence stores are periodically air-lifted by special courier flights. Since air freight will, in any case, be much more than the sea freight, the Committee recommend that the air lifting of Defence stores should be resorted to only in exceptional cases. They consider that as far as possible Indian flag vessels should be used for all stores to be imported into the country and that with advance planning, it should be possible to locate Indian flag vessels for shipment of defence stores. The Committee would also urge that the reasons for delays on the part of Shipping Directorate to locate suitable vessels for the shipment of stores to India should be examined critically by the team of officers and necessary steps taken to get over the problem in consultation with the Ministry of Shipping and Transport.

[S. No. 27 (para 3.36) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

The Committee's recommendations that airlifting of Defence Stores should be resorted to only in exceptional cases and that as far as possible Indian flag vessels should be used for all stores to be imported into the country have been noted and are being complied with. Only in the most emergent cases or where no immediate Indian flag vessels are available or where air-freighting proves economical, it is being resorted to. Discussions with the Shipping Corporation of India, the Indian Steamship Company and the Scindia Steamship Company and Air India have been held to work out a methodology that will allow for advance planning to ensure shipment of stores only through Indian flag vessels.

Studies have revealed that the frequency of vessels bearing Indian flag between UK and India has increased in the recent past; the low frequency of suitable shipping vessels was one possible reason for delays on the part of the Shipping Directorate. In view of the fact that the responsibility for ensuing timely shipment on Indian flag vessels is being vested in the suppliers, any further critical examination by the team of officers of the historical reasons for delays in locating suitable Indian vessels is not considered immediately necessary.

The Public Accounts Committee will be informed of further developments in the matter.

[Ministry of External Affairs O.M. No. Q/Accts. I/7340/3/82 dated 7th October, 1983].

Recommendation

The computer (cost-Rs. 12.91 lakhs) was installed in the Supply Wing in December 1976 with a view to achieving better efficiency in the processing of indents. Audit have, however, pointed out that no advance planning was done with regard to items which were to be computerised nor any detailed study was made to identify the difficulties. What is still worse is that no efforts were made to codify the various items to lay down in advance the functional specifications and the processes or checks to be exercised by computer and those to be done manually. Even the system Analysts, Programmers and computer operator were posted as late as in August 1977, January 1978 and July 1978 respectively. The Director EDP Systems in the Defence Research and Development Organisation in his report (September 1981) on the functioning of the computer in the Supply Wing, London has pointed out that the computer is at present loaded with routine, though important, functions and sufficient manpower has not been provided for coding key bearding functions related to the computerised information system with the result that the data relating to the contracts have fallen in arrears. Contract amendments have not been carried out for over 18 months and consequently related reports from the EDP Directorate would not be up-to-date. The Report has emphasised the need for a computer system which will enable the building up of an integrated data base for the Supply Wing functions as well as for other wing departments of the Indian High Commission. It has therefore been recommended that the

High Commission should set up an integrated indent progress control system for use by the Supply Wing and that the computer should also support the Consular, Science and Defence Wings of the High Commission. It has further been recommended that other functions in the High Commission such as accounts, pay rolls, library etc. should be computerised. The Committee were given to understand during evidence that action on the report has been pending in view of the ongoing review with regard to the over-all functioning of the Supply Wing. In a subsequent note, the Ministry have informed the Committee that the comprehensive report on the functioning of Supply Wing, London (January 1981) *inter alia* contained suggestions on the relocation of the Computer Cell in India is being considered by the Committee of Secretaries and that the Ministry of Defence are preparing paper incorporating the coordinated views of the three Services Headquarters on this subject. The Committee would like to be apprised of the decision taken in the matter.

[S. No. 28 (para 3.45) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

The Committee's recommendation on the setting up of an integrated indent progress control system for use by all the wings of the Mission including Supply Wing and the Chancery have been noted.

It is submitted that the accounts, pay-rolls etc. are already computerised although a different computer is being used for such computerisation, since this computer was initially meant for full-time use by the Supply Wing alone.

Since the future of the Supply Wing has now been decided and transfer of majority of work items to the respective departments in India is already in hand, reprogramming of this particular computer along the lines suggested in the EDP Systems Report of September, 1981 may prove infructuous at this state. However, it has now been decided that once the work transfer has been completed the present computer would then be re-programmed to handle residual work items of the residual Supply Wing Unit in addition to giving support to the Consular, Science, Defence, Library, Chancery Wings of the High Commission if its capacity so permits and if such functioning proves economical from the point

of view of availability of computer tapes and spare parts etc. keeping in view the model of the computer. Against the background of rapid evolution of computer technology the element of cost-effectiveness in the utilisation of this present computer would also be kept in view.

