

**PUBLIC ACCOUNTS COMMITTEE  
(1965-66)**

**FORTY-EIGHTH REPORT  
(THIRD LOK SABHA)**

**[Appropriation Accounts (Defence Services), 1963-64  
and Audit Report (Defence Services), 1965]**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1966/Chaitra, 1888 (Saka)*

*Price : Rs. 1.95*

6.3951R

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA  
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>ANDHRA PRADESH</b>			13.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam).	8	<b>RAJASTHAN</b>		
2.	G.R. Lakshminpathy Chetty and Sons, General Merchants and News Agents, Newpet, Chan- dragiri, Chittoor District.	94	14.	Information Centre, Go- vernment of Rajasthan, Tripolia, Jaipur City.	38
<b>ASSAM</b>			<b>UTTAR PRADESH</b>		
3.	Western Book Depot, Pan Bazar, Gauhati.	7	15.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
<b>BIHAR</b>			16.	Law Book Company Sardar Patel Marg, Allahabad-1.	48
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37	<b>WEST BENGAL</b>		
<b>GUJARAT</b>			17.	Granthaloka, 5/1, Ambica Mookherjee Road, Bel- ghana, 24 Parganas.	10
5.	Vijay Stores, Station Road, Anand.	35	18.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63	19.	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akur Lane, Calcutta-12.	8
<b>MADHYA PRADESH</b>			<b>DELHI</b>		
7.	Modern Book House, Shiv Vilas Palace, Indore City.	13	20.	Jain Book Agency, Con- naught Place, New Delhi.	1
<b>MAHARASHTRA</b>			21.	Sat Naran & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3
8.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2.	6	22.	Atma Ram & Sons, Kash- mere Gate, Delhi-6.	6
9.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	23.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11
10.	The International Book Service, Deccan, Gym- khana, Poona 4.	26	24.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15
11.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30	25.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20
12.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60	26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23

CORRIGENDA TO FORTY-EIGHTH REPORT OF P.A.C. (1965-66)  
(PRESENTED TO LOK SABHA ON 18.4.1966)

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
			Insert "27" after the word para under item of appendices.	
(111)	6	1	placed	place
10		13	Review	Review
1	1.34	2	Partisan	partition
3	2.21	7	thought	thought
7	2.24	5	shifting	shifting
1	2.33	9	serious	serious
7	3.16	2	prepared	prepare
8		8	lying	lying
9	Foot-note	3	endorsed	enclosed
6		29	risk.	risk.
0		2	communicated.	communicated
6	5.83	20	place	plea
6	5.87	21	no	not
6		2	and	and
3		6	authorities	authorities
3		7	approved	approval
		10	quoted	quoted
		13	C.	C.E.
5	5.118	5	criterion	criterion
6	5.121	10	from	from
8		25	divisions	divisions
25		26	since	since
31	Col.4	21	frought	fraught
61	Col.1		de etc 56	
62	Col.4	11	rate	rates
68	Col.4	11	thes	these
69	Col.2		162	5.162

## CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE, 1965-66 . . . . .	(ii)
INTRODUCTION . . . . .	(iii)
CHAPTER I—Budgeting, Control over expenditure and General . . . . .	1
CHAPTER II—Air Force . . . . .	12
CHAPTER III—Navy . . . . .	24
CHAPTER IV—Defence Factories . . . . .	38
CHAPTER V—Army . . . . .	52
<b>APPENDICES</b>	
I.—Note showing reasons for excess over voted grant disclosed in Appropriation Accounts of the Defence Services for the year 1963-64 under Grant No. 9 Defence Services-Effective. . . . .	99
II.—Note on para 31(h) Appropriation Accounts, Defence Services, 1963-64. MES Review . . . . .	106
III.—Note on para 32 of Audit Report (Defence Services) 1965—regarding Delay in compilation of a Book of Regulations for Ordnance Factories . . . . .	108
IV.—Note on the Military Farms—para 4 of Audit Report . . . . .	110
V.—Note on para of the Audit Report.—Appendix I, item (iv) . . . . .	123
VI.—Note on para 15 of the Audit Report regarding extra expenditure in stitching garments. . . . .	124
VII.—Note on para 38 of Audit Report relating to delay in repair/overhaul of vehicles. . . . .	126
VIII.—Note on para 18(a) of the Audit Report regarding continuance of MES Divisions without sufficient load. . . . .	128
IX.—Summary of the main conclusions/recommendations . . . . .	130

### PART II\*

Proceedings of the sittings of the PAC held on:—

- (i) 13th January, 1966 (AN)
- (ii) 14th January, 1966 (AN)
- (iii) 18th January, 1966 (FN)
- (iv) 20th January, 1966 (AN)
- (v) 22nd January, 1966 (FN)
- (vi) 22nd January, 1966 (AN)
- (vii) 5th April, 1966

---

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

**PUBLIC ACCOUNTS COMMITTEE**  
(1965-66)

**CHAIRMAN**

Shri R. R. Morarka

**MEMBERS**

2. Shrimati Akkamma Devi
3. Shri Ram Dhani Das
4. Shri Gulabrao Keshavrao Jedhe
5. Shri Cherian J. Kappen
6. Shri R. Keishing
7. Shri M. R. Krishna
8. Shri B. P. Maurya
9. Shri V. C. Parashar
10. Shri Nanubhai N. Patel
11. Shri C. L. Narasimha Reddy
12. Shri G. Yallamenda Reddy
13. Shri Prakash Vir Shastri
14. Shri Surendra Pal Singh
15. Shri U. M. Trivedi
16. Shri M. P. Bhargava
17. Shri Chandra Shekhar
- \*18. Shri S. C. Deb
- \*19. Shri R. S. Panj hazari
20. Shri Ram Sahai
21. Shri Niranjan Singh
22. Shri Atal Bihari Vajpayee.

**SECRETARIAT**

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

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

---

\*Cesed to be Members of the Committee consequent on their retirement from Rajya Sabha on 2-4-1966 under Article 83 (1) of the Constitution.

## INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf, this Forty-Eighth Report on the Appropriation Accounts (Defence Services), 1963-64 and Audit Report (Defence Services), 1965.

2. The Appropriation Accounts (Defence Services), 1963-64 together with the Audit Report thereon was laid on the Table of the House on the 11th March, 1965. The Committee examined them at their sittings held on the 13th, 14th, 18th, 20th and 22nd January, 1966. A brief record of the proceedings of each sitting of the Committee has been maintained and forms Part II\* of the Report.

3. The Committee have appointed a Sub-Committee to consider the cases referred to in paras 7 & 8 of the Audit Report (Defence Services), 1965. The Committee will present a separate report on these cases.

4. The Committee considered and finalised this Report at their sitting held on the 5th April, 1966.

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

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

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

NEW DELHI;  
April 7, 1966.  
Chaitra 17, 1888 (S).

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

---

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

**I**

**BUDGETING, CONTROL OVER EXPENDITURE AND GENERAL  
AUDIT REPORT (DEFENCE SERVICES), 1965**

*Review of expenditure against Grants and Appropriations—Para 1—  
Page 1.*

1.1. The totals of the voted grants and charged appropriations for the Defence Services during the three years ending 1963-64 and the actual expenditure are given below:—

	1961-62	1962-63	1963-64
	(In crores of rupees)		
<i>(i) Voted Grants:</i>			
1. Grants (including supplementary Grants)	364.76	532.12	901.13
2. Actual expenditure	343.63	503.99	858.25
3. Savings	21.13	28.13	42.88
4. Percentage of 3 to 1	5.79	5.28	4.76
<i>(ii) Charged Appropriations :</i>			
1. Appropriations (including Supplementary Appropriations)	0.17	0.22	0.27
2. Actual Expenditure	0.15	0.13	0.09
3. Savings	0.02	0.09	0.18
4. Percentage of 3 to 1	14.80	39.12	65.29

*Savings in/excess over Grants—Para 2—Page 1.*

1.2. During the year there were savings in two grants and an excess under one grant as detailed below:—

Grant No.	Final Grant	Savings(—) Excess(+)
	(In crores of rupees)	
10—Non-Effective	18.90	(—)0.90
115—Capital Outlay	158.77	(—)46.83
9—Effective	723.46	(+)4.45

1.3. The Ministry of Defence have submitted a note explaining the reasons for the excess expenditure under Grant No. 9—Defence Services—Effective, which is at Appendix I. It has been stated that while it was possible to assess almost accurately the requirement of Navy and Air Force during the course of the year and provide for these in the final estimates framed in March, 1964 the appreciation of the Army's requirement of funds fell short of the actual expenditure. It has been added that it has been found difficult to assess with accuracy the total "Customs Duty" charges that would ultimately be adjusted in the accounts of the year. This was so because the procedure of the adjustment of Customs Duty in respect of Defence stores was very elaborate. The work involved action by various authorities and unless prompt action was taken at every stage the adjustment of the charges was apt to bunch together towards the end of the financial year. Most of the adjustments were carried out only in the March Final and March Supplementary accounts. It has been further stated that "streamlining of the procedure for speedy adjustment of customs duty is under consideration and the maintenance of Liability Register by the consignees as a step in that direction would also be examined in that connection."

1.4. The Defence Secretary informed the Committee that they were trying their best to make the correct estimates for supplies of stores but had not been able to find the correct solution to this problem. On being asked as to whether the Ministry could not obtain a supplementary grant from Parliament, the witness stated that most of these payments occurred towards the end of the year. In a number of cases the payments were done by book adjustments over which the Ministry had no control. He added that the information regarding these adjustments was not received in time. As regards customs duty charges the Committee were informed that under the present system, the Defence Department were allowed to clear their goods under the 'Note Pass System' and the customs duty was assessed later on. This took time. The payments were not made in cash but by book adjustments through the Accountant General concerned and quite often there was a time-lag in the communication of this information to the Ministry.

1.5. In reply to a further question the Defence Secretary assured the Committee that they would do their best to make more accurate estimates. But he urged that under the existing system payments were made all over the country and the Ministry got the information long after they were made. He added that certain defects were inherent in the system and the best way to ensure that expenditure did not exceed the grant was to lay down that no payments were made



without the control of a Central authority. A Central control authority could be established but it would create other difficulties. So they had to balance the relative advantages and disadvantages.

1.6. The Committee desire that the question of streamlining the procedure to have an effective control over expenditure should be pursued vigorously and suitable steps taken in consultation with the Ministry of Finance to remove the defects in the present system.

Subject to the above observation the Committee recommend that excess under Grant No. 9—Defence Services—Effective may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

1.7. As regards the saving of Rs. 46·83 crores which represented 29·5 per cent of the sanctioned grant No. 115 'Capital Outlay' it had been stated that the saving was mainly due to less expenditure than that originally anticipated on—

(a) Works relating to New Factories	..	Rs. 17·58 crores
(b) Plant & Machinery for factory Projects—		
(i) existing factories	..	Rs. 8·23 crores
(ii) new factories	..	Rs. 110·60 crores
		Rs. 18·83 crores.

According to Audit the budget provision for items at (a) and (b) (ii) was made on an *ad hoc* basis in the absence of detailed estimates and the actual expenditure on these two accounts did not come up even to 10 per cent of the total provision.

1.8. The Secretary, Defence Production, informed the Committee in evidence that in the beginning of 1963 it had been decided to set up new factories in the expectation of assistance from foreign countries which did not ultimately materialise during the year. He added that the amount was surrendered only at the end of the year because it was hoped upto the end that the assistance would be forthcoming. On being asked as to why in view of the uncertainty of foreign exchange and assistance, a token provision was not made in the budget estimates, the Defence Secretary stated that at that time it was expected that it would materialise. He added that the suggestion made by the C.&A.G. last year, that in some cases token provisions might be made was being considered seriously. In reply

to other questions the Secretary Defence Production stated that in the subsequent years viz., 1964-65 and 1965-66 they had been able to utilise the budget provisions to a greater extent and the percentage of savings was smaller.

1.9. The Committee are surprised how in the absence of detailed estimates such large amounts were provided in the budget estimates, which remained largely un-utilised. Further, in the opinion of the Committee, when the trend of the foreign exchange and assistance was known, there was no justification for retaining the funds upto the close of the financial year. The Committee regret to observe that the instructions issued by the Ministry of Finance in October, 1962 (Cf. para 5 of 17th Report of P.A.C.—Third Lok Sabha) for surrendering of savings immediately they were foreseen were not complied with in this case.

*Control over expenditure—Para 2—Page 2*

1.10. The Audit Report cited certain instances where provisions included in the budget for schemes proved excessive or unnecessary. Over Rupees 68 crores, representing 56 per cent on the provision made in the budget remained unutilised. The Committee have already examined in detail a saving of Rs. 46.83 crores in Grant No. 115—Capital outlay vide para 1.9 of this report. They are further examining the following cases:

Nature of items	Budget Provision	Actual expenditure	Unutilised provision	Percentage of (4) to (2)
1	2	3	4	5
(In crores of rupees)				
<i>Army</i>				
1. Expenditure on Lok Sahayak Sena . . . . .	1.50	0.37	1.13	75
	The budget provision included an allocation of Rs. 1.17 crores for the National Volunteer Rifles which was, however, not formed.			
2. Purchase of Trailers 1 ton G.S. . . . .	1.21		1.21	100
3. Body building on TMB 3 ton and Dodge 1 ton chassis . . . . .	4.10	1.99	2.11	51
4. Purchase of Dodge 1 ton chassis and Ambulances . . . . .	13.84	6.11	7.73	56

1.11. In the case of the first item, the Committee enquired whether in the absence of a final decision about the scheme, a 'token' provision could not have been made. The Defence Secretary explained that in this case a decision had been taken to form the National Volunteer Rifles and it was announced in Parliament also. Later on, however, when the details of the scheme were worked out and funds provided, Government changed their decision. A final decision to give up the scheme was taken in August, 1963 and at the time of revising the estimates it was indicated that the amount would not be needed.

1.12. As regards items Nos. 2, 3 and 4 the Defence Secretary explained that orders were placed on the D.G.S.&D. and it was anticipated that the deliveries would be made during the course of the year. These, however, did not materialise because of non-availability of adequate capacity within the country. This was partly due to non-availability of certain components which were to be imported. He added that there was also some delay in releasing foreign exchange for Dodge one ton chassis. The unspent amount was, however, utilised in the subsequent year.

1.13. The Committee observe that there was a substantial saving of Rs. 7.73 crores under the item 'Purchase of Dodge, one ton chassis and Ambulances'. Since adequate capacity within the country to supply this item was not available, the Ministry could not expect supply in time and as such they should not have made a provision of such a substantial amount. Further the difficulties of availability of foreign exchange etc. were also known to the authorities from the very beginning and they should have estimated their requirements more precisely. The Ministry of Defence also could have imposed a lump sum cut to reduce the gap between the budget estimate and actual expenditure in these cases.

*Store accounts— Para 3(i)—Pages 2—4*

1.14. (a) This para brought out that as on 30th September, 1964 in more than 16,000 cases of stores despatched to depots, formations,

etc. upto 31st March, 1964 credits could not be traced in the ledgers of the consignee formations:—

	1962-63 (as on 30-9-63)	1963-64 (as on 30-9-64)
Army . . . . .	2,110	2,689
Navy . . . . .	1,056	701
Air Force . . . . .	4,911	6,278
Factories . . . . .	5,873	6,624

(b) In the number of cases shown below receipt vouchers against which the stores were actually brought on charge remained unlinked with the issue vouchers/packing accounts/invoices till 30th September, 1964:—

Army . . . . .	3,696
Navy . . . . .	872
Air Force . . . . .	23,218
Factories . . . . .	242

1.15. The figures included vouchers, etc. in respect of stores purchased and paid for in the United Kingdom and other countries in Europe up to 31st March, 1964. On the other hand there were 5,748 invoices valued at Rs. 13.49 crores, as indicated below, which were not linked up with the actual receipt of stores up to the end of September, 1964. These included 4,151 invoices amounting to Rs. 5.92 crores which relate to the Air Force.

Year to which the invoices pertain	Number of invoices outstanding	Amount (in crores of rupees)
1958-59 and earlier years . . . . .	519	1.60
1959-60 . . . . .	376	1.61
1960-61 . . . . .	467	1.23
1961-62 . . . . .	778	0.92
1962-63 . . . . .	1,393	2.27
1963-64 . . . . .	2,215	5.86
	<b>5,748</b>	<b>13.49</b>

1.16. Similarly in respect of stores purchased through the India Supply Mission, Washington, invoices valued at Rs. 2.44 crores had not been linked with the actual receipt of stores upto the end of June, 1964, as given below:—

Year to which the invoices pertain	Number of invoices outstanding	Amount (in crores of rupees)
1958-59 and earlier years	134	0.25
1959-60	28 (Rs. 40,000)	
1960-61	171	0.64
1961-62	299	0.40
1962-63	579	0.76
1963-64	857	0.39
	2,068	2.44

1.17. It had also been ascertained by Audit that in respect of stores imported through the India Supply Mission, Washington, debits for purchases made up to 31st March, 1964 valued at Rs. 5.97 crores were accepted provisionally without supporting invoices numbering 587, of which 456, amounting to Rs. 5.74 crores, related to payments made during 1950-51 to 1960-61.

1.18. The Defence Secretary stated in evidence that as on 1st October, 1965 out of 16,292 cases referred to at (a) above 5,964 were outstanding. He added that while the position was satisfactory in the case of the Navy, Army and Ordnance Factories, in the case of Air Force out of 6,278 cases 3,845 were still outstanding. One of the main reasons for this comparatively unsatisfactory position was that the Air Force had to deal with a larger number of items and in checking these vouchers, each voucher had to be identified with the ultimate product. Referring to their recommendation in paras 62 and 63 of the 33rd Report, the Committee enquired whether an officer had been deputed specially for the purpose of clearing these arrears. The witness stated that two officers had been appointed for this work.

1.19. As regards unlinked receipt vouchers the Secretary informed the Committee that the figure had been reduced to 17,000 as on 30th September, 1965. In these cases also while other Services had made substantial progress, in the Air Force the cases had been reduced

from 23,000 to 16,000 only. He, however, expressed the hope that with the appointment of two officers for the work, the position would improve.

1.20. The Committee enquired as to whether any special efforts were being made to clear the unlinked items valued at Rs. 6.65 crores which related to 1961-62 and earlier years. The Defence Secretary stated that there was a special team of officers for the purpose and they were going round to see what best they could do to link these items. After their work is completed a final decision would be taken to dispose of the items which could not be linked. He added that out of 5,748 invoices valued at Rs. 13.49 crores shown as outstanding in the Audit Report, 2,200 vouchers of the value of Rs. 7.7 crores had been linked. As regards the stores purchased from I.S.M., Washington out of invoices of the value of Rs. 2.44 crores an amount of Rs. 1.17 crores was still unaccounted for.

1.21. On being asked whether the Ministry were satisfied with the present procedure wherein the Chief Accounts Officer of the High Commission in U.K. made full payment on the proof of despatch of material after the shipment of the goods to India, i.e., the paying officer was not required to verify before making payment whether the goods had been actually received or not by the ultimate consignee, the Defence Secretary stated that the procedure followed was practically the same as was followed with regard to all commercial houses. With regard to Defence Stores, they were received in packed condition in U.K. and shipment was arranged by the High Commission. The goods were, however, checked on receipt with the invoices etc. He added that in the linking of invoices several authorities were involved.

1.22. On a suggestion whether payment could not be made some time after the receipt of the goods, the witness stated that it may not be quite practicable but he added that the question could better be answered by the Ministry of Supply.

1.23. The Committee feel concerned to note that despite their repeated observations (para 87 of 17th Report & para 62-63 of 33rd Report—Third Lok Sabha) the position of store accounts is still far from satisfactory, and the number of outstanding vouchers had been gradually increasing. Since, in the absence of proper linking of these vouchers it cannot be ensured that the actual quantity of stores that should have been received by the consignee has actually been received by him, undue delay in this matter is fraught with the risk of

leases. The Committee were informed that special officers had been appointed for the purpose of clearing of the outstanding vouchers. They would watch results through the next Audit Report.

1.24. As regards the existing procedure for linking of Stores purchased in U.K. and paid for by the Chief Accounting officer of the Indian High Commission, the Committee understand from Audit that such payments are finally booked by the Chief Accounting Officer as a lump sum. A list of such payments is not received by the Defence Accounts Officers in India and they are not in a position to ensure that all the stores paid for in the U.K. have been received in India and taken on charge in the books of the Defence consignees. In this connection the Committee understand that one copy of the Mechanical form (Duplicate claim copy of invoice and packing accounts) is now being retained in the Chief Accounting Officer's office as a spare. The Ministry of Defence may examine, in consultation with the Department of Supply, whether this copy could not be utilised by the Chief Accounting Officer to support the lump sum figures booked by him in the Accounts and sent to the C.G.D.A. so that the latter might link them up with receipted packing accounts received from the ultimate consignees. The Committee also feel that in view of the time-lag in verifying whether the stores paid for have been actually received or not, the Ministry of Defence in consultation with Department of Supply should carefully examine the feasibility of importing goods on D.A. terms (Document against Acceptance).

*Outstanding audit objections—Para 3(ii)—Page 4:*

1.25. 72,188 objections raised up to 31st March, 1964 were reported to have been outstanding on 30th September, 1964. It had been ascertained that the number of more important objections included in this figure was 806 and their monetary value, where it could be assessed, was Rs. 3.26 crores approximately. Out of these, 616 objections had been raised prior to 30th September, 1963 and their monetary value, where it could be assessed, was Rs. 2.30 crores approximately.

1.26. The Committee were informed of the following progress made in the clearance of outstanding objections:

Objections outstanding on 30-9-64	Position as on 30-9-65
(i) Objections 72,256 Pertaining to Internal Audit	46,455
(ii) Test Audit 932	620

1.27. Asked about the position of older cases, the Defence Secretary stated that the *ad-hoc* Committee had been able to resolve 1,300 objections and there was still a balance of 4,200 cases, which would take about 6—9 months. Out of the 616 objections of a more important nature which were raised prior to October, 1963, 130 had been resolved.