The Public Accounts Committee will be informed of further developments in the matter.

[Ministry of External Affairs O.M. No. Q/Accts. I/7340/3/82 dated 7 October, 1983].

Recommendation

The Committee note with concern that currently the pay roll and expense recording and analysis system of the Indian High Commission in London is being got done by a service bureau outside at a cost of £ 1,200 per month. As early as in 1979 the Minister (Supply) Indian High Commission, London had suggested that this function should be taken over by the Computer Wing with some marginal capital expenditure of around £3500. Thus, there would be recurring savings of at least £ 14,400 per annum on this application alone.

[S. No. 29 (para 3.46) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

The Committee's concern about the annual expenditure being incurred on the pay-roll and expense recording and analyses system by a service bureau outside is noted. In this connection reference is invited to our reply to S. No. 28 (paragraph No. 3.45). As has been submitted, the question of reprogramming the present computer for this work in addition to other work items detailed in the reply under reference in terms of its cost benefit will be examined at the appropriate time, to ensure Government's financial interests.

[Ministry of External Affairs O.M. No. Q/Accts. I/7340/3 82 dated 7 October, 1983].

Recommendation

The Committee consider it extremely unfortunate that the computer facility procured at considerable cost has been allowed to be

grossly under utilised over the last six years. In the meantime, an extra expenditure of £ 14400 (Rs. 2.5 lakh approximately) per annum is being incurred on pay roll and expense recording of the High Commission by obtaining the services of an outside body. The Committee desire that the matter should be reviewed without further loss of time so as to ensure that the computer facility available in the Supply Wing is put to optimum use.

[S. No. 30 para 3.47) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

Our replies to S. No. 28 and 29 (paragraphs 3.45 and 3.46) may please be seen. In this connection it is further submitted that until work transfer has been completed it would not be possible to quantify the residual workload on account of the Supply Wing for this computer. To add on the additional work items referred to in the reply to S. No. 28 (para 3.45) would mean the augmentation of the capacity of this computer at an expenditure of about £ 5,000 non-recurring and about £ 1,500 per annum recurring. This would be more or less equivalent to what we are paying the service bureau for accounting, recording and analysis. It was, therefore, felt that augmentation of the capacity of the present computer without removing routine load from it would not prove cost effective to the Government. The examination to ensure the optimum use of the computer facility availability in the Supply Wing is therefore being kept pending subject to finalisation of work transfer as brought out in our replies to S. Nos. 28 and 29 (paragraphs 3.45 and 3.46).

[Ministry of External Affairs Q.M. No. Q/Accounts. I/73 '0/3 82
dated 7 October, 1982]

CHAPTER V

CONCLUSIONS OR RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee find that the system of appointing shipping agents was discontinued in 1976 when it was found that the agency commission being charged by the various shipping agents was too high. Since then the work is being done departmentally. The Ministry are stated to be of the view that the Indian carriers *viz.* the Shipping Corporation of India, the India Steamship Company and the Scindia Steamship Company besides Air India are adequate for meeting the situation in case of non-hazardous and non-explosive cargo. Difficulties arise in respect of hazardous cargo when it takes longer to locate suitable vessels.

[S. No. 26 (para 3.35) of Appendix III to 116th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

The Ministry of External Affairs' view that the Indian Flag carriers are adequate for meeting the situation in case of non-hazardous and non-explosive cargo has been generally accepted. Most suppliers will directly ship their stores. However, the question of whether the co-ordination of shipments would be handled departmentally in the Supply Wing or by the appointment of a specific shipping agent is under examination from the economic and functional standpoint. The Public Accounts Committee will be informed of further developments in the matter.

[Ministry of External Affairs O.M. No. Q/Accts. I/7340/3/82
dated 7 October, 1983].

NEW DELHI ;
October 26, 1983

Kartika 4, 1905 (s)

SUNIL MAITRA
Chairman,
Public Accounts Committee

PART II

Minutes of the 30th Sitting of the Public Accounts Committee (1983-84) Held on 19 October, 1983

The Committee sat from 1100 to 1300 hours.

PRESENT

Shri Sunil Maitra—*Chairman*

MEMBERS

Lok Sabha

2. Smt. Vidyavati Chaturvedi
3. Shri G.L. Dogra
4. Shri Bhiku Ram Jain
5. Shri Satyanarayan Jatiya
6. Shri K. Lakkappa
7. Shri Mahavir Prasad
8. Shri Jamilur Rahman
9. Shri Harish Rawat
10. Shri Ram Singh Yadav

Rajya Sabha

11. Dr. Sankata Prasad
12. Shri Syed Rahmat Ali
13. Smt. Pratibha Singh
14. Shri Nirmal Chatterjee
15. Shri Kalyan Roy

SECRETARIAT

Shri K.K. Sharma—*Senior Financial Committee Officer*

Shri R.C. Anand—*Senior Financial Committee Officer*

REPRESENTATIVES OF AUDIT

Shri R.K. Chandrasekharan—*Addl. Dy. Comptroller and Auditor General of India.*

Shri S.R. Mukherji—*Director of Audit, Commerce, Works and Misc.*

Shri A.N. Mukhopadhyay—*Joint Director Reports (Central).*

* * * *

2. The Committee then took up for consideration the draft Action Taken Report on 116th Report of Public Accounts Committee (7th Lok Sabha) on Purchase Operations of the Supply Wing of High Commission of India, London and adopted the same with modifications/amendments as indicated below :

Page	Para	Modifications/Amendments
15	1.18	<i>Add at the end of the para : 'The Ministry should also ensure that the shipment of stores to India should be made by Indian Flag Vessels only'.</i>
21	1.22	<i>Add at the end of the para : 'Moreover, ways should be found out to ensure to gainfully utilise the computer already purchased'.</i>

* * * *

The Committee then adjourned

APPENDIX

CONCLUSIONS/RECOMMENDATIONS

S. No.	Para No.	Ministry/ Deptt. Concerned	Conclusions/Recommendations
1	2	3	4
1	1.4	Ministry of External Affairs	The Committee expect that the final reply to the recommendation in respect of which only interim reply has been given by Government, will be furnished to the Committee expeditiously after getting the same vetted by Audit.
2	1.8	—do—	In their earlier Report, the Committee had pointed out that the working of Supply Wing, London had been hamstrung by problems of coordination on the one hand and want of sufficiently qualified technological staff on the other. In their reply, the Ministry of External Affairs have stated that while it has been agreed to, in principle, that the Supply Wing will be staffed by the officials drawn from the Ministries of Defence and Supplies, a Committee consisting of the Foreign Secretary, Secretary (Defence), Secretary (Supplies) and Secretary (Defence Production) will examine the matter and take a final decision on the staffing, taking into account the job requirements and the functional responsibility of the concerned organisations. The

1

2

3

4

Committee would like to be informed of the recommendations of the said committee and the action taken thereon.

3

1.11

Ministry of
External Affairs

In paragraph 1.40 of their earlier Report, the Committee had, in order to put to an end the state of uncertainty about the future of the Supply Wing, London, recommended that the details of transfer of work from Supply Wing, London should be worked out by the Committee of Secretaries and its necessary reorganisation effected without further loss of time. In their reply, the Ministry of External Affairs have stated that after considering the matter in depth, it has been decided that, to the maximum extent possible, all routine purchase work and work following therefrom would be handled from India by the respective indenting departments and all facilities as well as the powers and practices followed with regard to purchase of different categories of items by the Supply Wing, London and the DGS&D would be vested in the Purchase Directorates under the three Service Headquarters and the Director General, Ordnance Factories. The final staffing pattern of the Supply Wing in the interim phase will be decided by a committee consisting of Foreign Secretary and the Secretaries of Defence, Defence Production and Supply. The final staffing of the Supply Wing,

after completion of work transfer and implementation of concomitant recommendations, would be subject to a complete review to be undertaken after two years from the date of initiation of work transfer proceedings. The Committee would like to be informed whether the work transfer proceedings have since been initiated and if not, by when these would be initiated and the reasons for not initiating the same so far.

4 1.12 —do—

The Ministry have also intimated a number of items of work which would be delinked from the Supply Wing and handled directly by the respective indenting departments. The Committee hope that the indenting Departments in the three Services Headquarters would be equipped with the requisite technical and necessary expertise and proper coordination would be maintained between them so as to avoid cases of duplication/overlapping.