1.28. The Committee regret to note that such a large number of audit objections should have been pending with the administration. They trust that the Ministry of Defence would take further steps to clear the older cases and ensure that the authorities give prompt attention to objections raised by audit in future.

#### Appropriation Accounts (Defence Services), 1963-64

*Review of M.E.S. expenditure—Para 31 (h)—Page 27:*

1.29. The Controllers' reports indicated that the amount of over-payment/short or non-recovery from contractors was Rs. 28.79 lakhs at the end of the year under review as against a sum of Rs. 25.03 lakhs at the end of the previous year (1962-63).

1.30. The Committee desired to know the year-wise break-up of the amount of over-payment short or non-recovery from contractors which was outstanding at the end of 1963-64. They also enquired about the steps proposed to be taken to bring down the outstanding amount. They were informed that out of Rs. 28.79 lakhs Rs. 8.87 lakhs had been cleared. Out of the balance (Rs. 19.92 lakhs) Rs. 14.96 lakhs related to cases pending in law courts or under arbitration, cases worth Rs. 4.96 lakhs were under correspondence. An amount of Rs. 0.94 lakhs was being written off. The witness promised to furnish a statement, giving the year-wise break-up of the total amount outstanding at the end of 1963-64.

1.31. In a note\* subsequently furnished to the Committee (Appendix II) the Ministry had stated that Army Headquarters had not got the information as to the year in which the claims actually arose against individual contracts. The information was being obtained from the concerned authorities. However, a statement showing contract-wise break-up of the outstanding amount of Rs. 19.67 lakhs (out of the total outstanding amount of Rs. 19.71 lakhs) by the years to which the claims related disclosed that amounts were outstanding since as far back as the year 1941-42, and the bulk of the amounts were outstanding for more than 10 years.

---

\*Not Vetted by Audit.



1.32. The Committee regret to note that over-payment/short recovery and non-recovery should be outstanding for such a long period. They desire that all cases excepting those pending with the courts or under arbitration should be settled within a year and a report sent to them.

*Cases of losses etc. finally dealt with during the year—Pages 31—57:*

1.33. The cases of losses etc. finally dealt with during 1963-64 and included at pages 31—56 of the Appropriation Accounts (Defence Services) 1963-64 indicated that even minor cases had been dragging on for a number of years.

1.34. The finalisation of certain cases of losses relating to pre-partisan period, finally dealt with during the year, had also taken more than 16 years.

1.35. Explaining the delay in the finalisation of the cases of losses, the Defence Secretary stated that the cases were gone into to see whether any responsibility could be fixed for the losses. He added that in disciplinary cases there was reluctance on the part of officers to write off the losses. He promised to examine the matter in consultation with the Financial Adviser to see how finalisation of these cases could be expedited.

1.36. The Committee may be informed about the outcome of the proposed review, the streamlining of the procedure and the steps taken or proposed to be taken to expedite the disposal of these cases.

## II

### AIR FORCE

#### *Non-utilisation/over-provisioning of imported stores—Para 9— Pages 8-9:*

2.1. Four items of equipment (totalling 83 numbers) intended for being fitted to a Service Aircraft, for night photography, were procured by Air Headquarters during 1959-61 at a cost of Rs. 6.11 lakhs from abroad. These had not been put to any use till December, 1964 for want of two items of ancillary equipment which were still in the development stage abroad and had not been cleared for bulk production.

2.2. While nine numbers of one of the four items costing Rs. 1.03 lakhs were still lying unutilised, an indent for an additional quantity of 28 numbers of the same item was placed by Air Headquarters in April, 1963 and the stores were supplied at a cost of Rs. 37,333. These were received in the country in June, 1964.

2.3. The entire stock of the equipment valued at Rs. 6.48 lakhs was lying unutilised.

2.4. The Committee desired to know if Air Headquarters had taken technical advice before ordering the equipment and whether any enquiries were made about the availability of the ancillary items. The Defence Secretary stated that at the time of placing orders for the main equipment, Air Headquarters were fully aware of the fact that certain other items would be needed to make it fully operative. The ancillary items were under development and it was then reasonably assumed that development would be successful. But it so happened that the development project had not yet been successful. He added that necessary steps were now being taken to procure the equipment from other countries and also to develop them within the country. One instalment had already been received which was being tried. The witness further stated that the order to obtain the equipment at that time was a deliberate decision and that it was reasonable having regard to all the circumstances of the case.

2.5. On being asked as to whether they could not wait till the whole equipment was developed and proved to be satisfactory for operational use, the Defence Secretary stated that that would have

been a safe measure to adopt and that it was normally done. But the risk in such a case, he added, was that the main equipment might not have been available by the time the ancillary items were ready. He added:

“This is a judgement that one makes with regard to the future” and that “The individual concerned had to make the best judgement in the circumstances then prevailing.”

2.6. It is unfortunate that the judgement exercised by the authorities in this case resulted in the locking-up of funds in costly equipment which could not be used so far. The Committee feel that when such items the development of which is not proved are to be purchased, the decision must be taken at the highest level after considering all the pros & cons and examining the alternative available. The Committee would like to be informed of the progress made in the procurement of ancillary items.

2.7. As regards the additional order for certain items of equipment worth Rs. 37,333 placed in April, 1963, the Secretary admitted that it was a mistake and that the system was also defective. Under the existing system the total equipment was divided in various groups and it was dealt with by several sections. In this case one of the groups after issuing the items to the unit treated them as having been consumed and placed a demand on Air Headquarters. There was also a wrong classification by the person concerned when this order was placed. He added that such mistakes had occurred in other cases also where equipment was being dealt with by several groups. The question as to how such defects could be removed was being examined.

2.8. The Committee regret to observe that an order was placed for the equipment without any demand from the user unit. Apart from the procedural defects, the case also discloses lack of co-ordination and proper supervision by higher authorities in the matter of imports of costly equipment. The Committee suggest that immediate steps should be taken to remove these defects in the procedure which results in placing of an indent for additional quantity of equipment without proper justification. The Committee would also like to know the decision taken to develop the equipment within the country.

**Non-utilisation/delay in utilisation of imported equipment—Para 10—**

Page 9:

2.9. The Audit para cited instances where costly equipment purchased from abroad had not been fully utilised as given below:

*Item (i): Portable airfield lighting equipment:*

2.10. Four sets costing Rs. 3.71 lakhs approximately were purchased during 1957. One set was put to use for 2 months only, in October and November, 1962. Another was used on two occasions in December, 1957, and October, 1959. The remaining two had been put only to a sporadic use. According to Audit, as there was no mechanism to control the intensity of light, the lighting equipment was found unsuitable for landing and had to be withdrawn.

2.11. The Committee enquired as to how the Air Force authorities satisfied themselves about the utility of the equipment before ordering its purchase. The Defence Secretary explained that the authorities had no experience of the various varieties of lighting sets nor were portable sets in use in the country at that time. Certain primary specifications were laid down keeping in view the requirements of the Air Force and tenders were invited. The orders were examined by the Equipment Selection Committee and it was on their recommendation that the sets were obtained through the D.G.S. & D. He added that the main defect in the sets, which could be noticed only after they were put to use, was that they had a dazzle effect which was disturbing to the pilots of the landing air craft. In reply to a question the witness stated that the Air Force by and large tried to find out what was being done in U.K. and other countries and it was on the basis of that knowledge that specifications for the equipment were drawn. The equipment was selected on the basis of the data provided by the supplier but this particular defect was not noticed by either party.

2.12. On being pointed out that the equipment had no mechanism to control the intensity of light, the witness explained that the machine had an intensity control switch by which intensity could be reduced to 50 per cent but the dazzle effect was in the reflector. This defect had since been remedied by putting in certain increased resistance and the sets were now being used. In the course of his reply the witness further disclosed that in the original specification the authorities had asked for control in three positions viz 10 per cent, 50 per cent and 100 per cent. but the quotations received from the firms catered for only 50 per cent and 100 per cent control. After comparing with the International Civil Aviation Organisation standards this position was accepted by the authorities. Asked whether enquiries were made from the suppliers if they could provide 10 per cent control also, the witness answered in the negative.

2.13. The Committee pointed out that according to Audit the machines also suffered from the defect of excessive consumption of power, the Defence Secretary explained that that was due to faulty cables which had since been replaced by armoured cables. He added that the suppliers were not to be blamed for this defect.

2.14. The Committee desired to know the reason for the delay of more than 5 years in putting the equipment to use. The Defence Secretary stated that when the equipment was received certain items were found to be damaged. These were returned to the suppliers and nearly 1½ years was taken to get them repaired and replaced. The whole equipment was completed by November, 1959 but it was not found to be functioning properly. Again the matter was taken up with the firm and the unserviceable items were replaced by 30th April, 1960. As for the subsequent delay from 1960 to 1962, the witness admitted that the works and services were not planned properly. He added that at least a part of the delay could have been remedied if early action had been taken on connected works.

2.15. The Committee regret to note that it took more than five years for Air Force Authorities to utilise properly the portable lighting equipment imported in 1957. If the authorities had no experience of this item, it was necessary on their part to obtain technical advice from foreign experts or other countries where such equipment was being used. They should have at least watched a trial performance of the set before finalising the purchase. The Committee regret to note that when the quotations of suppliers did not provide the required control of intensity of light at 10 per cent the Air Force authorities did not even enquire from them if they could provide the same. In the opinion of the Committee, had the authorities been vigilant enough this defect or lacuna could have been noticed much earlier.

2.16. Further the Committee also regret to note that the equipment was not received in proper condition and that it took more than 3 years to get the damaged parts replaced and have the equipment in a serviceable condition. The Committee would like to be informed whether this matter had been taken up with the suppliers to claim damages in this regard.

2.17. As regards the further delay it was admitted before the Committee that the works and services were not planned properly. The Committee trust that suitable measures will be adopted by the Ministry of Defence to ensure that all connected works are taken up simultaneously and such cases are avoided in future. The Committee

cannot emphasize too strongly the need of greater vigilance in all items of such importance particularly those which are imported from abroad against the expenditure of foreign exchange.

*Item (iii): Day-light developing machine for processing 16 m.m., films:*

2.18. An equipment for processing 16 m.m. films costing Rs. 62,200 was received in December, 1962. According to Audit the equipment was still lying in a semi packed condition. The Ministry had intimated in January, 1965 that the equipment could not be installed and put to use as certain additions and alterations in the existing accommodation were necessary and other facilities such as power and water were not adequate. It had further been stated that the proposal for works services was under consideration.

2.19. The Defence Secretary admitted at the outset that it was a case of bad management and that he had no explanation to offer. It was a case of not linking up of various items of work which had to be taken up simultaneously. He added that remedial measures had since been taken. Asked as to how inadequate supply of power and water could be the reason for the delay in installation of the equipment, the witness stated that there were quite a lot of procedural problems involved. The machines had since been put to use. The Committee enquired the rated capacity of the machine to process films and for how long had it been used, so far. They also wanted to know as to how much water was required for operating the machine.

2.20. In a note the Ministry of Defence have now stated that the machine had a capacity to develop films upto 35 ft. per minute and it was capable of developing 1200 ft. of film at a time. It has also been confirmed that full use can be made of the rated capacity of the machine. As regards the requirements of water and power to operate the machine it has been stated that the system required running water at the rate of 7½ gallons per minute.

2.21. This is another case of failure to synchronise various items of works which were necessary for completing this project. The Committee had occasion to comment over such lack of planning and non-utilisation or delay in utilisation of equipment in their 17th (paras 42 to 46) and 33rd Reports (para 31)—3rd Lok Sabha. In para 42 of their 17th Report the Committee had suggested that the Ministry of Defence should give a serious thought as to how to obviate the recurrence of such cases and examine whether the existing

procedure did not require to be streamlined. In reply to this recommendation the Ministry had urged (page 542 of 40th Report—3rd Lok Sabha) that:—

- “Apart from the instant case, the peculiarity of which has been brought out above, there has been, no other instance of abnormal delay, inviting adverse comments from the Audit or the P.A.C. In the circumstances, the Government does not consider it necessary to examine the question, as a general issue, of streamlining the existing procedure since the Emergency Works procedure is already in existence.”

In view of the cases which have since come to light, the Committee would urge upon the Ministry to review the whole procedure and take suitable steps to obviate the recurrence of such cases.

*Item (iv): Delay in utilisation of test benches:*

2.22. 7 units of test benches costing Rs. 2.29 lakhs were received in June, 1958 against an urgent indent placed by the Air Headquarters on Director General, India Store Department, London in December, 1956. After being shifted from place to place, two units were put to use after one year of receipt, three after two years and two after four to five years. Before they could be used, a sum of Rs. 20,000 had also to be spent in rectifying the damages caused to them, mainly due to rough handling during transit from place to place.

2.23. The Committee desired to know why the test benches were not sent direct to the user unit. The Defence Secretary explained that there were two types of benches—French and British Test Benches. The difference was not a major one and the two got mixed up. He added that when these benches came in they were allocated to certain units but the confusion arose because there was a change in the system of accounting and keeping of stores with the result that these test benches instead of going direct to the units, oscillated between Bombay and Allahabad. This process resulted in delays. All the test benches were in use to day.

2.24. The Committee deplore the manner in which machines which were received against an urgent indent were handled by the Air Force authorities. They are surprised to find that the procurement authorities did not even know as to where the test benches were to be sent. This resulted in avoidable delay due to shifting of these test benches from place to place, and an infructuous expenditure of

**Rs. 20,000 in rectifying the damage caused to them due to rough handling in transit. The Committee trust that the Ministry of Defence will further investigate the reasons for the defective handling of test benches and take further steps to ensure that costly equipment required by the Services is carefully handled and promptly put to use.**

*Provision of accommodation in excess of requirements—Para 20(b)*  
Page 15:

2.25. In October, 1962, Government sanctioned the construction of 10 married and 46 single quarters for Military Engineer Services construction staff at a station, at an estimated cost of Rs. 1.04 lakhs, with the stipulation that only the minimum accommodation actually required should be constructed.

2.26. The entire sanctioned accommodation was constructed but 3 married quarters and 42 single quarters, costing Rs. 96,720 approximately had been lying vacant ever since they were constructed in December, 1963.

2.27. The Defence Secretary explained in the course of evidence that there was a delay in the construction of buildings. The buildings were to be ready by April, 1963 but they were not ready till December, 1963. The project was completed mainly by middle of 1964. In the meantime the staff who were posted to the Station secured alternative accommodation in the town and thereafter they were not willing to shift. Had the accommodation been ready in February or March, 1963 the staff could have gone there straightaway. He added that when tenders were finalised in April, 1963 the Garrison Engineer should have made further assessment about the local problems and requirements of staff. The fact as to why this was not done was being enquired into.

2.28. It was pointed out by the Committee that according to the Garrison Engineer water and electricity connections had not been provided in the buildings and there were no medical, educational or transport facilities. The witness explained that the Garrison Engineer was himself responsible for the provision of water and electricity. As regards other facilities he stated that Government had not undertaken the responsibility to provide educational or transport facilities to their staff. On being asked as to why sanction was accorded to the construction of these houses when Government was aware of these problems from the beginning, the witness stated that



quarters had to be sanctioned near the site of work and they were also required for the staff which was to remain there for the maintenance of the air-field. The latest position was that among the single accommodation three officers' quarters were lying vacant. As far as married accommodation was concerned, only one quarter was vacant.

2.29. The Committee feel that the construction of quarters was sanctioned in this case without proper assessment of requirements. Had the prevalent conditions and the availability of residential accommodation at the station been taken into account, the loss due to quarters remaining vacant could have been reduced if not altogether eliminated.

The Committee were informed in evidence that the failure to make further assessment of local problems and the requirements of staff at the time of finalisation of tenders in April, 1963, was having enquired into. They would like to be informed of the result of such an enquiry.

*Loss due to fire, of Appendix I, Item (i), para 27—page 25.*

2.30. Loss of buildings and stores valued at Rs. 1.14 lakhs occurred due to outbreak of fire at an Air Force station in January, 1961. A court of Enquiry held in February, 1961 could not determine the cause of fire for want of conclusive evidence and no responsibility could, therefore, be fixed. The Station Commander had remarked in September, 1961 that the fire fighting arrangements were inadequate—the only trailer pump was downgraded in August, 1960 and the crash tender was awaiting repairs from July, 1959.

2.31. Referring to the statement of the Station Commander made in September, 1961 that the fire fighting equipment was not adequate, the Committee asked as to when was this position referred to the higher authorities by the Station commander and what action was taken thereon. The Defence Secretary stated that there had been an overall deficiency of fire fighting equipment (crash tenders, trailer pumps etc.) and that even now they were in short supply. He added that sometime in 1957-58 it had been decided that production of these equipments should be developed within the country and that indigenous production had taken sometime and "in the meanwhile they were precluded from placing orders abroad." "Therefore, "there has been an overall deficiency in the fire fighting equipment." It was pointed out that another fire broke out in the same depot in January, 1963. The Committee enquired as to what steps were taken

in the meanwhile to improve the fire fighting machinery. The witness added that indents were placed for the equipment on the D.G.S.&D. and that the decision regarding procurement of these machinery through indigenous sources only was taken in that Ministry. Asked whether the Ministry of Defence had approached the Finance Ministry for sanction of foreign exchange in this regard, the witness explained that a total claim for foreign exchange required by the Ministry for importing of equipments etc. was sent to the Ministry of Finance and they made a bulk allotment. The Ministry of Defence was responsible to fix the relative priorities within the sanctioned amount. Having regard to the other demands, they were not in a position to give the items sufficiently high priority. The representative of Air Headquarters further explained that there were two types of fire tenders—the crash tender for fighting fires in aircraft and technical buildings and the domestic fire tender used for dealing with small types of fire in residential buildings. He added that efforts had been made to obtain crash tenders from abroad and some had already been received. The domestic fire tender which was the item in this case, however, was given a lower priority in their list.

2.32. The Committee desired to be furnished with a detailed note about the action taken from time to time for securing fire fighting equipment both indigenous and imported. They also enquired about the instances of fire which occurred in the Air Force installations during the period 1960-65 and the quantum of loss suffered due to inadequate fire fighting arrangements. The information has been furnished by the Ministry of Defence in a detailed note which indicates *inter alia* the following action taken by the Air Force Authorities for securing the fire fighting equipment during the period 1955-60:—

“During the year 1955, Air Force was found deficient of Qty. 28 Tender Fire Domestic. Accordingly, three indents were raised on D.G.S. & D. The offers received by D.G.S. & D. were considered by the I.A.F. Equipment Selection Committee in November, 1955 and it was decided that the Tenders should be obtained on Mercedes Benz Chassis. D.G.S. & D. reinvited Tenders which were again considered by the Equipment Selection Committee in August, 1956. It was then decided that with a view to achieving standardisation in the I.A.F. Minimax fire equipment built on B.B. Chassis should be obtained provided it passed satisfactory user trials. Trials were completed by April, 1957,

but in the meantime, D.G.S. & D. had cancelled the indents because they did not receive in time a firm reply from the Air Head Quarters regarding the acceptance or otherwise of the offers received by the D.G.S. & D."

The indent was ultimately raised on D.G.S. & D. on 10th June, 1960 and the contracts finalised in 1961. It is also of loss due to fire. From the statements furnished by the Ministry, observed from this note that there was still a deficit of four domestic fire tenders and 13 trailer fire pumps.

2.33. From the above the Committee regret to observe that the Air Force Authorities were themselves to be blamed for the delay in procurement of fire tenders and the unsatisfactory position of fire-fighting equipment. They deprecate the delay on the part of the Air Force Authorities in finalising the orders against the offers received by the D.G.S. & D. in 1955. It is unfortunate that the authorities could not even decide for such an urgent and important need about the type of equipment, its Chassis etc. for five years and in the meanwhile they were running a serious risk. The Committee find that the incidence of loss due to fire in Air Force installations had increased from 15 cases in 1960 (involving a loss of Rs. 8,397) to 28 cases (involving a loss of Rs. 2,24,880) in 1964. The Committee take a very serious view of this deficiency and feel that if the same is not remedied in time, the possibility of future damage of imported equipment and those in short supply would always loom large. They therefore, desire that the Ministry of Defence should give serious and immediate attention to this problem and make an all out effort to strengthen the fire-fighting arrangements in the Air Force as the damage caused by fire involves not only loss of foreign exchange but deprives the Service of their valuable equipment.

*Construction to sub-standard specifications of blast pens in an airfield—Para 29—Page 20.*

2.34. 13 blast pens constructed at an airfield in 1959 at a cost of Rs. 10.55 lakhs for the safe parking and camouflaging of aircraft during operations were taken over by the Air Force authorities in November, 1960, after testing and ensuring their suitability for a particular type of aircraft.

2.35. In 1962, when these pens were put to use their flooring was found to be giving way entailing risk of damage to the aircraft. A Board of Officers examined these works in December, 1962 and declared them unsuitable and sub-standard; in their opinion, inadequate

specifications had been prescribed for the flooring at the time of their original construction. To rectify the defects, modifications to these pens were completed in December, 1963 at a cost of about Rs. 1.75 lakhs.

2.36. In evidence, the Defence Secretary explained that it was known from the beginning that to obtain the best results, the pens should have a concrete base but that would have involved more expenditure. It was, therefore, a deliberate decision that having regard to the use—the pens were to be used in case of emergency—a risk could be taken to have the pens with lower specifications. He explained that a bitumen base was not able to stand the weight of the fully loaded aircraft nor was it able to stand the hot blast of the engine. Further spillage of fuel also had a bad effect on the surface. The witness added that the construction of the pens with a bitumen base was a calculated risk which was found to be not worthwhile. In reply to a question the Secretary informed the Committee that the technical experts had pointed out that they would prefer a better variety and that they had not given any guarantee that the bitumen base would be successful. He added that the main reason for taking the risk was the money and shortage of cement. It was, however, disclosed that the total cost of the project was Rs. 14.9 lakhs and the difference in cost was Rs. 1.75 lakhs only. The representative of air Headquarters explained that at that time the idea was that aircraft would be put in the pens only for a short period. So it was not considered necessary to spend the extra 1 or 2 lakhs of rupees for this purpose. He added:

“As a result of experience we have learnt what additional things we want and how it should be done. On the facts and experience available at that time, in the interest of economy, we took the decision that we should economise. So that was done. It was not a question of availability of funds.”

2.37. In reply to a further question the Committee were informed that the pens were tested in exercises. Certain defects were then noticed which were remedied. Thereafter the pens were tested and found fit. Later, in December, 1962 when further tests were carried out it was noticed that the pens deteriorated due to spillage of fuel.

2.38. The Committee cannot appreciate the reasons on the basis of which the opinion of the technical expert was disregarded. They feel that if the opinion of the technical expert had been kept in

view, the loss of money as well as the inconvenience to the Air Force could have been avoided. Nor are the Committee impressed by the argument of economy advanced by the witness as it is clear in retrospect that ultimately the project has cost more. In view of this the Committee would caution against the practice of taking "calculated risk" against the advice of the technical experts.

### III

#### NAVY

*Avoidable extra expenditure due to the use of a costlier substitute—  
Para 11—Page 10.*

3.1. Oil 'Shell Rotella T. 30', a lubricant prescribed for use by coastal minesweepers only, is also a commercial equivalent for oil 'O.M.D.—109' which is a cheaper service grade oil normally issued to ships fitted with diesel engines.

62.157 gallons of oil 'Shell Rotella T. 30', were issued to Naval ships, other than coastal minesweepers, during the years 1960-61 to 1962-63, in lieu of oil 'O.F.D.—109' for want of sufficient stock of the latter oil. This resulted in an extra expenditure of about Rs. 1.24 lakhs.

3.2. The shortage of the cheaper oil was mainly due to the under-provisioning of this oil by the Naval authorities during successive annual reviews relating to the years 1959-60 to 1961-62. Not only was the quantity of oil 'Shell Rotella' issued in lieu ignored in computing the requirements but also the quantity required for issue to three ships was not taken into account while conducting the reviews.

3.3. Referring to the under-provisioning of the cheaper oil during successive annual reviews, the Committee enquired whether there was any *lacuna* in the prescribed procedure for periodical provisioning. The Additional Secretary, Ministry of Defence stated that it was a case of human failure. He explained that under the prescribed procedure when issues in lieu were made, they were entered as "non-recurring" and an appropriate entry was made in the ledger against the item for which they were issued in lieu and they were shown as recurring in ledger. Since this was not done in this case, the oil which was issued in lieu was not taken into account as consumed for that year. The witness added that it had not been possible to fix responsibility on any person for this lapse. He explained that under the system, the clerks who entered the vouchers in the ledgers were not required to put their initials on the vouchers and it was, therefore, not possible to find out the persons who made the entries in the ledger at that time.

3.4. The Committee desired to know whether in view of this experience that under the system responsibility could not be fixed for

the mistakes, it was proposed to introduce any change in the procedure. The witness stated that it was being suggested that the ledger keeper should initial the vouchers handled by him. He added in reply to another question that although the Naval Headquarters were of the opinion that with the abolition of the duplicate system of ledgers there was no need for taking further precautions the Ministry was not satisfied with that view. He stated that action in this direction would be initiated now.

3.5. Asked as to why it had not been possible to find out the person who was on duty at the time the oil was issued, the Dy. Chief of Naval Staff explained that a large number of items were issued to the ships daily. In the absence of a roster it was not possible to ascertain the particular man who was on duty at one time. He added that at the time of issuing an item in lieu of another it had to be indicated on the voucher that the issue was of a non-recurring nature and that it was in lieu of a certain other item. If this was not done, the entries in the ledger were bound to go wrong. On the other hand, there might be a mistake in the provisioning section in entering these vouchers in the ledgers. The witness added that after a lapse of so many years it was not possible to locate or identify the persons responsible for the mistakes.

3.6. In reply to a further question the witness disclosed that at the time of issuing stores both the issuing authority and the recipient had to sign and that the receipt was made in quadruplicate. He added that while the officer signed the voucher, he did not prepare them.

3.7. On being asked further as to whether it was not possible to know the person from his hand-writing on the voucher, the Additional Secretary stated:

"We could if we really went into it in the sense that there has been some criminal neglect or default and identify the hand-writing of the people. I was, however, wondering whether it is worth that".

3.8. He later on admitted that the mistake was a serious one because it was repeated for three years and the Ministry had not closed the matter. The Secretary, Ministry of Defence further informed the Committee that the Ministry was making further enquiries in the matter in order to determine whether any improvement in the system was necessary or any individual was responsible.

3.9. The Committee regret to note that the shortage of cheaper oil was mainly due to the under-provisioning of this oil by the Naval authorities during the successive annual reviews relating to the years 1959-60 to 1961-62. This resulted in an avoidable extra expenditure to the extent of Rs. 1.24 lakhs. The Additional Secretary, Defence admitted in evidence that it was a case of human failure. The Committee are, however, surprised to know as to how the witness considered the question of fixing the responsibility in this case as 'not worth-while' when, according to his own statement, the mistake was serious enough because it was repeated for 3 years. It was even admitted in evidence that responsibility could be fixed if they really went into it. The Committee regret to note that no attempt was made to fix the responsibility for the mistake. Further, no measures had been taken to guard against the occurrence of such cases in future. The Committee were given to understand that a further enquiry was being conducted in this case by the Ministry of Defence. They would like to be apprised of the results of this enquiry.

3.10. They also suggest that the procedure of provisioning of stores in this case should be examined with a view to remove defects, if any.

*Non-utilisation of stores—Para 12—Page 10.*

3.11. In the following cases, stores etc. purchased/manufactured in 1957 or earlier have not been brought into use (July, 1964).

(a) Spares costing Rs. 82,400 were imported during 1956-57 for repairs to a certain equipment. The non-utilisation was stated to be due to the limited requirements of the spares by the Technical Cell in the Depot where the repairs were to be carried out. Government had, however, sanctioned in April, 1963 an expenditure not exceeding Rs. 21,200 (approximately) for the repair of similar equipment through the trade.

(b) 50 numbers of an item costing Rs. 40,000 (approximately) were manufactured in 1952 at the Naval Dockyard and were lying unutilised till December, 1964. It had been stated that the specific purpose for which the item was manufactured could not be ascertained now, in the absence of the old records.

3.12. Referring to case at (a) above, the Additional Secretary, Ministry of Defence admitted in the course of evidence that import of spares for the equipment in this case, was a clear case of over-provisioning. On what basis the provision had been made sometime before 1954 was not known. He added that it was being ascertained whether these could be utilised by the Army or the Air



Force. It was also being suggested that in future the same type of watches should be purchased so that the spares could be utilised. As regards the expenditure of Rs. 21,200 sanctioned in April 1963 the witness stated that the amount spent on the repair of watches was Rs. 490 only. Most of them required oiling or greasing and even if the spares were given it would not have made any material difference.

3.13. In reply to a question, the witness stated that annual reviews brought out whether any item was being consumed as it was expected or not. Naval H.Qs. were, however, being asked to conduct a special study of the items which were not 'moving fast' and to make recommendations to Government for their alternative uses or disposal. Such reviews will also be conducted in other services. The Secretary added that the problem was far more complicated in the Air Force and they were trying to tackle it.

3.14. As regards the other case [sub-para (b) above], the representative of the Ministry stated that in this case also certain items were manufactured for the Navy, but the replacement had not been as fast as it was expected. Enquiries were now being made from the Shipyard and the Railways etc. whether they could make use of these items, failing which they would be disposed of. This enquiry had been made about a month ago.

3.15. The Committee regret to note that over-provisioning of spares in the first item and excessive manufacture of items in the second case took place. The more disquieting feature in this case is that in the absence of records, the basis on which the provisioning of the spares had been made in the first case and the purposes for which items were manufactured at the Dockyard in the second case cannot be ascertained. They feel that suitable measures should be adopted to remedy this unsatisfactory state of affairs. They would also urge the Ministry to initiate early action regarding special reviews proposed to be conducted in the three services.

*Naval Dockyard Expansion Scheme—Para 22—Pages 16-17.*

3.16. In June, 1949, Government appointed a foreign firm of consulting engineers to prepare a scheme for the development of the Naval Dockyard at Bombay. The consultants, in their report submitted in June, 1950, recommended the expansion of the Dockyard in five stages at a total cost of Rs. 25 crores and envisaged that all the work would be completed by 1960, i.e., 9 years after its commencement in 1951.

3.17. Stage I of the scheme estimated to cost Rs. 5.55 crores was sanctioned by Government in November, 1952. This estimate was revised to Rs. 10.72 crores in February, 1963 mainly due to (i) enlargement of the scope of the work, and (ii) extra cost on one of the contracts concluded in connection with this scheme.

3.18. During the period September, 1954 to May, 1964 nineteen contracts valued at Rs. 7.11 crores were concluded. The work on the first contract, of the value of Rs. 1.82 crores, was commenced in September, 1954, but after about 18 per cent of the work costing Rs. 32.55 lakhs had been completed, the work was abandoned by the contractor on 4th September, 1956, owing to a dispute. The dispute was referred to arbitration in August, 1959 and the proceedings are still in progress. The expenditure incurred so far in connection with the arbitration amounts to Rs. 4 lakhs approximately. The work abandoned by the contractor is being done at his risk and expense.

3.19. On Stage I of the project an expenditure of Rs. 9.01 crores had been incurred till March, 1964. Works to the value of Rs. 80 to 90 lakhs still remained to be done upto January, 1965. The failure of the first contractor and the subsequent efforts to organise the execution of the works included therein and the provision of additional facilities in the Dockyard were stated by the Ministry to have delayed the completion of the Stage I of the project.

3.20. All the remaining works connected with the expansion had been included in Stage II which comprise mainly construction of the South breakwater and the fitting-out wharf, dredging the outer basin and reclamation of 39 acres of land. This had been sanctioned by Government in September, 1964 at an estimated cost of Rs. 14.59 crores approximately.

3.21. The Committee enquired the latest position of the matter under arbitration. They were informed that 108 points of dispute were before the arbitrator. He had so far held 240 sittings and the proceedings were expected to be over in another 180 sittings by about March, 1966.

3.22. The Committee then enquired details of the scheme, as it was originally recommended by the Consulting Engineers in 1950 and the subsequent changes effected therein. The witness stated that the project report given by the Consulting Engineers indicated the general nature of the work to be executed for the various needs of the Navy. The exact scope of each item of work was not laid down. The report envisaged construction in five stages at a total cost of about Rs. 25 crores. It also laid down a time schedule according to

which the work was expected to be completed in 5 or 7 years time. Subsequently, however, the project was split up into two stages (instead of five) and sanction was given for an expenditure of Rs. 5.55 crores for the first stage. The witness added that for several reasons the estimates of the Consulting Engineers had gone up both in respect of time and money. Explaining the reasons for the delay he stated that after the contractor, who was selected for this job, failed, a new organisation had to be set up for execution of the work departmentally and this took about two years. This delay also affected the cost of certain items due to rise in prices. Further, even the scope of work of many items was increased and this also contributed to the increase in the cost of the project.

3.23. Asked whether the report on Dockyard expansion prepared by the Consulting Engineers was defective, the witness stated that in no scheme every item work could be provided for from the very beginning. The scheme involved construction of a number of facilities like dredging, reclamation, construction of wharfs, building, laying of services etc. and details of each item of work was to be taken up by actual experience. Asked further if the Consultants had given any further detailed report after giving the preliminary project report in 1950, the witness stated that no detailed report was given by the Consultants. After giving the project report in 1950 they had been rendering advice in the preparation of broad rough estimates for each type of work at different stages. They had also given the estimates of Rs. 5.55 crores for the first stage of construction. The witness further clarified that the estimate of Rs. 5.55 crores was prepared on the basis of the preliminary report. It was made clear at that time that it was a broad and rough estimate and that it might be required to be modified substantially as a result of detailed estimates to be prepared later on. After this stage of the scheme was sanctioned, additional works to the extent of Rs. 241.56 lakhs were also included and the estimates were ultimately revised to Rs. 10.72 crores. The witness added that there had been certain increase in the cost because of delay, but by and large the major increases were due to certain re-adjustments in the phasing of the programme in different stages. Although the overall estimate of Rs. 25 crores would not be exceeded, there had been various changes in the scheme. The Committee desired to be furnished with a detailed note containing *inter-alia* the following details of the scheme:

- (a) Items of work which were originally sanctioned for Stage I.
- (b) Revision made in the year 1957.

- (c) Items of work as finally sanctioned and how they compared with those suggested by the Consulting Engineers.
- (d) Reasons for changing the scheme of development as suggested by the Consulting Engineers.

3.24. The Committee also desired to be furnished with a detailed note giving the terms of appointment of Consulting Engineers, and actual services received from them, the amount of fees paid so far to them and the balance that remained to be paid or was likely to be payable to them.

3.25. In reply to a question, the Defence Secretary stated that tenders had been invited for the works included in the second stage and the project was expected to be completed in about seven years' time.

3.26. Asked if this change from five stages to two stages made any difference in the time schedule, the witness stated that the original project report envisaged completion of the work in five stages by 1960. The two stages now envisaged were going to take them beyond that because they have not been able to do the work involved in those stages within the time specified.

3.27. A note containing the information on the points referred to above has been furnished by the Ministry of Defence. It has been stated that detailed examination of the Project Report which was received in June, 1950, was carried out by Government in consultation with all concerned, including the State Government and the Port Trust Authorities at Bombay, which raised several objections. It was on the 2nd August, 1952 that the Defence Committee of the Cabinet decided that the expansion of the Naval Dockyard would be generally on the lines of the report submitted by the Consulting Engineers for the project. While approaching Government for administrative approval, it was felt that some of the works included in the second and subsequent stages might be brought forward. This had become necessary because the whole programme of completion of the various stages of work contemplated by the Consultant was likely to be delayed. It has been added:

"All these changes do not, however, mean that the Consultants' recommendations were thrown over board. In fact, the report of the Consultants was discussed threadbare with the various authorities concerned and close discussions were held with the Consultants with a view to modify the various recommendations so as to ensure provision of

certain facilities in time. In fact the estimate of Rs. 555 lakhs for Stage I, which was approved by the D.C.C. in November, 1952 was furnished by the Consultants on the basis of these discussions and the revised requirements projected to them."

3.28. As regards the revision of estimates for Stage I, it has been stated that subsequent to initial sanction for Stage I, at an estimated cost of Rs. 5.55 crores additional works to the extent of Rs. 241.56 lakhs were sanctioned as under:—

- |   |                                    |
|---|------------------------------------|
| (i) Construction of a patent Slipway              | Rs. 23.96 lakhs                    |
| (ii) Extension of Ballard Pier                    | Rs. 112 lakhs.<br>(Prov. estimate) |
| (iii) Additional facilities not envisaged earlier | Rs. 105.60 lakhs                   |

The increase was also attributable to the following factors :

- |  |                                 |
|--|---------------------------------|
| (i) Increase on cost of Plant and machinery  | Rs. 83 lakhs<br>(Approximately) |
| (ii) Increase arising out of obligations not anticipated earlier e.g. re-imburement of Customs duty, extra duty on cement, Income-tax liability etc. | Rs. 65.84 lakhs.                |
| (iii) Extra cost on contract No. 1 due to failure of the Contractor and consequent dislocation   | Rs. 120.00 lakhs                |
| (iv) Increase due to other miscellaneous factors   | Rs. 7.00 lakhs.                 |

3.29. Taking all the factors into account, revised Administrative Approval for Stage I at an estimated cost of Rs. 10.72 crores was issued in February, 1963.

3.30. The Committee are constrained to observe the tardy manner in which the important scheme of expansion of Naval Dockyard was handled by the authorities at different stages. They cannot help getting the impression that the urgency of the matter was not fully appreciated by those who dealt with this scheme. It took more than 2 years for Government to consider the scheme submitted by the Consulting Engineers in June, 1950 and another period of about 2 years was taken to start the work on Stage I. Ultimately, the work which was supposed to be completed by 1961 was still incomplete.

In para 28 of their 8th Report (Second Lok Sabha) the Estimates Committee (1957-58) had expressed their dissatisfaction over the progress of the scheme as follows:—

“The work on the Stage I was started in the middle of 1955 and is expected to be completed in 1961. The Committee consider it very unfortunate that over 2½ years should have been taken in commencing the execution of the project in 1955 when the scheme was finalised towards the end of 1952. . . . . The Committee feel that in an important matter like the Naval Dockyard, a greater sense of urgency in executing the project should have been shown.”

The Committee regret to observe that despite the above observations of the Estimates Committee no serious attempt has been made to accelerate the progress of work on the scheme and in the meanwhile, further delay continued to add to the cost of the project.

3.31. As regards the terms of appointment of the Consulting Engineers, it has been stated in the note furnished by the Ministry that according to the agreement the Consultants are entitled to a fee calculated at a certain percentage of total agreed cost of works which is fixed at a sliding scale for Stage I Works. It varies from 5½ per cent to 4.6 per cent. On machinery they are entitled to a fee of 2 per cent. for all stages of works. For Stage II works, they are entitled to 3.25 per cent of the actual cost of the works. It is understood from Audit that the work relating to supervision of the execution of works which was included as one of the duties of the consulting Engineers for Stage I has not been included in Stage II.

3.32. In this connection also the Committee want to draw attention to the following observations of the Estimates Committee contained in para 32 of their 8th Report (Second Lok Sabha):

“The Committee do not feel happy over the method in which the fees of the Consultants have been fixed. . . . . The present terms are such as to give them an unintended benefit on account of the increase in the cost of work due to extraneous reasons, like contractor's delays and failure and not due to additions to the work. The Committee would, therefore, recommend that Government should review the matter and lay down principles on which remuneration should be paid to consultants in future contracts. They would suggest that Government should negotiate with the consultants in the present case to eliminate increments of costs on account of extraneous reasons, from the cost of the project, for determining remuneration.”

In their reply to this recommendation (at page 25 of 100th Report of Estimates Committee—Second Lok Sabha) the Ministry of Defence had stated that the consultants had given certain proposals/suggestions which were under consideration of Government.

3.33. The Committee now learn from a note furnished by the Ministry of Defence that as a result of further negotiations with the Consulting Engineers in November, 1959, it was finally agreed that the fees for Stage I Works would be regulated as under:

- (i) The fees under Cl.4(i) of agreement would be at 4.6 per cent on cost of Stage I upto Rs. 5.5 crores.
- (ii) Fees would be reduced to 4 per cent on cost of stage I in excess of Rs. 5.5 crores.
- (iii) The fee would be based on accepted contract price less provisional and contingent sums plus cost of any additional works carried out as extension to the contract. In the case of works executed departmentally the fee would be based on estimates to be agreed between Government and Consultants.
- (iv) On Contract 1 the fee would be based on the original Contract figure.
- (v) On contract 12 for Patent Slip-way, the fee would be based on revised agreed estimate.
- (vi) The fee on Contracts 5 and 8 should be at 4.6 per cent as envisaged in Cl.4(ii) of the Agreement where design is also involved.
- (vii) The fee for other plant and machinery contracts remain the same as in Cl.4(ii) of Agreement viz. 2 per cent.

3.34. The Committee are not sure whether the revised terms will safeguard the Government against the unintended benefit occurring to the Consultants as a result of increase in the cost of works due to rise in prices and other extraneous reasons (e.g. delay in completion of work etc.). They, therefore, suggest that in future while negotiating such contracts where the details of the project and its period of completion are not certain, the Government should consider provision of an over-all ceiling for the remuneration of the Consultants.

*Delay in commissioning of a test house—Para 30—Page 20.*

3.35. The construction of a Test House building, intended to be an auxiliary to a Workshop building required for providing repair/overhaul facilities to a specialised type of engine fitted to certain naval

vessels was completed in March, 1960. The test house equipment, valued at Rs. 1.64 lakhs received during March, 1960 to September, 1963 had, however, not yet been installed.

3.36. Explaining the reasons for the delay, the Additional Secretary, Ministry of Defence stated that originally the Naval authorities hoped to instal the equipment themselves and they trained an officer in H.A.L. for this purpose. A lay-out was prepared and sent to the suppliers who suggested certain changes. Ultimately, however, it was found that it would not be possible to instal the equipment without the supervision or guidance from the suppliers. A contract was, therefore, given in December, 1965 to the suppliers to furnish designs and lay out and to supervise the work for which a fee of about Rs. 70,000 would be paid to them. Asked why the suppliers were not asked to supply the technical data i.e. installation drawings etc. at the time of placing orders for the equipment, the witness stated that the equipment was received from different sources. The main suppliers had been contacted earlier but they refused to supply the know-how. It was also hoped at that time that by looking at the test houses at the H.A.L. and in U.K. it would be possible to instal the equipment without any assistance from outside. The witness, however, stated that no officer had been sent to U.K. for this purpose. Asked whether the authorities had consulted the H.A.L. at the time of ordering the equipment, the Dy. Chief of Naval Staff stated that at that time they 'did not know that HAL had a test house of this nature.' The Committee pointed out that both the institutions were under the Defence Ministry and it would have been possible for the Ministry to suggest to the Navy to find out the manner in which HAL obtained the equipment. The Additional Secretary, Defence stated "I agree it could have been done, but I am afraid this does not seem to have been done."

3.37. The Committee regret to observe that lack of forethought and proper planning on the part of Naval authorities delayed the commissioning of the test house. The equipment received from 1960 to 1963 had been lying idle and there had been extra expenditure which could have been avoided had the authorities contacted the suppliers for providing technical data from the very beginning. The Committee are surprised how the Naval authorities thought of installing the equipment by themselves when at the time of ordering for this equipment they did not even consult who could render them some assistance. They trust that the Ministry of Defence would establish better co-ordination between the Services and ensure that such cases do not recur. They also hope that equipment in question would be utilised early now.



*Avoidable expenditure—Para 31—Pages 20-21.*

3.38. In connection with the work of defensively equipping merchant ships the conversion of an army type of equipment sanctioned by Government in April, 1954 was entrusted by the Naval authorities to the Naval Dockyard in September, 1956.