5 1.15 —do—

In their earlier Report, the Committee had expressed concern over the non-bulking of indents by the indentors resulting in avoidable extra expenditure to the tune of Rs. 6.14 lakhs in three cases relating to the Air Headquarters. The Ministry of External Affairs have now informed the Committee that the projections of indents in the Air Force is done a year for high value items, except for small range. A proposal is under consideration to change the periodicity of review from 6 months to annual basis even for a small range. As a result, all the indents would

1	2	3	4
---	---	---	---

be placed once a year and the requirements of various items would be bulked on an annual basis of procurement. The Ministry of Defence have also issued instructions to ensure bulking by the respective Headquarters. As certain instances of extra expenditure of Rs. 15.83 lakhs arising out of non-bulking of indents were also reported in paragraph 31 (Rs. 2.23 lakhs) and paragraph 42(a) (Rs. 13.60 lakhs) of the Report of C&AG of India, Union Government (Defence Services) for the year 1977-78, the Committee hope that the Ministry of Defence would ensure that such cases of avoidable and infructuous expenditure do not recur. The Committee need hardly emphasize the need for continuous liaison and coordination among the three Services Headquarters to ensure that orders for the same items from different Services are bulked together.

54

6

1.18 Ministry of
External Affairs

As there were a number of cases of delays on the part of Shipping Directorate to locate the suitable vessels for the shipment of stores to India resulting in airlifting of most of stores procured by Supply Wing, London, the Committee had, in paragraph 3.36 of their earlier Report, recommended that the airlifting of defence stores should be resorted to only in exceptional cases and the reasons for delay in locating suitable vessels should be examined critically by the team of officers and necessary steps

taken to get over the problem in consultation with the Ministry of Shipping and Transport. The Ministry of External Affairs have now intimated that discussions with the Shipping Corporation of India, the Indian Steamship Company and the Scindia Steamship Company and Air India have been held to work out a methodology will allow for advance planning to ensure shipment of stores only through Indian Flag vessels. The Committee feel that it is a step in the right direction. They, however, do not agree with the reply of the Ministry of External Affairs that as 'the responsibility for ensuring timely shipment on Indian Flag vessels is being vested in the suppliers, any further critical examination by the team of officers of the historical reasons for delays in locating suitable Indian vessels is not considered immediately necessary'. The Committee reiterate their earlier recommendation that the reasons for delays on the part of the Shipping Directorate to locate suitable vessels for the Shipment of stores to India should be examined critically by the team of officers so as to ensure that such cases do not recur. The Ministry should also ensure that the shipment of stores to India should be made by Indian Flag vessels only.

55

7

1.21 Ministry of
External Affairs

In Paragraph 3.45 of the earlier Report, the Committee had been commented upon the procurement of a computer costing about Rs. 12.91 lakhs for the Supply Wing, London in December 1976 without doing any advance planning with regard to the items

which were to be computerised or identifying in detail the difficulties in this regard. As the payroll and expense recording and analysis system of the Indian High Commission in London was being done by a service bureau outside at a cost of £ 1200 per month, the Committee had suggested that this function should be taken over by the Computer wing with some marginal capital expenditure of around £ 3500, as stated by the Minister (Supply), Indian High Commission, London as early as in 1979. This would have resulted in recurring savings at least of £14,400 per annum on this account alone. The Ministry of External Affairs have now stated that the accounts, payrolls, etc. were already being computerised through a different computer and the computer with them was meant for full time use by the Supply Wing alone. They have, therefore, stated that this computer would be reprogrammed after the work transfer has been completed to handle residual work items of residual Supply Wing unit in addition to giving support to the Consular, Science, Defence, Library and Chancery Wings of the High Commission if its capacity so permits and if such functioning proves economical from the point of view of availability of computer tapes and spare parts, etc., keeping in view the model of the computer. The Ministry have informed that to aid on the additional work items referred to above would mean the augmentation of the capacity of this computer

at an expenditure of about £ 5000 non-recurring and about £ 1500 per annum recurring and this amount would be more or less equivalent to what they were paying to the service bureau. The Ministry have, therefore, expressed the view that augmentation of the capacity of the computer without removing routine load from it would not prove cost effective to the Government.

8

1.22

—do—

The above reply of the Ministry fortifies the view already expressed by the Committee that this computer was purchased without any advance planning and without ensuring if it was required at all. As the work transfer in the Supply Wing is likely to take considerable time, the computer will not be put to use for all this period. This is, to say the least, shocking. The Committee recommend that the circumstances in which a decision was taken to purchase the computer without advance planning and properly assessing its usefulness should be investigated and responsibility fixed. Moreover, ways should be found out to ensure to gainfully utilise the computer already purchased.

57