3.39. In February, 1957 the internal check authorities pointed out to the Naval authorities the necessity for a fresh Government sanction for incurring expenditure during 1956-57, but this was not obtained, nor was the work stopped. In October, 1957, Government informed the Naval authorities that the scheme of defensively equipping the merchant ships had not till then been finally approved. It was, however, only in January, 1959 that instructions were issued by the Naval Headquarters for the abandonment of the work; by this time an expenditure of Rs. 1.33 lakhs had already been incurred.

3.40. Till March, 1960 an expenditure of Rs. 1.38 lakhs had been incurred for the manufacture of components for 266 numbers of the equipment and these could not be utilised or put to any alternative use.

3.41. The Committee desired to know the reasons for the delay on the part of Naval Headquarters in stopping the work of conversion of the army type equipment at the Naval Dockyard after they were informed in 1957 that the scheme of defensively equipping merchant ships had not been finally approved by Government. The representative of the Ministry of Defence stated that initially the work of conversion of the equipment to suit the needs of the Navy was sanctioned in 1954 but it was commenced in the subsequent year. Meanwhile, a separate bigger scheme which also covered the earlier one was submitted to Government. In October, 1957 Naval Headquarters were informed by the Ministry of Defence that the scheme had been forwarded to the Cabinet Secretariat but it had not yet been approved. According to the witness, this did not mean that the scheme had been rejected. He added that Naval Headquarters were under the impression that there was a reasonable prospect of the scheme being approved. It was pointed out that the Controller of Defence Accounts had raised an objection that the sanction pertained to expenditure to be incurred during 1954-55 only and a suitable amendment was necessary for expenditure in the year 1956-57. The Defence Secretary admitted that the C.D.A.'s objections were valid and that in a strict sense, N.H.Q. had no authority to go ahead with the expenditure when it formed part of a bigger scheme, which had not been approved. But the work was partly of a developmental

nature, which took a considerable time and Naval Headquarters had a reasonable belief that the scheme would be approved. So they continued this work, though strictly speaking there was no sanction.

3.42. The Committee enquired as to how sanction for the work was at first accorded in 1954 and on what basis Government changed their mind later on. The Secretary explained that the change in the decision was on technical considerations keeping in view advanced technology in sub-marine warfare. He added that the position was, however, still fluid and another scheme for utilisation of merchant ships in an emergency was under consideration of Government. If it were approved, the equipment which had been converted at the Dockyard might be utilised.

3.43. The Committee further enquired whether the decision of Government was not based on the advice of Naval Headquarters and if so, why did the latter take more than 15 months to communicate the decision to the Dockyard. The Dy. Chief of Naval staff stated that Naval HQs. were apprised of the Government's decision only in December, 1958 and they instructed the Dockyard in January, 1959 to suspend the work.

3.44. The Ministry of Defence have stated in a note furnished at the instance of the Committee that no decision against the arming of Merchant ships on the basis of the original scheme was ever taken by Government. It has been further stated that since the overall scheme for defensively equipping merchant ships was in the final stage and it was likely that an overall sanction would be accorded for all expenditure connected with it, it was not considered necessary by Naval Headquarters to obtain a separate sanction to extend the provisions of the Government letter dated the 15th April, 1954. It has been added that N.H.Q. kept a watch on the progress of the case. Ultimately, when it became clear that there was no certainty of the scheme being approved at an early date, on 1st July, 1958, Naval Headquarters requested the Ministry for *ex-post-facto* sanction being accorded to cover the period under audit objection and also to phase the sanction over a period till 1961 to facilitate further conversion of the equipment. The Ministry of Defence considered that as the Cabinet had been approached to accord approval for undertaking the entire scheme of merchant ships, the sanction already accorded in the letter of April, 1954 may be held to be in-operative till the approval of the Cabinet was received. N.H.Q. were thus advised on 19th December, 1958 that unless the approval of the Cabinet was received, conversion of the Army type mountings to the Navy type should cease forthwith.

3.45. The Committee regret to observe that the C.D.A.'s objection was not given prompt and due notice by the Naval Headquarters and they continued to incur expenditure without proper sanction. It is unfortunate that the authorities kept on watching the progress of the proposed scheme for more than one year and approached the Ministry of Defence only in July, 1956 for *ex-post-facto* sanction. Had the matter been taken up earlier the avoidable expenditure could have been reduced. The Committee trust that the Ministry of Defence will issue suitable instructions to Service Headquarters to give proper and prompt attention to audit objections in order to avoid cases of this nature.

IV

DEFENCE FACTORIES

Director General, Ordnance Factories

High cost of manufacture—Para 5—Pages 5-7

Sub-para (A)

4.1. In the following cases the cost of production of the same item manufactured in two different factories showed a large variation:—

	Cost of Production			Remarks
	1960-61	1961-62	1962-63	
	Rs.	Rs.	Rs.	
(i) Cartridge cases	Factory 'A' ..	17.44	22.54	The extra cost of production in Factory 'A' during 1961-62 and 1962-63 amounted to Rs. 40.85 lakhs approximately.
	Factory 'B' ..	10.64	11.56	
		The Ministry had informed Audit that the demand was in excess of the capacity of the more modern plant at factory 'B' it was necessary to utilise the less economic capacity in factory 'A'.		
(ii) Bodies of a certain type of ammunition	Factory 'C' 23.28	22.74	25.47	The extra cost of manufacture of the bodies in factory 'D' was Rs. 50 lakhs approximately.
	Factory 'D' 42.56	53.87	47.03	
		The Ministry informed Audit in January, 1965 that against the normal method of production from steel forgings adopted by factory 'D' a different method by		

Cost of Production			Remarks
1960-61	1961-62	1962-63	
			casting was adopted as an experimental measure in factory 'C' during 1953-54. However, it was not possible to establish bulk production by the latter method as the casting capacity was otherwise fully utilised. They had also stated that the production of this item had since been discontinued in the ordnance factories.
(iii) (a) Component 'A' for a certain type of ammunition	Factory 'E' .. ..	111.80	The Ministry informed in January, 1965 that it was not always possible to ensure similarity of manufacturing facilities in the factories and hence some difference in the cost of manufacture of the same article between two factories was inevitable.
	Factory 'F' .. ..	135.35	
(b) Component 'B' for the same ammunition	Factory 'E' .. ..	144.16	
	Factory 'F' .. ..	207.30	

4.2. In the case of the first item viz., cartridge cases, the Ministry of Defence had informed Audit in January, 1965 that a decision had been taken to retain production of the item in Factory 'B' and divert the capacity at Factory 'A'. The Committee enquired as to why this decision was not taken earlier. The Secretary Ministry of Defence (Production) stated that Factory 'A' was over a hundred years old and most of the plant dated back to the year 1905. Factory 'B' was, however, set up in 1942 and some of the plant and machinery was acquired as late as seven or eight years ago. Factory 'B' was, therefore, more modern. He added that although this fact was known from the beginning, orders had to be placed on Factory 'A' because Factory 'B' was busy with the production of a number of other items and the capacity of Factory 'A' was immediately available. He

added that the DGOF was compelled to use the existing capacities to the maximum and that was why he had to go to an uneconomical factory for the purpose.

4.3. The witness further stated that production of this item in Factory 'B' was gradually increased from 1961-62 to 1963-64. In the case of Factory 'A' no further orders of this item were placed after March, 1964.

4.4. Explaining the difference in cost of production (Rs. 6.80 in 1961-62 and Rs. 10.98 in 1962-63), the Secretary stated that the increase was due to the cost of raw material. In the first year Factory 'A' had used certain blanks from the stock whereas the other factory had to obtain the same at a higher cost. Further, the two factories had reassessed the value of their raw materials differently. Factory 'B' took the world market price (London Metal Exchange price) for copper while Factory 'A' based their assessment on the Eastern Market Review price, which was higher. This resulted in an artificial difference in the cost of raw material.

4.5. On being asked as to why the cost of production in factory 'B' itself had gone up from Rs. 10.64 in 1961-62 to Rs. 11.56 in 1962-63, the witness explained that the increase was due to the cost of raw material. In fact the cost of fabrication (Labour and overhead) had been reduced in Factory 'B' from Rs. 7.19 in 1961-62 to Rs. 5.18 in 1962-63.

4.6. While the Committee are inclined to accept the reason for placing of order on the old Factory 'A' in the first instance due to the pre-occupation of the more modern factory 'B' with other items of production, they see no justification for continuing the production of this item in the uneconomical factory for 3 years. If, as stated in evidence, the fact that the cost of production in Factory 'A' will be more, was known from the very beginning, the D.G.O.F. should have taken the earliest opportunity to augment the capacity of Factory 'B' and discontinue production of this item in factory 'A'. Had this been done a major portion of extra expenditure could have been avoided.

4.7. In the case of the second item, viz. bodies of a certain type of ammunitions, the Secretary, informed the Committee in evidence that casting method which had been tried out in Factory 'C' was adopted as an experimental measure. It was cheaper but it did not prove to be satisfactory for mass production because of heavy rejections. During the three years 1960-61 to 1962-63, out of 21,592 numbers only 10538 were finally accepted by inspection. The rejections

were thus of the order of 50 per cent of production. If the value of the rejections were to be added to the cost of production the casting method adopted in Factory 'C' would not be cheaper. The difference in cost was, therefore, not real. The witness clarified that under the existing system, the cost of abnormal rejection was separately considered and the loss written off. This was not added to the cost of accepted items. He added that this procedure was being adopted to assess whether the ordnance factory was efficiently managed or not. The army was not required to pay higher cost due to inefficient working of an ordnance factory. On being asked as to why the casting method was continued year after year if it was not economical, the witness stated that it was continued in the hope that, if successful, they would be able to save a lot on this account, but before they could arrive at a definite decision, production of this type of ammunition was stopped.

4.8. The Committee are surprised that even after trying the casting method for more than 8 years the Ordnance Factory was neither able to reduce the rate of rejections nor was it able to determine the relative economies of this method of production. The Committee feel that the Factory should have taken into consideration the cost of rejections also to determine the relative economies of this new process.

4.9. In the third case the Committee enquired as to why the question of augmenting the existing capacity of Factory 'E' was not considered so that the precision work for which the other factory was intended did not suffer. The Secretary explained that the requirements of the particular ammunition were considerable and the total capacity of factory 'E' was being used for the purpose. Orders for certain components were also placed at other places including another ordnance factory, Railways and the private Sector. He added:

"We had to use our existing capacity to the maximum extent. Our Ordnance factories are working to the maximum extent possible. It is a question of priorities. It is not a question of what is economical and what is not economical. We have to use every bit of capacity. With the existing capacity it is impossible to cope with orders by any other way."

4.10. In reply to another question, the witness informed the Committee that the price of these components in the civil sector was much cheaper than the cost of production in Ordnance Factories but the supplies were not forthcoming from the trade. In one case the

matter had been taken up with the firm at the highest level but despite their (firm's) willingness to help and the urgency of the demand they could not supply the requisite numbers. The Committee enquired as to what action had been taken against the firms which failed to supply the components in time. The Secretary stated that orders were placed through the D.G.S.&D. and the Ministry of Defence could only exert their pressure which they did to the extent possible. The Committee then requested the representative of the D.G.S.&D. to furnish a written note stating what action, if any, had been taken against the suppliers. **The information is still awaited.**

4.11. On being asked whether the capacity of the firm to produce was not assessed before placing the order on them, the Secretary stated that the orders for these items were given for the first time and the inspection could be with regard to the capacity of the firm to produce the material. He added that there were particular difficulties when production started.

4.12. While the Committee appreciate the fact that the existing capacity of the Ordnance Factories has to be utilised to the maximum extent and that in an emergency the D.G.O.F. may have to place orders on uneconomical factories also, they nevertheless feel that in the cases referred to above, the difference in the cost of production was a marked one, the reasons for which deserve careful examination. The Committee suggest that the D.G.O.F. should make a constant review of the methods and cost of manufacture of an item in different factories. This would help in planning, production in the factories and also enable him to keep a watch on their efficient management.

*Sub-para (B):*

4.13. In the instances cited below the cost of manufacture of the item in the ordnance factories was much higher than the rate at



which it was obtained from the trade:

	Average cost of production in Factory 'G' during 1962-64	Trade Prices
	Rs.	Rs.
(i) Wooden box for packing ammunition.	50	24 to 29.75

The average cost of the material used per unit in the factory was Rs. 32.50, which was much in excess of the cost of the finished article procedure from the trade. The extra cost of manufacture of 1,23,862 boxes in the ordnance factory on the basis of maximum trade price of Rs. 29.75 was Rs. 25 lakhs approximately.

The Ministry had stated in January, 1965 that the high cost of production in the factory was due to non-availability of cheaper variety of timber in sufficient quantity.

(ii) Different types of wooden boxes for packing ammunition	Cost of manufacture in Factory 'H'	Average cost of material included in the cost of production	Trade price
Type 1	43	24	20
Type 2	35	28	12
Type 3	18	13	4
Type 4	73	52	50
Type 5	11	7	4

The extra cost involved in the manufacture of 12,006 boxes of different types was Rs. 2.45 lakhs approximately.

The Ministry stated in January, 1965 that the only reduction that could be effected in the cost of manufacture was by the use of the least expensive variety of timber and that steps were being taken in this direction.

4.14. The Committee enquired as to how Ordnance factories were unable to procure cheaper variety of timber when the private firms could do so and whether the arrangements for provisioning of timber were inadequate. The Secretary, Ministry of Defence (Production) explained in evidence that there was a spurt of orders for the particular type of ammunition and the boxes were urgently required. Orders were placed on the civil sector through the D.G.S.&D. for 75,000 boxes in August, 1961 and 2 lakhs in December, 1962, while 25,000 numbers were purchased locally by the Factory. But the deliveries from the trade were very short and since the boxes were required urgently the Ordnance Factory was asked to manufacture the boxes as fast as it could. As the Factory could not get cheaper wood in sufficient quantity from the market at short notice it used the costlier variety from its own stock. While according to specifications, the boxes were required to be made of Kanju, Mango or Jamun wood, the Ordnance Factory had used teak wood. The witness added that the boxes supplied by the trade were of much inferior raw material and in a number of cases, they were even below specification. He added that as the boxes were required urgently certain deviations from the specifications were allowed and concession given to the civil trade in the matter of raw material, workmanship etc. which further lowered the prices of these boxes.

4.15. In reply to a question the witness informed the Committee that the boxes were required for carriage of ammunition and would be used and re-used a number of times. Thus the boxes produced at a higher cost at the ordnance factory would last longer than those supplied by the trade. The witness, however, accepted that these boxes manufactured by the ordnance factory, need not have been of such a high quality. Asked if the help of State Governments was taken to get the right type of timber, the witness stated that the timber was obtained from State Forest Departments.

4.16. On being asked whether the factories were able to procure wood in the subsequent years viz., 1963 and 1964, the Secretary gave details of the orders placed on the Forest Deptt. and the rate at which the supplies were received. He urged that there was a time-lag in each case. He, however, added that the manufacture of boxes was stopped in the Ordnance Factories as supplies from the trade improved. In reply to another question, the witness stated that efforts were also made to get wood from sources other than the Forest Deptt. but without much success. He added that even the private firms were not able to procure wood to the extent required otherwise they could have supplied the boxes in time.

4.17. The Committee are not satisfied with this explanation. They learn from Audit that in the case of item (i) the number of boxes purchased from the trade was nearly 3 times that produced in the Factory. Even the average cost of material used per unit (Rs. 32.50) in the factory was much in excess of the finished article procured from trade (Rs. 24 to Rs. 29.75). The Committee are surprised as to how the Government factories were not able to procure the cheaper varieties of timber in sufficient quantity when the private firms could do so. This clearly indicates that either no serious attempt was made by the Factory or the existing arrangements for provisioning of timber are not satisfactory. The Committee desire that the matter should be further enquired into to find out what steps were taken by the management to procure timber of the right and cheaper variety after the order for the manufacture of boxes was placed on it. The Ministry should also examine the desirability of improving the existing procedure since as stated in evidence there had always been a time-lag in the supply of timber against the demands placed on the State Forest Deptt.

4.18. Referring to the failure of the private firms to supply wooden boxes within the specified time, the Committee enquired as to what action had been taken against them. The representative of the Ministry of Supply stated that production of these boxes was not already established. After assessment of the capacity of the firms orders were placed on them, but there were certain difficulties with regard to the procurement of the right type of raw material. Ultimately the Defence Inspectorate agreed to relax the specifications. As regards action taken to claim liquidate damages, the witness could not give the information readily. The Committee, therefore, asked the representative of the Ministry of Supply to examine these cases and to furnish a note indicating (i) whether a penalty clause was included in the contracts given to private firms; (ii) what action had been taken against the suppliers for not supplying the goods in time and (iii) in the case of wooden boxes, what were the rates at which orders were placed on the trade, the reductions effected, if any, on account of lowering of specifications and the final prices paid to them. The Committee regret to observe that this information is still awaited.

*Procurement of an unwanted store—Para 13—Page 10:*

4.19. Against an 'operational indent' placed by the Director General, Ordnance Factories, for 210 tonnes of magnesium ingots, a contract was concluded by the Director General, Supplies and Disposals, with a private firm in April, 1963, for supply from abroad at a cost of Rs. 5.86 lakhs.

4.20. Before assessing the above requirements, the Director General, Ordnance Factories, had not consulted the user factories. A review made by the factories during February to April, 1963 of the requirements on the basis of the production programmes upto 31st March, 1965, indicated the total requirements as only 40.73 tonnes, against a stock of 43.62 tonnes. An attempt made in July, 1963 to seek a reduction in the order by 50 per cent was not successful as the stores had already been shipped by then.

4.21. The placement of the order without ascertaining the requirements of the user factories thus led to unnecessary purchase of stores valued at Rs. 5.86 lakhs.

4.22. The Secretary, Ministry of Defence (Production) admitted that the estimate of 210 tonnes of magnesium ingots was absolutely erroneous. It was a mistake in calculation by D.G.O.F. and the figure was given in the course of a meeting when the requirements of ordnance factories were being assessed. Since then 200 tonnes of the material from the stock had been given to the Mint which was in urgent need of it at a much higher price and there were only 45 tonnes of the material in stock. **The Committee hope that such mistakes would be avoided in future.**

*Rejection of filled shells, Appendix I—Item (ii)—Para 27—Page 25:*

4.23. 23,578 numbers of filled shells manufactured in the ordnance factories during November, 1958 to October, 1959 at a cost of Rs. 6.77 lakhs were rejected by the user on account of repeated failure in proof test.

4.24. The rejections were made known to the ordnance factory which supplied the ammunition only in February, 1961. But neither the factory which manufactured the empty shells nor the one which filled the shells had accepted responsibility for the failure and rejection of the ammunition. The empty shells had, however, since been accepted by the Navy against regular demands.

4.25. In this case Audit was informed in January, 1965 that the cause of failure was investigated jointly by the Naval Armament Inspecting Officer, Supdt. Proof and Experiment Centre, Inspector of Armaments, at the factory and the Director of Naval Armament Inspection. Reproof and special proofs were also carried out. Despite these investigations it was not possible to locate the cause of failure.

4.26. The Committee enquired if it was a new item of manufacture and asked why tests were not carried out before undertaking the bulk filling of the shells. The Secretary, Defence (Production) stated that it was not a new item of manufacture. The shells were examined before they were filled and were found suitable. After filling they failed in proof trials. As the defects could not be located there was reproof and further investigations and this also did not disclose any definite cause of failure. Finally it was decided to reject all the lot. He added that subsequently the shells had been reconverted into empties and had been used by inert filling for practice by the Navy. The loss had, therefore, been reduced to Rs. 46,055.

4.27. Explaining further the procedure of inspection followed in the ordnance factories, the witness stated that besides the methods followed by the Ordnance factory to check the products at different stages, inspection was carried out by an independent agency. This agency was not under the control of the factory. In this case the inspection was carried out by a Naval Officer. The empty shells had been passed by the inspector but subsequently when they were filled there were some pre-matures. He added that a few rounds were picked up at random from each of the lots for testing and where defects were noticed the whole batch was rejected. In this case 23,578 numbers were produced in twelve batches. The Committee enquired as to how despite scientific aids at their disposal the experts were unable to detect the cause for the failure of the ammunition. The Secretary stated that all the reproof and investigations could not reveal any definite evidence why they failed. He said that it was possibly due to certain hair line cracks having developed in the shells. But in reply to a further question he added that it was merely a guess and that no expert had pointed out this reason. The witness further stated that similar defects had not been noticed in subsequent batches.

4.28. What surprised the Committee most in this case was the inability of the technical experts to locate the cause of the failure of the ammunition in proof tests. Even till this day the definite cause remains undetermined. There was evidently a defect in the filled shells as a result of which it could not be used. Still under the existing system of check, with all the scientific aids, it had not been possible to find out the defect. The Committee are, therefore, left with the impression that the existing system of checks and inspection in the Ordnance Factories leaves much to be desired. The Committee take a serious view of this lacuna and desire that this matter should

be further examined at the highest level with a view to tightening up the inspection procedure in the Ordnance Factories and improving its efficiency.

**4.29.** The Committee regret to note that the rejections of the shells which were manufactured during November, 1958 to October, 1959 were made known to the Ordnance Factory only in February 1961. This delay may be investigated and responsibility fixed.

*Machines lying idle—Appendix I—Item (iii) Para 27—Page 25.*

4.30. 5 machines valued at Rs. 1.34 lakhs suitable for a variety of tool room jobs were obtained from the Army—one in 1953 and the rest in 1956. The machines were new and unused.

4.31. The machines had been lying idle in a factory godown ever since their receipt. The Ministry had informed Audit in January, 1965 that the machines had been reallocated and would be transferred shortly to various ordnance factories for working on projects undertaken by them.

4.32. The Committee enquired as to how the demand for these five machines was made at first instance. The Secretary, Defence Production stated in evidence that certain machines had been declared surplus by the Director of Ordnance Services and were lying with him since war-time. These were taken on the recommendation of an expert from the ordnance factories and were sent to the nearest factory. Subsequently, however, the machines remained in this factory and were lost sight of. He admitted that there was an oversight and after the matter was pointed out by Audit the machines had been distributed to the factories where these had since been installed there and were in use.

**4.33.** The Committee feel concerned to note that the machines which were obtained on the recommendation of an expert from the Ordnance Factory remained idle in the factory godown for 8 to 12 years and it was left only to Audit to point this out. The Committee feel that the existence of the machinery should have come to the notice of the factory authorities during periodical physical verifications of items of tools and plant. No such physical verification appears to have been done during all these years. The Committee suggest that the circumstances in which machinery valuing Rs. 1.34 lakhs remained unutilised for such a long time should be investigated with a view to avoid a recurrence of such cases. Defects in procedure, if any, found as a result of such investigations, should be removed.

*Delay in compilation of a Book of Regulations for the Ordnance Factories—Para 32—Page 21.*

4.34. In November, 1952, Government sanctioned the creation of one gazetted post, four non-gazetted posts and one class IV post for a period of six months in connection with the preparation of a compendium of rules and regulations for Ordnance and Clothing Factories. The staff did not complete the work even by the end of March, 1961. The staff was reduced to two non-gazetted personnel with effect from 1st April, 1961. The compendium had still not been completed. The expenditure incurred upto August, 1964 on the pay and allowances of the staff during the last twelve years amounted to Rs. 2.34\* lakhs approximately.

3.80. The Ministry intimated Audit in January, 1965 that out of 99 subjects to be compiled for the Book of Regulations, 69 subjects had been completed. drafts for 23 subjects were under examination and the work connected with the remaining subjects had been kept pending till the drafts on the other subjects were finalised.

4.35. The Committee enquired if Government was not aware of the scope and extent of work involved when it initially sanctioned the *ad-hoc* staff. The Secretary, Defence Production stated that it was for the first time that an attempt had been made to produce a compendium of rules and regulations for the ordnance factories. In the beginning it was intended to bring out one book but after the problem was studied, it was decided in 1954 to bring out two volumes. One book, comprising of 5,000 paragraphs running into 1,400 pages had been published in 1965 and the other one was being compiled. He, however, admitted that although the work was time consuming there was no need to keep a separate officer (DADGOF) to supervise the work for 7 years. In the opinion of the witness after about two years, the work could have been done by one of the existing DADGOF. On being asked as to on what basis staff was initially sanctioned for six months, the Secretary admitted that the estimate of work was grossly erroneous. He added that there were similar instances in the Ministry, where the work relating to finalisation of books took much longer time than initially estimated. On being further asked as to whether in the course of 12 years any assessment was made about the time required for the work and what checks were exercised to see that the work did not get delayed, the Secretary promised to furnish a note to the Committee, which is awaited.\*\*

---

\*Revised figure Rs. 2.65 lakhs.

\*\*The note received on 6-4-1966 after the adoption of the Report and is endorsed at Appendix 111.

4.36. The Committee enquired of the Ministry of Finance (Defence) as to how they satisfied themselves about the justification for the continuance of the staff for such a long time. The Financial Adviser explained that in the making of a compendium of regulations it was difficult to say in the initial stages as to how long it would take and what staff would be needed. He added that as and when sanction for the continuance of staff was required, the Ministry of Defence was asked to indicate the progress of the work and their estimate of time required, on the basis of which they accorded their concurrence. The witness further added that the work was not merely writing of paragraphs. After the paras for the book were drafted these are sent to various authorities for scrutiny and approval. Their comments were further examined by the staff who prepared the initial drafts. All this correspondence took time.

4.37. The Committee regret to note the halting manner in which the whole case of compilation of the Book of Regulations for the Ordnance Factories was handled by the authorities. Not only was the initial estimate of the work defective but also no check seems to have been exercised to watch the progress by anyone (the D.G.O.F., Ministry of Defence and Finance) for 12 years. The Committee regard this period as too excessive and they feel that during this long period the objective with which this work was initiated has suffered. During evidence, it was admitted that there was no need to keep a separate officer to supervise the work for 7 years. The lack of interest shown by the authorities in this case resulted not only in avoidable extra expenditure but also in the delay in the publication of the book which was considered to be useful for the Ordnance Factories. The Committee hope that the second volume of the compendium would be finalised without further loss of time.

*Accumulation of materials due to suspension of manufacture of an item—Para 33—Page 21.*

4.38. Against an indent placed by the Master General of Ordnance in February, 1960 an educational order for 2,000 number of a new item of manufacture was placed by the Director General, Ordnance Factories on an ordnance factory. This was followed by a bulk order in December, 1960 for 35,000 numbers. These orders were to be completed by 31st March, 1961 and 31st March, 1962, respectively.



4.39. The manufacture of even a single unit of the item was not completed by December, 1962 when the orders were suspended. Meanwhile, the factory had imported 37,710 numbers of a component, valued at Rs. 20.50 lakhs, required for the execution of the orders. Another factory also procured materials worth Rs. 1.54 lakhs in this connection. The entire stock worth Rs. 22 lakhs had been thus lying surplus and has not been disposed of so far (December, 1964).

4.40. The Ministry intimated Audit in January, 1965 that the accumulation of materials had arisen due to a change in weapon policy in December, 1962 and that alternative utilisation of the components imported was receiving active consideration.

4.41. The Committee enquired as to why the Factory did not restrict the import of the raw material in the first instance to the quantity required for meeting the educational order. The Secretary, Defence Production explained that import from U.K. took normally 12 months. In this case the Factory was quite confident of producing the equipment and that was also the reason why the Army authorities had placed the whole order instead of an educational order. On being asked as to why the Factory did not produce the item, the witness explained that at that time the Factory was busy in connection with other types of ammunition which had higher priority. He added that the first batch of the material from U.K. arrived in August, 1962 and within three months the order for the equipment was cancelled. The matter was taken up with the suppliers in U.K. to cancel the remaining order but they replied that the things had been packed and despatched. The witness further informed the Committee that an attempt was being made to utilise the material received from abroad with suitable modification. The matter was being negotiated with a private firm which had been successful in carrying out modifications in this item.

4.42. The Committee are not able to appreciate the placing of the bulk order for this item in December, 1960, when results of the educational order placed in February, 1960 had not yet been received.

4.43. The Committee would like to be informed of the final utilisation of the surplus material.

## V

### ARMY

#### Quarter Master General's Branch

##### *Military Farms—Para 4—Pages 4-5*

5.1. The proforma accounts of Military Farms for the year 1963-64 included in the Commercial Appendix to the Appropriation Accounts show a net profit of Rs. 43.11 lakhs as against Rs. 8.80 lakhs in the previous year. The significant increase in the amount of net profit is mainly due to increase in the value of sales by 48.77 per cent.

5.2. Out of 36 farms, 26 made a total profit of Rs. 62.55 lakhs and the remaining 10 incurred losses to the extent of Rs. 19.44 lakhs. The Military Farm, Jullundur, which incurred the heaviest loss (Rs. 4.70 lakhs) during the year, had also shown a loss of Rs. 3.14 lakhs during 1962-63. The Military Farm, Kirkee, continued to show adverse trading results for the fifth successive year, the loss being Rs. 2.09 lakhs during 1963-64.

5.3. In December, 1962, the Government accorded sanction for the establishment of a sheep farm at the Military Farm, Meerut, as a pilot scheme for the supply of meat to the Army. The farm which started functioning in May, 1963 was closed down in April, 1964. Against an expenditure of Rs. 35,828 incurred on the scheme, the realisations on account of sale of meat and wool came to Rs. 9,088 only. The loss sustained in the working of the scheme was Rs. 26,740.

5.4. The Military Farm, Shahjahanpur which was opened to bring under cultivation certain military lands under the 'Grow More Food' campaign incurred a loss on these activities for four successive years since its inception as indicated below:—

	<i>Amount of loss</i>	
	Rs.	
1960-61	..	8,896
1961-62	..	80,669
1962-63	..	23,294
1963-64	..	15,496*

\*The farm started supplying milk to troops from 1st April, 1963 and made a profit of Rs. 91,864 on the sale of milk.

5.5. According to Audit the sales of Military Farms increased from Rs. 4.55 crores in 1962-63 to Rs. 6.77 crores in 1963-64 but the gross profit came down from 29.69 per cent on turnover in 1962-63 to 25.22 per cent in 1963-64. The Committee enquired about the reasons for decrease in the percentage of gross profit on the turnover. The representative of Ministry of Defence stated that the fall in the percentage was mainly due to increase in the prices of the locally purchased milk as also due to the increase in the cost of feed. In reply to another question, the witness stated that the increase in the turn-over during the year 1963-64 was due to the increase both in the quantity of the milk purchased locally and its price. There was, however, no substantial improvement in the quantity of the milk produced by the Military Farms.

5.6. Referring to the loss of Rs. 4,69,510 incurred by the Military Farm, Jullundur during 1963-64, the witness stated that this was mainly attributable to high cost of production of milk produced at the farm. The farm produced about 9,13,000 litres of milk and purchased 1,66,000 litres. The average cost of production of milk at the farm was Rs. 7.72 per litre while the sale price was 88 paise per litre. The cost of the milk purchased locally was 56 paise.

5.7. In reply to another question the Defence Secretary stated that the lowest production of milk was at Pathankot farm where it was 0.87 paise per litre and the highest production was Rs. 3.84 per litre at Agra farm.

5.8. The Committee asked whether in view of the high cost of production of milk in the Military Farm at Jullundur farm (about 3 times the price at which it was purchased locally), the question of reorganising the Military Farms for the purchase of the entire requirements locally at cheaper price had been considered. The witness stated that it was not possible to procure the entire requirements of milk locally at all the Military Stations. The Secretary, Ministry of Defence stated that they had been asking the State Governments whether they could supply the entire requirements of milk so that most of the uneconomical farms could be closed except where it was absolutely necessary to maintain them on certain minimum provisions. The Defence Ministry had also approached the Ministry of Agriculture in this regard. But the response was not satisfactory. The State Governments were prepared to supply milk provided that in case of a general shortage at any time, the Army authorities would be prepared to accept a cut in the supplies. He urged that

if the Army authorities accepted a sudden cut in supplies, the shortage in ration had to be met by procurement of condensed milk and milk powder which caused other problems, as these items till recently had to be imported involving foreign exchange. The witness added that the Ministry were pleading with State Governments that since the requirement of the Army was only a small part of the total turn-over of a particular area, they should agree to meet their requirement in full at all times. But the negotiations were still in progress. If the proposal was accepted, some farms could be wound up. Asked if it was not possible to hand over these farms to cooperative societies who could run them with less overhead charges and supply the Army authorities the required quantity of milk, the witness stated the possibility of this course had not been explored. He added that if the State Governments agreed to undertake and guarantee the supply, the Ministry would certainly be prepared to take this step. But they had not come across any State Government which was prepared to guarantee the performance of the cooperative societies. In the case of vegetables, the Ministry had asked the State Governments to underwrite the quality and quantity. While the State Governments were prepared to underwrite the quality, they were not prepared to guarantee the quantity. The Ministry would now try this method of procurement in case of milk.

5.9. The Committee drew attention of the witness to the recommendation made in the 17th and 33rd Reports of the PAC (Third Lok Sabha) regarding examining the feasibility of entrusting the supply of milk requirements of units and formations to civil organisations. The representative of the Ministry of Defence stated that they only wrote to the State Governments asking them to take over the responsibility of supplying milk. But they had not explored the possibility of entrusting the supply of milk requirements to various cooperative agencies or private agencies. The witness added that in the first instance they would have to make an experiment in an area covered by one or two farms and see if they could ensure supply from those places. If the experiment was successful, they would consider extending it to other farms.

5.10. The Committee asked about the present position regarding action taken on the recommendations of the R.V.F. Reorganisation Committee which submitted a report in 1959 and the Expert Accounting Committee which submitted a report in 1962. The witness stated that out of 128 recommendations of the Reorganisation Committee final decision on 28 recommendations had yet to be taken by Government. As regards the recommendation of the Expert Accounting

Committee, the Ministry informed audit in August, 1965, that the new accounting system which was originally proposed to be introduced from 1st April, 1964 and later postponed to 1st April, 1965, will now be introduced from 1st April, 1966. The witness agreed that action on these reports should be expedited and promised to make efforts in this regard. The delay in introducing the new accounting system was due to the fact that posting of staff from the Controller General Defence Accounts took some time. The staff was sanctioned in September, 1964 and after two months they were in position. The new system was tried in the Lucknow Farm with effect from 1st April, 1965 and as result of the experience in this farm, revised instructions were drafted in August, 1965 for other farms to follow. These instructions were still under scrutiny.

5.11. Referring to the loss in the Military Farm, Kirkee the representative of the Ministry stated that this was due to (i) less quantity of milk purchased from market than produced locally, (ii) a wartime loss of Rs. 24 lakhs debited to the Farm, (iii) payment of interest charges amounting to Rs. 88,000; and (iv) increase of rent of land from Rs. 3 to Rs. 16 per acre, which had not yet been put in a fit state to grow fodder. When the Comptroller and Auditor General pointed out that the amount of loss in the Military Farm, Kirkee had increased to Rs. 7,70,973 in 1964-65, the witness stated that this loss had not yet been examined; and the audited accounts had been received in the Ministry only recently.

5.12. Asked about the action taken to improve the working of the Military Farms, the Additional Secretary (Defence) stated "over a period of years the whole thing has been in pretty bad state of affairs, only last year we have started taking action to improve the working of these farms. A number of Committees have been appointed."

5.13. The Committee asked if any periodical reports were received from the Military Farms from which the Ministry could know whether the farms were running at a loss. The Director of Military farms stated that he received monthly reports from the farms showing the broad expenses under various heads and from these details he checked that there was no untoward expenditure in any farm and that the expenditure actually incurred was within the power of farm authorities. In reply to a question the Director of Military Farms, stated that broadly they knew about the possibility of loss in any Military Farm from the beginning, but the exact extent of loss would be known only after the completion of full accounts of the year. As regards abnormal increase of loss from Rs. 2.09 lakhs in 1963-64 to

about Rs. 7.70 lakhs in 1964-65 in the Kirkee Farm, he stated that that was accounted for by more cases of cattle disease which took a toll of 100 heads of cattle and also affected the milk yield of the remaining cattle. He added that practically all the cattle-holding farms were running at losses. .

5.14. The Committee asked if any action had been taken to change the present pricing system under which rates of issue of milk fell under seven groups having wide variations from one another. The representative of the Defence Ministry stated that a new system for pricing payment issues and free issues of milk would come into force from 23rd January, 1966. The basis adopted was the market price of similar quality of milk in the locality to be determined by a Committee or a board of officers with whom a local civil officer (the collector, Deputy Collector or an Agriculturist Officer) would be associated. To this price, they would add the pasteurisation and transport charges which had been estimated at 14 paise per litre throughout India. The witness added that the net result of adopting revised basis would be that the payment issue price would substantially rise. For instance, in Delhi, the payment issue price would rise from 78 paise to 130 paise per litre. Thus, the new system would also avoid the criticism that the payment issue price of milk was being subsidised.

5.15. The witness further stated that the new pricing system would provide a better basis for determining whether the farms were running at a profit or a loss. Under the present system although the farms were showing profits, they could not come to a conclusion that these were working efficiently. The profit had increased from Rs. 8.8 lakhs in 1962-63 to Rs. 43.11 lakhs in 1963-64 but that would prove nothing. This was because firstly the free issue and payment issue rates were not properly fixed and secondly the accounts did not properly show whether the farms were running at a profit or a loss. The witness added that both the problems mentioned above had now been tackled. The new accounting system would enable them to find out the cost of each of the main items under various broad heads viz., cultivation, fodder, cattle yard and dairy. Under the present system of accounting they could know the overall profit or loss but they were not able to locate the item where exactly the loss had occurred. Unless they were able to locate the item causing a loss, no remedial action could be taken. The witness added that the real test of efficiency of a farm was the actual cost of production. At present various fictitious elements entered into the cost of production. While admitting that they should have taken speedier action on the recommendations of the Expert Committee, the witness assured the Committee, it would take them one more year to improve matters.

5.16. The Committee desired to be furnished a note explaining the reasons for the high cost of production of milk in the military farms indicating *inter alia* (i) the break up of the overhead charges; and (ii) the relation of overhead charges to the total production in the Farms. The note furnished by the Ministry is at Appendix IV.

5.17. In the absence of proper accounting system in the military farms, the Committee regret to observe that the figures of profit shown are unrealistic as admitted by the witness and that they do not represent the true position of the financial working of the farms. The Committee were informed that a revised system for pricing payment issues and free issues of milk on the basis of the market price in the locality would come into force from 23rd January, 1966. A new accounting system which was recommended by an expert accounting Committee in November, 1962 is proposed to be introduced from 1st April, 1966. The Committee are not happy over the delay in introducing the new accounting system and they hope that its introduction will not be further postponed. They would watch the results of implementation of the new pricing system and the progress of introducing revised accounting system through future Audit Reports.

5.18. The Committee deplore the inordinate delay in the implementation of some of the important recommendations of the R.V.F. re-organisation Committee which had submitted its report in 1959. Out of 128 recommendations made by this Committee, final decision on 28 recommendations had yet to be taken by Government. The Committee regret to observe the casual approach in this case. They would like the Ministry to expedite decisions regarding the remaining recommendations.

5.19. The Committee understand from the Ministry that all the cattle-holding farms were incurring losses, because of high cost of production. At present the cost of production of milk at the various farms ranged from 87 paise per litre at Pathankot to Rs. 3.84 per litre at Agra. The average production cost on all India basis worked out to Rs. 1.72 per litre. The Committee feel that cost of production of milk produced at Military Farms is too high. They regret to note that this problem of high cost of production of milk has not yet been tackled effectively by the authorities concerned. In their earlier reports [para 9 of 17th Report and para 19 of 33rd Report (3rd Lok Sabha)] the Committee had suggested that the Ministry should examine in consultation with the Ministries of Finance and Food and Agriculture, the feasibility of entrusting the supply of milk requirements of units and informations to civil organisations which

might be set up for the purpose. The Committee regret to observe that no headway has been made in this regard. The Ministry of Defence have approached the State Government only to take over the responsibility of supplying milk to units. The State Governments, though agreeable to supply milk to units, were not able to assure supplies in case of general scarcity at any time. The Ministry have, however, not explored the possibility of entrusting the supplies to the Co-operative Societies or other agencies. When the Committee made the aforesaid recommendations it was not their intention to entrust the work to State Government but they wanted that this should be entrusted to private agencies so that the farms may be operated more efficiently and economically. The Committee regret that their recommendation has not been given due consideration. The Committee desire that this matter should be examined in all aspects and early decision taken.

5.20. Referring to the closure of the sheep Farm, Meerut, the representative of the Ministry of Defence stated that the farm had been started as an experimental scheme in consultation with the Ministry of Food and Agriculture to get over the difficulty in procuring meat. But unfortunately there was an epidemic and most of the sheep died. When the Committee made a reference to the view of the officer in-charge of the Military Farm, Meerut and of the senior veterinary officer at the station that a large number of deaths was due to unsuitability of weather/climatic conditions and also the unsatisfactory conditions of grazing/accommodation at the station, the representative of the Ministry of Defence stated that there was nothing wrong with the climate of Meerut for locating the farm. But in that particular year because of heavy rain on one day (17 inches), there were these heavy casualties. As regards unsatisfactory conditions of grazing and accommodation, the witness stated that they had no past experience in the matter. It was now proposed to set up a sheep breeding farm in Rajasthan, and the matter was being carefully examined in the light of the past experience.

5.21. The Committee are surprised how this important aspect regarding unsatisfactory conditions of grazing/accommodation at the station was overlooked while deciding to locate the sheep farm. To that extent there was lack of planning and forethought on the part of the officers concerned.

5.22. The Committee desire that before it is decided to set up a new sheep farm elsewhere, the question whether it is absolutely necessary for the Defence authorities to have their own farm for the purpose should be examined. In view of the high establishment and



**overhead charges involved in a departmental farm, it should be considered whether it would not be more economical to get the meat supplies from other sources.**

5.23. Explaining the reasons for losses incurred by the Military Farm, Shahjahanpur, on cultivation activities since its inception in 1960-61, the witness stated that a lot of expenditure had to be incurred on the development of the land which was virgin. The Development cost could be recouped only after a period of three-four years. Secondly as a result of the National Emergency in November, 1962 an area of 585 acres out of the total area of 802 acres, with standing crops on an area of 188 acres, had to be handed over to the troops. No credit had been taken in account for the value of crops over this area of 188 acres. Asked if any reduction had been effected in the staff employed on cultivation activities, the witness stated that two tractor drivers had been withdrawn after the area was reduced from 802 acres to 200 acres. Apart from that, the existing staff had been put on managing the Military Farm, Shahjahanpur for which no additional staff had been sanctioned.

5.24. In view of the fact that the cultivable land of the farm has been reduced from 802 acres to 200 acres, the Committee desire that the Ministry should consider the economic of continuing the cultivation activities through the Military Farm, Shahjahanpur. It should also be examined whether any reduction can be effected in the existing staff as a result of curtailment of cultivation activities.

*Provision of accommodation in excess of requirements —Para 20 (c)—  
Page 15:*

5.25. Ancillary buildings costing Rs. 6.86 lakhs and a water supply scheme costing Rs. 67,000 approximately were constructed in a station between August, 1963 and March, 1964 to meet the requirements of certain units to be raised between August, 1963 and December, 1963. As the ancillary buildings were not ready when the units were being raised, the personnel had to be billeted elsewhere at the station and thus the buildings could not be utilised fully for the intended purpose. The Ministry stated in December, 1964 that some of the buildings have been put to use by different units during different periods and that the buildings are proposed to be utilised fully consequent on the expected move of a major formation to the station.

5.26. The Secretary, Ministry of Defence stated during evidence that in this case the real trouble was that a proper assessment about the availability of water supply was not made by the local authorities concerned. The only source of water supply available was

92 (All) LS—5.

either from bore-wells or from a tank belonging to the State Government. If water had been taken from the tank, certain compensation would have been payable to the cultivators who were irrigating their land from it. But that would have been quite a costly affair. The witness admitted that there had been some bad planning in this case and added that they were looking into the matter to fix responsibility. Water supply was drawn from the tank during the last war and it was presumed that enough water supply would be available, but the local army authorities did not take notice of the cost.

5.27. The Committee regret to note that due to lack of proper planning in this case the expenditure on the ancillary buildings (Rs. 6.86 lakhs) became partly infructuous. The buildings could not be utilised fully for the intended purpose and the troops had to be billeted elsewhere at the station. The Committee were told in evidence that the case was being looked into with a view to fix responsibility. They would like to know about the action taken against the officer responsible for bad planning, and also about the utilisation of the buildings.

*Other irregularities—Para 21 (i)—Page 16:*

5.28. For an officer of the rank of a Major General whose salary is Rs. 2,250 per mensem, a building in Calcutta with a floor area of 4,257 sq. ft. was requisitioned in May, 1963. The building was occupied by him from June, 1963 to September, 1964. The accommodation provided was double the minimum to which he was entitled and the rent payable by Government was Rs. 3,900 per mensem against Rs. 112.50 per mensem recovered from him under the rules. The building was later occupied by two Lieutenant Colonels from each of whom the maximum rent recoverable was Rs. 70.00 per mensem.

5.29. The Controller General of Defence Accounts also pointed out in Annexure II of his certificate recorded in the Appropriation Accounts of the Defence Services for the year 1963-64 that a sum of \*Rs. 50,000 was spent irregularly on additions and alterations to this building shortly after it was requisitioned in May, 1963.

5.30. The Committee asked how the building with a monthly rent of Rs. 3,900 was requisitioned by the Army authorities for the officer of the rank of Major General. The representative of the Ministry of Defence stated that there were certain lapses in this case on the part of the local Army authorities. When the headquarters of the

\*This figure was subsequently amended by the ministry as Rs. 34,851/-.

Eastern Command was shifted from Lucknow to Calcutta in 1963, there was acute shortage of accommodation there and this particular house was found vacant. It had been last occupied in 1961 at a rent of Rs. 1,452 per mensem. The local Army Officer had presumed that under the Rent Control Act, the rent payable would be the last paid rent of Rs. 1,452 p.m. which he did not consider exorbitant in view of the prevalent rents in Calcutta. When the house was requisitioned, the landlord first tried to get out of the requisition but he did not succeed. The collector while fixing the compensation relied on certain deeds drawn in favour of two companies mentioning a rent of Rs. 2,700 p.m. and also allowed some increase over it. The witness added that according to the army authorities these deeds were bogus. There was dispute between the local Military Estate Officer and the Collector on the question of rent, which had not yet been settled. In reply to a question, the witness stated the building was requisitioned on 10th June, 1963, while the Collector fixed the rent on 19th June, 1964 at Rs. 3,900 which was under dispute.

5.31. In reply to another question the witness stated that the Ministry came to know about this case only when the audit para was received. In the meantime, the local Army authorities had spent a sum of Rs. 34,851 on putting the house in order for occupation. The landlord had removed the doors and windows, electrical fittings and bathrooms fittings. The officer concerned was competent to sanction the expenditure on repairs.

5.32. The Comptroller & Auditor-General raised a question of financial propriety as to whether the officer requiring the house for his own use should have sanctioned its requisition and expenditure on repairs under his own powers. The Additional Secretary stated that the officer concerned had taken the previous permission of the Army Commander. The Defence Secretary stated that this was one of those cases where it could not really be said that the delegated powers had been exercised with due discretion. The Ministry were considering this particular point about the extent to which these powers should be limited and regulated, in consultation with the Ministry of Finance. The witness added that in the present case the building was taken by the Chief of Staff, Eastern Command and the powers were exercisable by the General Officer Commanding. The orders were actually signed by a Lt. Col. for the G.O.C. and so the responsibility was that of the G.O.C. The witness added that without seeing the original file he was not able to say whether this sanction was authorised by the Chief of Staff or the G.O.C.

5.33. Asked if while obtaining the permission of the concerned Authority, the area of the building and its likely rent were mentioned, the Defence Secretary was unable to give this information, but he added that for officers of the rank of Major General and above there was no sanctioned scale of accommodation. He further added that the Controller of Defence Accounts, Patna had since accepted the Ministry's view that the sanction was without the overall powers of the G.O.C. Bengal Area and had dropped the objection.

5.34. In reply to a question, the Additional Secretary stated that the house was derequisitioned on the 2nd August, 1965 in pursuance of a decision taken by the Ministry. Because of the Audit objection that an officer of the rank of Major General was not entitled to the House, after the officer was transferred it was not given to his successor. The local Army authorities thought that they would meet the requirement by allotting this house which had a floor area of 4257 sq. ft. to two officers of the rank of Lieutenant Colonel. (A Lieutenant Colonel was entitled to 2100 Sq. ft floor area plus 2 servant quarters, and a garage). But the Ministry took the view that because of its heavy rent, it would not be proper to continue the requisition of this House.

5.35. The Committee are not happy over the manner in which the building (with rent of Rs. 3900 p.m.) was requisitioned in May, 1963 for the use of an officer of the rank of Maj. Gen. and was retained till August, 1965 and an expenditure of Rs. 34,851 was incurred on additions and alterations made in the building. In addition to the expenditure of Rs. 34,851 on repairs, an approximate amount of Rs. 1.01 lakhs will become payable to the landlord for the period June, 1963 to August, 1965. As against this total expenditure of Rs. 1.35 lakhs, a sum of Rs. 3200 approximately has been realised from the officers who were allotted this house during this period.

According to the Ministry's own admission "This is one of those cases where we really cannot say that the powers that have been delegated have been exercised with all due discretion." The Ministry are considering about the extent to which powers should be limited and regulated. The Committee would like to know about the decision taken in this regard. They hope that such cases will not recur.

5.36. The Committee are surprised that even after the transfer of the Major General concerned in September, 1964 the Army Authorities thought that they could meet the requirement of entitlement of accommodation with regard to floor area by allotting the house to two

**Lt. Colonels, without having regard to the heavy rent payable. The house could have been derequisitioned at this stage instead of in August, 1965. The Committee deprecate such routine approach on the part of officers.**

**5.37. The Committee would also like to know the outcome of the dispute regarding the fixation of rent of the building by the collector. They would also like to know if any part of the expenditure of Rs. 34,851 incurred on additions and alterations, had been recovered from the owner of the building or the fixtures installed by the Army Authorities have been removed.**

*Irregular payment of compensation for private lands—Para 26—  
Page 19.*

**5.38. Of the two rifle ranges in a station only one range was in active use since 1947, according to the local military authorities. In January, 1962, a total sum of Rs. 5.63 lakhs approximately was paid as compensation to the owners of the private lands adjoining both the firing ranges on the ground that they had been continuously kept out of possession of the lands and thus precluded from enjoying them. Out of this amount, an amount of Rs. 2.30 lakhs (approximately) represented the payment made in respect of the lands adjoining the range which was not in use.**

**5.39. The Committee asked whether Government took any action to obtain the comments of the local military/civil authorities about the necessity and reasonableness of the compensation payable to the owners of private lands adjoining the firing ranges. The representative of the Ministry of Defence stated that so far as the necessity was concerned, local military authorities had agreed that these lands were in the danger zone of the existing firing ranges which were in use. As regards the reasonableness of the compensation, the witness stated that the rate of compensation that should be paid was determined by the Collector on a block basis i.e. certain amount in the first 3 years and certain amount thereafter. The Ministry, however, agreed to pay the lowest rate fixed by the Collector in the first period viz. Rs. 5.25 per sq. yard.**

**5.40. The Committee drew attention to the statement contained in the audit para that only one of the two rifle ranges was in active use since 1947 according to the local military authorities. The representative of the Ministry of Defence stated that this statement was not correct and was inadvertently made by the local military authorities. Subsequently the officer who had served in the region**

had certified that he himself had been responsible for allocating these ranges to the firing units, and both the ranges were actually used during 1947 and 1948. But they had no evidence for the subsequent years. The witness added that this fact was brought to their notice in July, 1965. The officer concerned had forwarded a copy of the order of the sub-Area dated 25th January, 1947 for ready reference in this connection. The witness added that a letter of July, 1958 received from the Police Commissioner confirmed that second range was in use by police also for several years. In 1958, the police Commissioner had informed the Army authorities that the range was unsafe for firing and he wanted certain additions and alterations to be made. When it was pointed out that it was possible that the second range might have been used by the Police after 1948 and not by the Army, the witness stated that the ranges belonged to the Army and the Police was also making use of them with permission of the Army authorities. They had no further documentary evidence about the use of the ranges except two letters.

5.41. The Committee asked what action was taken to give up the ranges, after it was realised that these were not in use. The Defence Secretary informed the Committee that till 1948 no compensation had been paid with regard to lands in question, though the ranges had been in use since 1908. Only in 1958, when claims had to be paid for the adjoining lands, the Ministry considered this question and in 1962 both the ranges were derequisitioned. In reply to another question, the Defence Secretary stated that compensation in this case related to the lands surrounding the ranges, because when ranges were used, the owners were kept out of possession of the surrounding lands.

5.42. From the facts placed before them, the Committee find that there is no conclusive evidence documentary or otherwise as to whether both the firing ranges at the station were in use by the Army Units during the period 1947-48 to 1958. The local army authorities responsible for allocating the firing ranges ought to have maintained a register showing the allotments made to the various units from time to time. Apart from this there should have been a periodical review by the local military authorities regarding the utility and the need for continued occupation of the ranges. But in the present case the Ministry reviewed the position only after the claims of the owners of the adjoining lands came in for payment in 1958. Even after that, the Ministry took four years to decide about the abandonment of the ranges. The Committee desired that the procedure regarding

carrying out periodical reviews of the properties acquired or requisitioned or hired by the Defence Services should be improved to ensure that such properties as are surplus to the requirement are not retained.

*Damage to hats—Item (IV)—Appendix I—Para 27—Page 25.*

5.43. Out of 3,600 numbers of hats, Gorkha, despatched by the Embarkation Commandant, Bombay, in July, 1962 to a Central Ordnance Depot, 1,818 on receipt were found to have been damaged due to exposure to rain in transit.

5.44. A claim for Rs. 22,740 preferred by the consignee on the 29th November, 1962 against the Railways was rejected by the latter on the ground that the consignment was loaded in an open wagon at the request of the sender who did not also provide any covering for the stores though advised to do so. The Ministry stated in January, 1965 that the loss had taken place due to the Railways not having taken adequate protective measures against the ravages of weather during transit and that the matter was under reference to the Railway Board.

5.45. The Committee enquired about the latest position of the claim preferred by the Defence authorities against the Railways. The representative of the Ministry of Defence stated that the matter was still pending with the Railway Board. The witness added that the General Manager of the Northern Railway had admitted that there was no documentary evidence to show that the requisite instructions were brought to the notice of the Defence authorities and that they were asked to make arrangements for covering the wagons. Asked why the hats were loaded in open wagon, the witness stated that the hats were in cartons which were packed in big wooden cases. The wooden cases were too big to be loaded in covered wagons, and there was no alternative but to send them in open wagon. The witness added that the Ministry's contention was that to take since the goods were consigned at Railways' risk was for them to take the necessary precaution. The witness added that there would have been no damage if the cases had been properly covered with tarpaulins.

5.46. Asked if any packages were found damaged at the port, the witness stated that out of six cases, one was damaged and it was properly surveyed. There was no sign of damage in other packages.

5.47. The Committee asked whether, in view of the importance of the defence requirements and the fact that the cases were being

despatched in open wagon, army authorities ensured that these were properly covered with tarpaulins. The representative of the Ministry of Defence stated that according to the explanation given by the Embarkation Commandant "since the packages were handed over to the Railways for despatch at Railways' risk and loading was carried out by the Railways, the responsibility for providing tarpaulin covering devolved on the Railways." The Comptroller and Auditor General pointed out that in a letter dated 29th July, 1963 addressed to the Commandant of the Depot, the Chief Commercial Superintendent had stated that the sender selected an open wagon in terms of the forwarding note and further he was asked "to make his own arrangement to cover the wagons, but he did not provide any covering stating that the packages were well packed and not liable to any damage." The representative of the Ministry of Defence stated this contention had been disputed by the Embarkation Headquarters. In their reply to the Railways dated 30th September, 1963, the Defence authorities had stated that the Railways had not furnished any documentary evidence in support of reported statement of the sender. The Defence Secretary stated that one of the printed conditions for despatch of the goods read "the alternative to railway risk being owner's risk, I elect to pay the railway risk rates." If the Defence authorities were to provide the covering, they would not have asked for the goods to be carried at Railway risk rates. Further in cases where loading was done by the sender, invariably a remark to the effect was given on the Railway Receipt, but in the present case no such remarks was incorporated in the Railway Receipt. The Ministry's case was that the goods were loaded by the Railways and accepted at railway risk.

5.48. The Defence Secretary agreed that apart from the question of claims against the Railways, the more important thing was the safety of the Defence Stores, particularly the imported items. The witness added that after this case came to the Ministry's notice, instructions were issued to the Embarkation Headquarters that in order to avoid recurrence of such cases it was highly desirable that adequate steps were taken to ensure that the stores which were susceptible to damage on exposure to rains were booked in closed wagons.

5.49. In reply to a question, the witness stated that the consignments arrived at the port in April, 1962 in six packages. Out of these three packages were cleared immediately but the remaining three packages were not identified quickly and were handed over by the port authorities to the Embarkation Commandant on 19th



July, 1962. Asked if any damage was caused to the second instalment of packages during their storage at the port from April to July, 1962, the witness stated that unlike the first consignment in which one package was damaged, there was no damage visible when the second consignment of three packages was handed over to the Railways. The five packages were received at the Depot on the 2nd August 1962 in wet condition. The packages were opened immediately and out of the total quantity of 3,000, 1,182 hats were found to be in serviceable condition. A staff court of inquiry was held and a claim was preferred against the Railways on the 29th November, 1962, but it was rejected by the Chief Commercial Superintendent on the 26th March, 1963. Thereafter the matter had been taken up with the Railway Board.

5.50. The Committee desired to be furnished with a note stating the nature of damages found at the port. The note furnished by the Ministry is at Appendix V.

5.51. The Committee regret to observe that owing to lack of proper understanding between the Military authorities and the Railways, there was a loss of imported stores (hats) valuing Rs. 22,740 as a result of exposure to rains of the packages which were despatched in an open wagon without any protective covering during the monsoon. The Committee feel that while asking for an open wagon the Defence authorities should have taken adequate precautions to protect the packages from damage due to rain. They regret to observe that this was not done. The Committee cannot also rule out the possibility of some damage having occurred by rain during storage at port since 3 of the packages received in April, 1962 were handed over by the port authorities to the Embarkation Commandant in July, 1962. The Committee note the contention of the Defence Ministry that the goods had been booked at Railway risk at higher rates of freight. Even so, the Committee feel that the Embarkation Headquarters should have ensured that the packages were actually provided with adequate covering, especially when the goods were susceptible to damage by rain and also when goods were despatched during monsoon season. The Committee hope that the Officers will be more careful in handling defence stores which are imported at the cost of much needed foreign exchange and the damage to which is also likely to affect the operational efficiency of the Armed Forces.

5.52. The Committee desire that in the present case the dispute between the Railways and Defence Authorities should be settled early and a report submitted to them.

*Non-recovery of rent from a cinema contractor—Para 34—Pages 21-22:*

5.53. A dispute with a contractor which arose in connection with the lease of the National Stadium Cinema to him for a period of three years with effect from 1st January, 1951 has not so far been settled.

5.54. In July, 1952, the Camp Commandant executed an agreement with the contractor containing a provision for the payment of compensation to the contractor by his successor for improvements in the cinema building effected by the former. This agreement, not being on the standard form, was not accepted by the higher administrative authorities. The contractor, however, refused to accept any revision of the arrangements and claimed compensation when he was asked to vacate the cinema building by 31st December, 1954. Subsequently, the lease was further extended from 1st January, 1954 to 31st March, 1955. The contractor obtained in April, 1955 an injunction from the court, restraining the Government from evicting him from the premises until the dispute regarding the payment of compensation to the contractor was settled by arbitration.

5.55. The arbitration was agreed to in June, 1955 and an arbitrator was appointed in October, 1955. The contractor claimed before the arbitrator a compensation of Rs. 1,29,345 (December, 1955). The case was first heard on 3rd March, 1956. 20 more hearings were held over a period of nearly three years from May, 1956 to March, 1959, when the arbitrator was transferred from the station. Orders to file an application for the appointment of another arbitrator were issued by the administrative authorities after about five years, in February, 1964. No arbitrator has been appointed so far (December, 1964). Meanwhile the authorities, as advised by the Ministry of Law, have not accepted any rent since November, 1957 from the cinema contractor, pending his eviction. The accumulated arrears of rent up to the end of March, 1964 amounted to Rs. 2.50 lakhs approximately.

5.55. The Committee desired to know the action taken pursuant to their recommendations made in this regard in para 20 of the 33rd Report (3rd Lok Sabha). The representative of Ministry of Defence stated that as a result of consultation with the Ministry of Law and the Solicitor General, an application had been filed in the court on the 17th January, 1966 pleading that the agreement with the contractor was *ultra vires* of Article 299 of the Constitution and not enforceable. Asked why this point regarding invalidity of the agreement escaped the notice of the Law Ministry when it was shown to them in 1955, the representative of the Law Ministry admitted that this was an omission.

5.56. At the instance of the Committee, the Ministry of Law have submitted a note stating how the point regarding constitutional validity of the agreement with the contractor was not noticed by that Ministry although the case had been referred to them several times since 1955 for advice on the various aspects.

5.57. The Committee feel concerned to observe that there was an omission on the part of the officer of the Ministry of Law to notice this point even after the Supreme Court gave a ruling in two cases in 1962 that contracts not executed according to the constitutional requirements cannot be validated by ratification. In view of the fact that this case was seen by Ministry of Law on several occasions after the publication of Supreme Court's ruling in 1962, the omission is all the more regrettable.

5.58. The Committee have also come across some instances at other places where the opinion given by the Ministry of Law was based more on expediency than on law or that it was given without considering all aspects of the case (as in the case under discussion) or they have given several opinions inconsistent with each other.

The Committee have also come across instances where the Administrative Ministries refer cases to the Ministry of Law though not strictly necessary whereas even some important cases where prior consultation of the Ministry of Law would be beneficial for safeguarding the interests of Government are not referred to that Ministry at appropriate stage.

5.59. The Committee therefore, suggest that a proper procedure should be laid down for referring the cases to the Ministry of Law and time-limit should also be fixed for the Ministry of Law to give their opinion.

5.60. The Committee find from the note furnished by the Ministry of Law that the Solicitor General had suggested that there would be no objection on rent or compensation being accepted without prejudice to the contention of the Government.

5.61. The Committee would like to know about the action taken by the Ministry of Defence to recover the rent from the contractor.

5.62. The Committee asked about the action taken against the officers responsible for not reporting till November, 1962 the unauthorised occupation of certain premises by the contractor. The witness stated that as a result of the court of enquiry appointed in December, 1963, responsibility had been fixed on seven officers who

were still in service and to whom the displeasure of the Chief of the Army Staff had been communitated. The Committee desired to be furnished with a note stating (i) when the report of the Court of Enquiry was submitted and (ii) when the displeasure of the Chief of the Army Staff was communitated to the officers, i.e., whether before or after the PAC recommendations made in 33rd Report.

5.63. From a note submitted by the Ministry of Defence the Committee find that the report of the Court of Enquiry was submitted to the Chief of the Army Staff on the 3rd December, 1964 and his displeasure was conveyed to the seven officers during December, 1964 to March 1965.

5.64. The Committee hope that necessary remedial measures will be taken by the Ministry to prevent such unauthorised occupation of Government premises by contractors and also concealment of information about such unauthorised occupation.

5.65. The Committee would also like to be informed about the decision of the court on the applications for vacation of the injunction against Government in the present case.

5.66. The Committee also regret to note the abnormal delay of over 10 years which has taken place in finalising this case. The desirability of early finalisation of this case can hardly be over-emphasised.

#### **Master General of Ordnance Branch**

*Over-provisioning of an equipment—Para 14—Page 11:*

5.67. Against an indent placed by the Master General of Ordnance the India Store Department, London, concluded a contract on 28th November, 1963 for 42 members of an equipment at a cost of Rs. 13.72 lakhs. On 29th November, 1963, they were asked by the Master General of Ordnance to restrict the purchases to 24 numbers only. This new estimate of 24 by the Master General of Ordnance was based on the revised provisioning policy decided upon then, but did not take into account the reduction as a result of reorganisation of Army units which had taken place as early as April/May, 1963. The effect of this reduction was calculated only in January, 1964 when the indenter re-assessed his net requirements of the equipment at seven only. The supplier, however, agreed on 17th February, 1964 to a reduction of 18 numbers only and 24 numbers had therefore to be purchased at a cost of Rs. 34,000 each.

5.68. The review as on September, 1964 showed a surplus of 16 numbers of the equipment, valued at Rs. 5.44 lakhs.

5.69. The Committee asked why the reduction in the requirement called for as a result of reorganisation of the Army Units that took place in April/May, 1963, was not calculated till January, 1964. The Secretary, Ministry of Defence stated that whenever a unit was reorganised or abolished, consequential changes were made in the equipment table. The Master General of Ordnance was informed by the Army Statistical Organisation about the increase or decrease in requirement to enable him to take provisioning action. But in the present case, due to lack of coordination between certain sections of Army Headquarters, while the Army Statistical Organisation were informed about the changes in sanctioned establishments, no information about the consequential change in the requirement of the equipment was sent to them. The witness added that normally various changes in requirements were taken into account at the time of the annual provision reviews. But in the present case, as a material change in requirement involving a change in the basic equipment had occurred, the position had to be reviewed during the intervening period.

5.70. Asked how the requirement was reduced from 42 to 24 on the next day of signing the agreement on 28th November, 1963, the witness stated that the indent had been placed on the ISM, London in April/May, 1963 but subsequently because of a change in provisioning policy the requirement came down. But the indenter was not aware whether the contract had been placed.

5.71. Explaining the circumstances leading to the reduction of the requirement to seven in January, 1964, the Defence Secretary stated that the equipment being a proprietary item, the ISM had asked for a proprietary certificate from the indenter. When this matter was referred to the Ministry of Finance (Defence), they advised that the indent should be checked with reference to the reduction in establishment. As regards the question why the ISM, London did not ask for a proprietary certificate before placing the order, the witness stated that he had placed the order on 28th November, 1963 in anticipation of likely increase in rates as a result of the national wage award in U.K. which was to be announced on 2nd December, 1963. The witness added that the redeeming feature of this case was that the surplus equipment was now required by the Army. In fact there was a deficiency of this item.

5.72. The Committee find that after placing the indent for the equipment on the India Stores Department, London, two important

changes necessitating reduction in the requirement took place viz., (i) Reorganisation of Army units in April/May, 1963 and changes in provisioning policy. While reducing the order in November, 1963, the Master General of Ordnance took into account the changes in the provisioning policy but it is regrettable that owing to lack of coordination in the various sections of the Army Headquarters, the decrease in the requirement on account of reorganisation of Army units was not brought to the notice of the M.G.O. The timely action by the sections concerned would have enabled the M.G.O. to take into account the decreased requirement while modifying the order in November, 1963. The Committee desired that the present procedure should be tightened with a view to ensuring that all important changes affecting the provisioning of costly and important equipment are brought to the notice of the M.G.O. promptly to avoid over provisioning and unnecessary locking up of funds.

*Extra expenditure in stitching garments—Para 15—Page 11:*

5.73. To meet the emergent requirements of garments for new recruits up to 31st March, 1963, the following orders were placed by the Director of Ordnance Services:

- (i) a bulk order for 9,13,200 garments to be stitched at a cost of Rs. 13.72 lakhs was placed in December, 1962 with a firm which gave the lowest quotation, without even calling for limited tenders but only on the basis of verbal and telephonic enquiries made in Delhi and Allahabad;
- (ii) orders for the stitching of 6,07,000 numbers were placed during February, 1963 with seven firms after limited tender enquiries at different stations.

5.74. Against the order referred to in (i) above, only 1,71,519 numbers (19 per cent of the requirements) were stitched by the end of March, 1963, which was the stipulated period for completion of supplies. The balance was supplied between 1st April and 28th December, 1963. The firms referred to in item (ii) above also completed their supplies between 30th April, 1963 and 10th December, 1963 instead of by March, 1963 as stipulated in the respective agreements. The local, and costlier, arrangements for stitching which had been specifically authorised to meet emergent requirements (instead of the usual method of procurement through the Director General, Supplies and Disposals and/or Director General, Ordnance Factories) thus did not serve the purpose in view. The order referred to in item (i) involved an extra expenditure of Rs. 4 lakhs with reference to the highest rates at which the orders referred to in item (ii) above were placed.

5.75. The Committee asked about the reasons for not placing the bulk orders for garments on the Director General of Ordnance Factories or the Director General of Supplies and Disposals. The Defence Secretary stated that they had asked both the D.G.O.F. and the D.G.S. & D. whether they could deliver the quantities in time. But they replied that they had not got the capacity and that they would take a much longer time to make supplies. Asked whether the capacity of the firm of Delhi, was ascertained before placing the order, the witness stated that premises of this firm were visited by the Director of Ordnance Services on the 29th November, 1962. The firm possessed modern power driven machines for cutting, button-holing and collar-making and it was fully geared up for mass production. The firm was at that time engaged in mass production of mazri garments which were being exported. The Director of Ordnance Services felt that the firm was likely to be in a position to meet the requirements of the Army in full. The Committee pointed out that quantity of garments on order worked out to delivery of about 9,000 per day and asked whether the officers were satisfied that the firm had that capacity. The representative of the Ministry stated that the report did not indicate whether this aspect was gone into.

5.76. The witness added that out of the three firms of Delhi and three firms of Allahabad which had quoted, the quotation of this firm was the lowest. On his attention being drawn to the statement contained in the Audit para that the contract was placed on the basis of only telephonic enquiries made in Delhi and Allahabad the witness stated that in Delhi only telephonic enquiries were made but in Allahabad an advertisement was issued. The quotations including that of the firm in question were received in writing.

5.77. The Committee pointed out that the order placed on the firm involved an extra expenditure of Rs. 4 lakhs as compared to the highest rates at which the orders were later placed in February, 1963 in the second case referred to in the Audit para. The witness stated that rates quoted in the first order were lower than the cost of the D.G.O.F. Referring to the comparison with the rates of the first and the second orders, the witness stated that at the time of placing the first order in November/December, 1962, immediately arrangement had to be made to procure garments for the recruits who had begun to arrive.

5.78. Referring to the delay in the supplies, the witness admitted that the firm delivered only 18 to 19 per cent of the total quantity ordered by the stipulated date. The D.O.S. had visited the factory in March, 1963 and found that they had quite a number of power

machines and that there was reasonable expectation of their fulfilling the order. As regards the action taken against the firm the witness stated that the D.G.S. & D. and Law Ministry had been consulted in the matter. Certain penalties advised by the Law Ministry were being imposed on the firm. The witness added that the Ministry of Law had advised that in the circumstances if the Government did not suffer any actual or potential loss, it would be difficult to recover liquidated damages at the rates mentioned in the contract, i.e. 2 to 5 per cent of the price of any stores which the firm failed to deliver for each day during which such stores might be in arrears. The damage suffered by Government in this case was that the trainees who were in the various training centres had to undergo training without uniforms. The Committee desired to know whether any letter was addressed to the firm pointing out their liability to pay damages under the terms of contract. The witness promised to check up the position and send a note. Asked if any deposit was taken from the firm before giving the contract, the Additional Secretary (Defence) informed the Committee that a deposit of Rs. 1 lakh was taken. The note furnished by the Ministry is at Appendix VI.

5.79. In reply to a question the representative of the Ministry stated that in the case of the second order placed in January/February, 1963, no firm had completed supplies by the due date.

5.80. Asked about the position regarding actual utilisation of the garments, the representative of the Army Headquarters stated that by March, 1964, 5,20,000 garments i.e. 53 per cent of total quantity ordered in Delhi had been issued. In the initial stages these were issued as soon as these came in.

5.81. The Committee are not satisfied with the action of the Army authorities in placing a bulk order on a single firm for stitching of 9,13,200 garments to be supplied in 3 months' period on the basis of quotations obtained from 3 firms after verbal or telephonic inquiries. The firm was able to supply only 19 per cent of the quantity ordered by the due date and the balance by December, 1963, i.e., in about a year from the date of placing the order. In the meantime, the recruits who had to be clothed, had to undergo training without uniforms. Thus, even though an extra expenditure of Rs. 4 lakhs was incurred (as compared with the highest rate in the second order), the purpose in view was not served. Further, due to delayed supplies only 53% of the quantity ordered in Delhi could be issued by March, 1964 and the remaining quantity had not been utilised by them.



5.82. The Committee are surprised how the Director of Ordnance Services who visited the factory before placing the order was satisfied about the capacity of the firm to execute this bulk order by the due date. They are inclined to take the view that the assessment of the capacity of the firm made by the officer was faulty.

5.83. The Committee find from the Ministry's note that an amount of Rs. 8971/- had been recovered from the firm as a penalty for delaying the supplies. The penalty was levied after consulting the Ministry of Law and stated to have been calculated @10% of 2 per cent according to the procedure followed by the D.G.S. & D. Taking into consideration that the Government had to incur an extra expenditure of Rs. 4 lakhs approximately (as compared to the highest rates in the second order placed in February, 1963), the Committee feel that levying of a penalty of Rs. 8971/- was too meagre. It is understood from Audit that the token damages @10% of 2 per cent are levied by the Director General, Supplies & Disposals in cases where—

- (a) Higher prices have not been paid for earlier deliveries, or
- (b) Government have not been put to any loss for belated supplies.

Even this was not applicable in the present case. Time was the essence of this contract and it was on that account that Government paid higher rates involving quite a lot of extra expenditure. The Committee feel that the major portion of the extra expenditure of Rs. 4 lakhs which the Ministry incurred on the place of prompt supplies and which did not materialise in time should have been recovered from the contractor.

5.84. According to the agreement the quantum of penalty at the lowest rates (2%) was Rs. 16.03 lakhs approximately and the highest rates (5%) was Rs. 40.08 lakhs as against the amount of Rs. 13.72 lakhs payable to the contractor for the entire work. The Ministry of Law had advised that the amount of the damages calculated according to the agreement would be considered by the Court of Law as "excessive and unconscionable," and that it would be advisable to assess compensation for delayed performance on the basis of D.G.S. & D's. practice. The Committee are surprised to learn how the Ministry of Law gave this opinion about levying of penalty according to the procedure followed by the D.G.S. & D., when there was a clear stipulation in the agreement about the recovery of liquidated damages and when time was the essence of this contract.

*Delay in utilisation of building and equipment—Para 37—Page 23,  
Sub-para (1) (a):*

5.85. In May, 1959, Government sanctioned the construction of a timber seasoning kiln in a Central Ordnance Depot, at a cost of Rs. 2.11 lakhs. The construction of the kiln building was, however, taken up four years thereafter and completed in December, 1963 at a cost of Rs. 1.23 lakhs; the sheds for boilers were completed in March, 1964 at a cost of Rs. 14,787. During March to July, 1961 machinery valued at Rs. 86,600 had also been received from the Small Arms Factory, Kanpur and Engineer Store Depot, Panagarh. Although an expenditure of Rs. 2.25 lakhs (approximately) was thus incurred, the kiln had not been commissioned by January, 1965 in the absence of the necessary power connection and for want of certain laboratory equipment and of the remaining items of machinery. Unseasoned timber therefore continues to be issued to units.

5.86. The representative of the Ministry admitted that there had been inordinate delay in the commissioning of the kiln and the seasoning plant. It was not known that this laboratory equipment was available with the D.G.O.F. After this became known, the question of suitability of equipment had to be examined. In the meantime, the original site which had been selected was required for some other purpose and therefore site had to be changed. There was also some delay in the Ministry in giving the revised administrative approval. Explaining the present position, the witness added that all the four kilns had started functioning and the seasoning plant was expected to go into use from the 15th February, 1966.

5.87. The Committee regret to observe that there had been inordinate delay in starting the construction of the kiln building and subsequently in commissioning the seasoning plant. Although the laboratory equipment, the availability of which held up the commissioning was available with the Director General of Ordnance Factories since 1959, this fact was not known to the Army authorities due to lack of coordination. The other difficulties which held up the commissioning of the plant viz., want of necessary power connection and certain other stores could have been avoided with proper planning. The Committee hope that such delays will be avoided in future.

*Sub-para 1(b):*

5.88. In December, 1956, Army Headquarters decided to instal a preservation plant in the same depot, for treatment of infested tim-

ber. An indent for the procurement of the plant was placed by the depot on the Director General, Supplies and Disposals, five years later, in January, 1962 and the plant was received in January, 1963. But it is lying unutilised since then due to non-availability of power. Thus even eight years after the decision was taken, facilities for preservation have not been established.

5.89. The representative of the Ministry admitted that this was a case of bad planning. There was failure to consult the main users in the initial planning of the project. The plant was expected to go into production by the 15th February, 1966.

5.90. The Committee regret to observe that this is another case of bad planning. There was delay in the placement of the indent for the preservation plant and also in its utilisation after its receipt in January, 1963. The Committee would also like to know the date on which the plant actually goes into production.

Sub-para (2):

5.91. A proposal mooted by the Army Headquarters in October, 1950 for setting up a small laboratory in a Central Ordnance Depot, for testing stores at the spot, instead of sending them to another station, was accepted by Government in March, 1958. Additions and alterations to an existing shed selected for housing the laboratory, were accordingly completed by the end of November, 1961 at a cost of Rs. 26,250, and furniture and laboratory equipment costing Rs. 28,000 (approximately) were also procured.

5.92. The laboratory had not started functioning till December, 1964—six years after its setting up was sanctioned—for want of certain essential fittings to the building and of some equipment and chemical stores. In the meantime, stores continued to be sent to another station for testing.

5.93. Explaining the present position, the representative of the Ministry of Defence stated that the laboratory had started functioning. The stores which were previously being sent to another station for testing were now tested in the depot. Upto February, 1965 the expenditure incurred on the laboratory equipment and the building was Rs. 33,633 and Rs. 26,250 respectively.

5.94. The Committee feel concerned over the tardy manner in which the proposal mooted by the Army Headquarters in October, 1950 for setting up a small laboratory in the Depot was pursued. The sanctioning of the provision of the laboratory took eight years and

**there was a further delay of seven years in establishing it. The Committee feel that once the decision to establish a laboratory had been taken in March, 1958, it should have been executed expeditiously.**

*Delay in repair/overhaul of vehicles—Para 38—Pages 23-24:*

5.95. In March, 1958, a contract was concluded with a firm for repair/overhaul of Army vehicles and between the 7th and 17th of May, 1958, 50 vehicles were handed over to them for repair/overhaul.

5.96. The contractor failed to deliver the vehicles after repair/overhaul according to the time schedule stipulated in the contract, and the contract was cancelled by Government on 31st October, 1958. The contractor, however, refused to return the 50 vehicles on the plea that he must first be paid for the work he had gone. These vehicles which were handed over to the contractor more than six years ago are still in his possession. The dispute is stated to be under arbitration since July, 1959.

5.97. The representative of the Army Headquarters stated that in this case an effort was made to get the vehicles back but the firm refused to allow the officers to enter their premises and sought an injunction in a court of law. As advised by the Ministry of Law negotiations were held with the firm but these failed. Thereafter, the Ministry filed an application that the case be referred to arbitration but the firm opposed it. The case went on for some time and the petition of the firm was rejected by the Court in January, 1964. The matter had been under arbitration since then. The last hearings were held in April, 1965. Thereafter the hearings had been postponed due to certain points raised by the firm. Asked if any time-limit had been fixed for conclusion of the arbitration proceedings, the witness stated that a period of six months had been fixed but the firm had been asking for extensions from the court. The time had been extended to April, 1966 at present. In reply to a question, the representative of the Ministry stated that amount involved in the dispute was Rs. 1,63,800 which represented the approximate value of the vehicles lying with the firm.

5.98. The C. & A.G. pointed out that according to the terms and conditions of the contract, the vehicles were to be kept insured for a value of Rs. 5 lakhs being the value of 50 vehicles which would be the maximum number in the custody of the contractor at any one time. The representative of the Ministry stated that there was an insurance cover for these vehicles but it would have to be verified whether it was kept current when the vehicles continued to remain with the contractor. Asked whether the contractor was using the

vehicles, the witness stated that according to the Ministry's information he was not using them. These were lying in the open in dismantled condition in a heap. The witness further stated that as the contractor had not repaired the vehicles inspite of extensions given to him, he was asked to return the vehicles without any cost. The contractor's claim was that he had incurred some expenditure and that should be paid to him. That was the cause of dispute which had been referred to the arbitrator. Asked if the vehicles could not be taken possession of under the Defence of India Rules, the witness stated that when these were delivered to the firm in 1958, D.I.R. was not in force. Asked if after the issue of the injunction against Government, an application was made to the court for the release of the vehicles, the witness stated that the Army authorities had made a plea that the injunction might be removed on the condition that they would appoint an arbitrator to settle the dispute. He promised to send a note stating whether an application was made for the release of the vehicles. In a note (Appendix VII) submitted by the Ministry it has been stated that since the terms of the contract provide for settlement of the dispute by arbitration, a motion direct to the court for a decree for return of the vehicles would patently not be maintainable. The action to refer the dispute to arbitration was taken in accordance with the Law Ministry's advice.

5.99. The Committee feel concerned to find that 50 vehicles handed over to the contractor for repairs in 1958 were neither repaired by him nor had been returned by him so far even after about 8 years. In the meantime, the vehicles had been deteriorating as a result of their being kept in the open and in dismantled condition. The Committee cannot view with equanimity the facts of this case and the state of helplessness in which Government found itself as a result of the agreement entered into with this party. The case points to the necessity of examination of the contract form in order to make a provision for cases of this type, viz., withholding Government property delivered to a contractor for repairs, withholding of the same without carrying out repairs and yet claiming some compensation for having incurred alleged expenses.

5.100. The Committee desire that necessary steps should be taken in consultation with the Ministry of Law to expedite the settlement of the dispute which has been going on with the contractor since 1958. They would also like to know the final result of the arbitration in this case. The Committee would also like to know whether Government have considered any departmental action such as black-listing the contractor for his non-cooperative and obstructive attitude.

*Avoidable expenditure on procurement of an unauthorised item of ammunition—Para 39—Page 24:*

5.101. On the basis of a provisional scale of operational reserve fixed as early as in 1950, the Master General of Ordnance placed three demands on the Director General, Ordnance Factories during July and August, 1960 for the supply of 92,000 numbers of an item of ammunition estimated to cost Rs. 55.20 lakhs. When the position was reviewed in 1961 at the instance of Audit it became known that the operational reserve of this ammunition was not authorised at all. The Director General, Ordnance Factories was asked in January, 1963 to cancel the demands to the extent possible without financial repercussions. Only 44,632 numbers could, however, be cancelled without any financial repercussions. Of the remaining 47,368 numbers, 30,954 numbers were supplied by the Director General, Ordnance Factories up to April, 1964. In May, 1964 orders were issued by the Master General of Ordnance Branch to suspend further production of the item.

5.102. According to Audit, the placement of demands in 1960 for an unauthorised item of ammunition and the delay in taking action to cancel the demands even after the position was reviewed in 1961 have resulted in an avoidable expenditure of Rs. 25 lakhs (approximately) on the quantity of 30,954 already supplied. In addition, the expenditure incurred so far on the manufacture of the remaining 16,414 numbers has also to be viewed as avoidable.

5.103. The representative of the Ministry of Defence stated that in this case the orders had been placed on the D.G.O.F. in July-August, 1960 on the basis of a provision review carried out by the M.G.O. in April, 1960. At that time, operational reserve had been provided for this item vide the General Staff Branch letter dated 20th December, 1950. This item was removed from the revised list of scales issued vide the General Staff Branch letter dated 26th May, 1960. Asked if at the time of placing the orders on the D.G.O.F. in July-August, 1960, the deletion of this item from the revised list had been noticed by the M.G.O. Branch, the representative of the Ministry (Army Headquarters) replied in the negative and added that it was an omission. The deletion of this item from the revised list was pointed out by the Ministry of Finance (Defence) in January, 1961, by which time the orders had already been placed. Asked why at that stage no action was taken to cancel the order, the representative of the Ministry stated that everybody thought that the item had been omitted from the revised list by mistake and the matter was referred to G.S. Branch for clarification. But the G.S. Branch gave

the clarification only in January, 1963 that no further deficiency need be covered and the existing demands might be suspended to the extent possible without financial repercussions. The M.G.O. Branch took up the question of cancellation of the order with the D.G.O.F. in January, 1963, who agreed to cancel 44,632 items without financial repercussions. As regards the remaining 16,414 numbers which were still not produced (involving Rs. 1,46,000) the D.G.O.F. had initially declined to cancel without financial liability. Recently further discussions were held with the D.G.O.F. and it was pointed out that the raw materials could be utilised in the manufacture of two other items. The witness admitted that there was inordinate delay (of about 2 years) on the part of G.S. Branch in giving clarification about the deletion of the item from the revised list. He also agreed that pending this clarification from G.S. Branch action should have been taken by the M.G.O. Branch to suspend or cancel the order after the deletion was pointed out by the Ministry of Finance.

5.104. Asked if as a result of this case any remedial action had been taken, the representative of the Ministry stated that certain orders had been issued for revising the basis of provisioning of these items. Orders were also being issued that as soon as such a change in the basis of provisioning came to notice, action should be taken to cancel the order to the extent possible or suspend it until the matter was settled.

5.105. The Committee regret to observe that this is yet another case where there was failure to notice a major change effecting the provisioning of an item of Defence stores and to take necessary action to revise the requirements before placing orders for supply of 92,000 numbers (costing Rs. 55.20 lakhs) in July-August 1960 on the Director General of Ordnance Factories. This item was deleted from the operational reserve list vide General Staff Branch letter dated 26-5-60, but nobody in the M.G.O. Branch took notice of this deletion. What is worse, even after the omission was pointed out by Ministry of Finance (Defence) in January, 1961, no action was taken by the M.G.O. Branch to cancel or suspend the bulk orders already placed on the D.G.O.F. Instead, the matter was referred to the General Staff Branch for electrification even if the M.G.O. Branch had a doubt in the matter, they should have at least suspended the order till a clarification was available.

5.106. Another unsatisfactory feature of the case is that the General Staff Branch took two years to clarify the position that deficiencies need not be covered and the demands cancelled to the extent possible without financial repercussions. But it was too late

at that time to cancel the order. Only about 48 per cent of the quantity ordered could be cancelled. This has resulted in avoidable expenditure of Rs. 25 lakhs approximately on the quantity of 30,954 which has already been supplied by the D.G.O.F. The Committee would like to know about the final action taken to cancel the remaining quantity of 16,414 (involving Rs. 1,46,000) which has not yet been manufactured. The Committee desire that this case should also be examined with a view to fixing responsibility on the officers concerned for the various lapses at different stages.

5.107. The Committee note that some remedial measures have been taken or are proposed to be taken by the Ministry. They hope that such cases will not recur.

#### Engineer-in-Chief's Branch

*Revision of the rates for a work before the conclusion of the contract—  
Para 16—Pages 11-12.*

5.108. In connection with the construction of a runway at a station, the Chief Engineer of a Command received only the following two quotations in October, 1962:—

- |               |   |
|---------------|---|
| (i) Tender A  | Rs. 108·21 lakhs.   |
| (ii) Tender B | Rs. 86·61 lakhs (there was an arithmetical mistake in the quotation, which should correctly have been Rs. 88·44 lakhs). |

5.109. On the ground that the lower tenderer 'B' had quoted "freakishly low" rates in respect of three important items of work, costing Rs. 74·23 lakhs in all, the tenderer was telegraphically requested by the Chief Engineer on 31st October, 1962 to appear before him with full details in support of the rates quoted by him.

5.110. After negotiations, higher rates which were considered reasonable by the Chief Engineer were agreed upon (December, 1962), for three items referred to and a reduction of Rs. 35,355 was agreed upon in respect of a fourth item. The net result was an increase of the tendered cost of the whole work by about Rs. 12·40 lakhs, to Rs. 100·84 lakhs.

5.111. It is noticed in this connection (a) that while giving an opportunity to tenderer 'B' to quote higher rates, no such opportunity was given to tenderer 'A' to reduce his quotation from Rs. 108·21 lakhs, to a lower figure and (b) that for the three items in respect of which tenderer 'B' was permitted to increase his rates, the rates



according to the administrative approval and technical sanction which were issued in August, 1962 and September, 1962 respectively were much lower than the rates originally quoted by him.

	(In Rupees per unit)		
	1st item	2nd item	3rd item
Rates according to administrative approved	36 73	205 12	244 78
Rates according to Technical sanction	47 00	249 37	291 87
Rates Originally quoted by tenderer 'B'	100 00	260 00	305 00
Revised rates accepted by the CDA as 'reasonable'	123 00	300 00	350 00

5.112. The Committee asked on what consideration the Chief Engineer considered the rate quoted by the second tenderer in respect of the three items as 'freakishly low'. The representative of the Ministry of Defence stated that while dealing with tenders, the Chief Engineer took into account whether the rates tendered by contractors were such as would enable them to complete the job. In this particular case there were only two tenders having considerable difference in the rates. The rates of the second tenderer were lower in the three main items by Rs. 30, Rs. 80 and Rs. 100 respectively. According to a note recorded on the 31st October, 1962 which was approved by the Chief Engineer, the engineer concerned compared the rates with those quoted in certain contracts for similar works at Chandigarh and Pathankot in 1961 and 1962. He also made allowance for the extra lead involved in the present case on account of transportation of stone and sand, and he came to the conclusion that the rates quoted were entirely inadequate. (The rate in these contracts in Chandigarh and Pathankot for the first item ranged from Rs. 112.29 to Rs. 128.29). The engineer felt that the contractor would not be able to do the work at the tendered rates. He therefore revised the rates in consultation with the contractor and put up the case through the Controller of Defence Accounts to the Director General (Works) Army Headquarters, who consulted the Ministry of Finance. While according their approval to accepting the revised rates, the Finance Ministry observed:—

"We are inclined to agree with the CDA, Western Command and consider that the rates quoted by the Lower tenders cannot be deemed freakish as the lump sum quoted by the contractor is well above the administrative approval and technical sanction. For the same reason, the contract pro-

posed to be accepted should be treated as a negotiated contract. We also agree with the CDA that the method adopted by the Chief Engineer to get the rates corrected is not within the ambit of the Director General Works. As, however, the tender now proposed to be accepted is still the lower one and as there is no possibility of getting a lower quotation by re-tender and also in view of the urgent nature of the work, the DG, Works, may accept the tender and revise the contract."

5.113. The Defence Secretary informed the Committee that in this case the contractor had called on the Chief Engineer on the 3rd November, 1962, i.e. four days after the date of opening the tenders on 30th October, 1962 and had shown him a copy of a letter dated 26th October, 1962 stated to have been posted by him under a certificate of posting wherein the contractor had revised the rates of three items considered to be low or freakish and two more connected items. In this letter the revised rates quoted for the three items were Rs. 123 instead of Rs. 100, Rs. 300 instead of Rs. 260 and Rs. 350 instead of Rs. 305 These were actually the rates accepted by the Chief Engineer. The witness added that this letter had not been received. The contractor had produced the certificate of posting.

5.114. The Committee asked if the Ministry of Defence were satisfied that in the present case the rates originally quoted by the contractor were freakish rates although these were higher than those mentioned in administrative approval and the technical sanction. The Defence Secretary stated that normally the rates which were reasonably comparable with administrative approval or technical sanction should not be considered as freakish at all. But in practice both the administrative approval and technical sanction, particularly during the last five years, had not been realistic. The Ministry's view was that a more reasonable formula with regard to both administrative approval and technical sanction should be adopted. The witness added that in the present case, the tendered rates were freakish when compared with the rates obtaining in other works in Candigarh and Pathankot in 1961-62.

5.115. The Committee are surprised that in this case although the rate quoted by the contractor were well above the administrative approval and technical sanction, those were considered freakishly low on the ground that prevalent rates were higher. It was deposed before the Committee that during the last five years both the administrative approval and technical sanction have been unrealistic. If so, the Committee regard it as very unsatisfactory that the administrative approval and the technical sanction which are

usually accorded on the basis of the M.E.S. schedule of rates, should bear no relation with the prevalent rates. The Committee feel that the M.E.S. schedule of rates have not been kept reasonably upto date as otherwise administrative approval and technical sanction would not have been unrealistic during the last five years. They, therefore, stress the need for revising the present system with a view to ensuring that the rates according to administrative approval and technical sanction reasonably conform to prevalent rates.

5.116. The Committee note the remarks of the Ministry of Finance in this case that the method adopted by the Chief Engineer to get the rates corrected was not within the ambit of the Director General of Works. They desire that this aspect of exercising delegated powers should be carefully examined and procedure streamlined for future. In this connection, the Ministry should also consider the desirability of defining 'freak rates' rather than leaving the criterion to the entire discretion of the local engineers.

5.117. The Committee asked why the higher tenderer also was not given an opportunity to reduce his rates. The Defence Secretary agreed that negotiations should have been held with both the tenderers. But he added that standing instructions in this regard were "if any freak rates are discovered, this will be pointed out to the tenderers and he will be given an opportunity to revise those rates, if he so desires."

5.118. The Committee are surprised to learn that according to the standing instructions if any freak rates are discovered in tender, the tenderer concerned is given an opportunity to revise those rates, if he so desires. The Committee feel that quoting of the freak rates should not be the only criterion to negotiate higher rates with that tenderer. In such cases the higher tenderer should also be given an opportunity to bring down their rates. They desire that the standing instructions in this regard should be suitably modified.

5.119. The Committee asked about the findings of the Special Police Establishment who investigated the case. The representative of the Ministry of Defence stated that the SPE had observed that there was no evidence to substantiate the allegation that the contractor and certain officials of the Chief Engineers' office in mutual conspiracy had inflated the value of the tender. The second allegation in the case was that the work executed by the contractor was below the prescribed specifications. With regard to the second allegation,

the SPE observed that some portion of work was found to be below specifications. A technical team appointed to inspect the entire work recommended that the execution of the contract was defective to the extent of Rs. 1,34,360. This was brought to the notice of the Defence Authorities for taking action for slackness in supervision shown in the completion of the emergency project. The witness added that as a result of the examination of the work by the Technical Examiner's Organisation, a recovery of Rs. 1.75 lakhs had been ordered from the contractor. The contractor had sought arbitration on this question. In reply to a question, the Defence Secretary stated that this case had been reported to the SPE by some interested party. He added that disciplinary action was being taken against the officers who were slack.

5.120. The Committee regret to observe that, while on the one hand the officers were keen to revise the "freak rates" quoted by the contractor on the ground that he would not be able to do the work at those rates, on the other they allowed him to do sub-standard work. The Committee would like to know the action taken against the officers who were slack in supervision, and also about the recovery (Rs. 1.75 lakhs) from the contractor.

*Avoidable expenditure in the execution of a work—Para 17—Pages 12-13.*

5.121. For the construction of a runway and taxi-track at a station, estimated to cost Rs. 68.03 lakhs, limited tenders were invited by the Chief Engineer, Eastern Command, from seven firms on 21st December, 1962 allowing only 10 days' time for quoting rates. The work was required to be completed within three months, but on the last date for the submission of tenders viz. 31st December, 1962 telegrams were sent to the firms in question allowing an extended period of five months for the completion of the work. No further extension of time was, however, given to them for submitting tenders on the modified basis. Only one tender was received from a firm for a lump sum of Rs. 136.06 lakhs which stipulated completion of work in five to six months; this amount was 100 per cent. above the value of the work indicated in the tender documents based on the average market rates in that area.

5.122. After negotiations, a contract was concluded with this firm by the Chief Engineer on 3rd January, 1963 for a lump sum of Rs. 108.85 lakhs, which was 60 per cent above the estimated cost indicated in the tender, stipulated the period of completion as 5 months.

5.123. The work site was handed over to the contractor on 16th January, 1963 but the work was actually completed only on 24th January, 1964, i.e., after more than a year of handing over the site against the stipulated period of 5 months.

5.124. Thus, according to Audit, even after spending 60 per cent more than the average market rate in that area for the work, Govt. could not get the benefit of early completion. The inadequate time of 10 days allowed to the tenderers to give their quotations for a work costing more than Rs. 1 crore, the stipulation of an apparently unrealistic time of 3 months in the tender and raising the period of completion from 3 months to 5 months on the last date of the receipt of the tender without allowing further time for submission of the tenders, according to Audit, would have also made it difficult for the prospective tenderers to submit competitive quotations.

5.125. The Defence Secretary admitted that "the various comments made by Audit in this case are valid". The witness added that this case was under investigation by the Special Police Establishment. The officer concerned, who was an officer of Armed Services, had been retired, but his pension had not yet been sanctioned. The S.P.E.'s initial report was that there was not enough material to prosecute the officer in a court of law. The grant of pension to the officer would depend on the outcome of the enquiry by the SPE which was still in progress. The witness added that they wanted the SPE's Report to be completed before the officer was due to retire, but they could not get it. The officer was due for promotion and if he had been promoted, he would have been in service for 4 years more. In reply to a question the witness stated that if the report of the SPE which had already been delayed considerably, was not received within a reasonable time, they might consider giving an *ad hoc* pension to the officer. The enquiry was started in 1963-64 following a complaint from the Air Force about the delay in execution of the work and certain oral reports received in the Ministry about certain contracts.

5.126. The Committee asked if owing to delay in the completion of the work, the operational efficiency of the Air Force was affected during the emergency. The witness stated that when the work was started there was actually cease-fire. But if the fighting had started again, the efficiency of the Air Force would have suffered.

5.127. The Committee are perturbed at the perfunctory manner in which the contract was placed for a work of the magnitude of more than Rs. 1 crore. Only a short period of 10 days was allowed for quoting rates, stipulating an unrealistic time schedule of three

months for completion of the work. On the last day for submission of tenders, the period of completion was extended from 3 months to 5 months, but no extension of time was allowed for submission of tenders on modified basis. The result was that only one tender was received which was 100 per cent above the estimated cost but which was brought down to 60 per cent above the estimated cost after negotiation. It is understood from Audit that the Chief Tech. Examiner has stated that the rates accepted are high.

5.128. What is worse, as against the 5 months period allowed for the completion for the work, it was actually completed after more than a year from the date of handing over the site. Thus even after paying higher rates, Government could not get the benefit of early completion. It is only fortuitous that the operational efficiency of the Air Force did not suffer because of the cease-fire but really speaking the contractor has let down the Air Force. The Committee hope that learning from the experience of this work, the authorities in the Defence Services would be more careful in planning and execution of emergency works which involve an expenditure of huge amount of public money.

5.129. The Committee regret to note that the S.P.E. has taken too long a period in finalising investigations in this case which was referred to them in 1963-64.

5.130. They would like to know the outcome of the enquiry made by the S.P.E. and the action taken against the officers.

*Continuance of Military Engineer Services divisions without sufficient load.—Para 18—Page 13.*

5.131. (a) A Military Engineer Services division with establishment costing Rs. 10,200 per mensem was formed in a station on 1st February, 1963 to deal with an anticipated work-load of Rs. 1.18 crores approximately. Works costing Rs. 1.25 crores approximately were actually sanctioned but two works valued at Rs. 10.26 lakhs were cancelled during July, 1963 and other works to the extent of Rs. 1 crore approximately could not be taken up, pending final selection of the site. The division, however, continued to function till 1st July, 1964 when it was closed down. An expenditure of Rs. 1.53 lakhs was incurred on the establishment of this division from February, 1963 to June, 1964.

5.132. The Committee asked the reason for cancelling the works costing Rs. 10.26 lakhs within six months of its sanction. The representative of the Ministry of Defence stated that it was originally proposed

to locate an EME workshop on one side of the river. Later it was decided to shift the site to the other side of the river. But when this question was still under examination, it was decided to locate the workshop at some other place. Asked why it was proposed to locate the whole scheme at another station, the Defence Secretary stated that there were some local pulls from the technical authorities themselves arising from rivalry between the two stations. He added that the proposal to shift the site to another place had not been accepted.

5.133. The Committee desired to be furnished with a note on the following points:—

- (i) What were the reasons for cancelling the works costing Rs. 10.26 lakhs within six months of the sanction.
- (ii) On what basis was the site for the EME workshop selected and why was it changed within a short period.

The note furnished by the Ministry is at Appendix VIII.

5.134. The Committee find from the note that the work was not progressed for two reasons and the sanction was cancelled in July, 1963. Firstly, it was noticed that the special items of work amounted to Rs. 4,84,300 and thus exceeded Rs. 50,000 which is the limit prescribed for the Area Commander. This was pointed out by the Army H.Q. to the Area Commander in May 1963. Secondly, due to new raisings and also due to expansion of the Training Centre and Congestion in military area, it was found difficult to accommodate the workshops and other units in the originally proposed area which was surrounded by civil population on three sides and river on the fourth side; and a proposal was made to locate the proposed cantonment in a different area.

5.135. The Committee are surprised that within 6 months of sanctioning the works (costing Rs. 10.26 lakhs) these were cancelled. It is not clear why all the factors subsequently advanced in favour of shifting the site were not fully considered originally. In fact the Committee find that the Board of Officers which selected the site for the workshop had observed that there was enough space to accommodate the workshops and to cater for future expansion and that this land was away from the civil population. It was deposed before the Committee that the proposed change in the location of the scheme was due to some local pulls from technical authorities themselves arising from rivalry between the two stations. In that case, the Committee feel, that the matter should have been referred to higher

authorities and decision taken on merits. The Committee however take a serious view of such local prejudices influencing the vital decisions of location of Army units. They would like to know the final decision taken in the matter.

5.136. It is also not clear to the committee why after the sanction was cancelled in July, 1963, the M.E.S. division was not closed down till June, 1964. The Committee desire that this aspect should also be investigated with a view to fixing responsibility.

Sub-para (b)

5.137. In another station, a Military Engineer Services division was formed in January, 1963 for the construction of a project estimated to cost Rs. 240.29 lakhs. In March, 1963, sanction was issued for carrying out works to the extent of Rs. 50 lakhs (subsequently raised to Rs. 175 lakhs in September, 1963). The actual value of the works handled during 1963-64 was only Rs. 56 lakhs (approximately) including the value of the stores procured; a second division for the same project was, however, formed in December, 1963 which executed works incurring a total expenditure of Rs. 2.35 lakhs only during 1963-64. In February, 1964, the Garrison Engineer of the first division suggested immediate closure of the second division as there was no work for it, but it was actually closed with effect from 1st July, 1964 only by which time a sum of Rs. 36,000 (approximately), had been spent on the pay and allowances of the establishment.

\* 5.138. The Committee enquired about the justification of the creation of the second M.E.S. division in December, 1963 and its retention for 7 months. The representative of the Ministry of Defence stated that originally two divisions were sanctioned because there was an additional workload. Only one Garrison Engineer was put in charge of both the divisions. It was anticipated that as the workload developed staff would be appointed. Actually even in the first division the total staff was a little over 50 per cent. of the authorised strength and in the second division it was less than 50 per cent. with no G.E. and only one Assistant Engineer against three sanctioned posts. Therefore, one division had been fully manned which had carried out work costing about Rs. 70 lakhs during the period in question.

5.139. Asked why a second division was created when even the first one was not fully staffed, the witness replied that at the time of sanction the workload that was likely to arise justified creation of more than two Divisions. Later when it was found that the workload for the second division would not develop, they did not appoint the staff. The staff which was appointed in the two divisions, was sufficient to constitute a little over one division only. In reply to a



question, the witness stated that a division was set up for a workload of Rs. 40 lakhs to 50 lakhs.

5.140. The Committee are of the view that the creation of the second division in this case lacked proper justification. They feel that in such cases instead of creating two divisions with about 50 per cent of staff, the M.E.S. authorities should have created one fully staffed division to look after the work in hand and bifurcated it later if more work had developed. The Committee hope that there will be better planning in future.

*Deficiency of stores in a project division.—Appendix I—Item (v)  
Para 27—Pages 25-26.*

*Deficiency of stores valued at Rs. 33,124 in a project division, detected during a check carried out by a Board of Officers between 29th January, 1962 and 6th February, 1962.*

5.141. A Court of Enquiry appointed on the 20th March, 1962, estimated the deficiencies at Rs. 38,288. Deficiencies to the extent of Rs. 20,500 were attributed to (i) misappropriation on the part of the persons directly connected with these stores, and (ii) negligence and lack of supervision on the part of the administrative staff. The balance deficiencies of Rs. 17,788 have been attributed to wastage in transit, storage and retail issues. 11 persons were held responsible for the loss and the Sub Area Commander recommended in January, 1963 disciplinary action against the officers and staff and a penal recovery of Rs. 20,500 from the persons actually responsible for the deficiencies. No recoveries have, however, been effected (September 1964).

5.142. This case was referred to the SPE in March 1963 who advised in November, 1964 departmental action against certain officers.

5.143. The Committee asked if any departmental action had been taken against the individuals concerned as recommended by the Special Police Establishment in November, 1964. The representative of the Ministry of Defence stated that the departmental action against the officers had been completed. As regards the non-gazetted staff, show cause notices had been issued to them and their replies were awaited. The witness added that the action against the officers had been held up until the receipt of replies from non-gazetted staff, as these cases had to be treated as one. Asked why no action was taken against individuals immediately after the Sub-

Area Commander recommended disciplinary action in January, 1963, the witness stated that the Area Commander considered it better to refer the matter to the Special Police Establishment for the advice as to whether a criminal case could be launched.

5.144. The Committee desired to be furnished with:

- (i) a copy of the Report of the Sub-Area-Commander;
- (ii) a note stating the justification for referring the matter to the SPE by the Area Commander; and
- (iii) a note giving full particulars of the case indicating the dates on which charge sheets were served on the gazetted and non-gazetted officers, the time limit fixed for their replies, and the present position of the case.

These papers have been submitted to the Committee.

5.145. The Committee find from the Ministry's note that the Area Commander recommended the cases to be handed over to the SPE as there was misappropriation and *malafide intentions* on the part of the staff actually handling the stores and he wanted expert investigations by the SPE in order that the culprits might be brought to book. The SPE recommended departmental action against three gazetted officers and 5 non-gazetted staff. The Central vigilance Commission advised initiation of proceedings for imposition of a major penalty against all the officials concerned. The charge sheets were served on the Gazetted and non-gazetted officers on the 7th April, 1965. The disciplinary proceedings in respect of the three gazetted officers were submitted to the Ministry of Defence in December, 1965 and January 1966. In the case of non-gazetted staff an oral enquiry was completed on 7th October, 1965 and showcause notices were issued on 14th January, 1966. The representations of the staff in regard to the showcause notices are expected to be received by the Army H.Q. shortly.

5.146. The Committee are far from happy at the halting manner in which departmental action is being taken against the officers responsible for misappropriation and negligence. A Court of enquiry was held in March, 1962, the Sub-Area Commander recommended disciplinary action in January, 1963 and the case was referred to the S.P.E. by the Area Commander in March, 1963. It is regrettable that the S.P.E. also took 20 months to investigate the case and report in the matter. (November, 1964). The M.E.S. authorities took further 5 months to serve charge sheets against the officers concerned (April, 1965). The cases have not yet been finalised. It is very unsatisfactory that even though about 4 years have elapsed, yet officers

**at fault have not been punished for the misappropriation detected in March, 1962. The Committee desire that immediate steps should be taken to expedite the matter and remedial measures should be taken to prevent recurrence of such delays.**

*Item (vi):*

**460 tonnes of cement costing Rs. 66,118 were damaged and rendered unserviceable due to exposure to rain in July/August, 1963.**

5.147. 8,000 tonnes of cement were received in a project division between March and July, 1963 against an order by the Chief Engineer in January, 1963.

The Chief Engineer had advised the Garrison Engineer of the division in February, 1963 to cancel the order having regard to the delay in the construction of the storage accommodation for the cement. No action was taken by the Garrison Engineer, with the result that 5,500 tonnes of the cement received had to be stored in the open under tarpaulin covers.

5.148. A departmental court of enquiry was held on 15th April, 1964 i.e. nearly 8 months after the occurrence of the loss and it came to the conclusion that the loss was due to neglect. A staff court of enquiry was held to investigate the matter.

5.149. The Committee asked about the present position of the investigation. The representative of the Ministry of Defence stated that the proceedings of the staff court of enquiry which was appointed on the 2nd June, 1964 had been finalised.

5.150. The proceedings of the staff court of enquiry were endorsed by the Sub-Area-Commander. But the Area Commander raised certain queries and referred the report back to the Sub-Area-Commander. The Final Report had been received in the Quarter Master General's Branch on the 19th January, 1966 and was under examination. The Committee desired to be furnished with a copy of the report of the staff court of enquiry.

5.151. The Committee find from the report of the enquiry that in the opinion of the staff court of enquiry the Garrison Engineer was responsible for gross negligence as he failed to: (a) provide proper covered accommodation—Government or Private (b) stop or suspend the supplies of cement which could be done. (c) select a suitable stacking area which was available and (d) Report the loss to higher authorities on occurrence. The Sub-Area Commander agreed with

the finding of the court and recommended disciplinary action against the officers. But the General Officer Commanding of the Area and the G.O.C. In-C have disagreed with the findings.

5.152. The Committee are sorry to note that 460 tonnes of cement costing Rs. 66,118 was damaged and rendered unserviceable due to negligence on the part of an individual officer by exposure to rain in July, 1963. They feel that the loss could have been avoided if timely action had been taken by the officer either to suspend the supplies or to provide suitable covered accommodation during the period of monsoon.

5.153. The Committee find that the staff Court of Inquiry held the Garrison Engineer responsible for gross negligence. The Committee are not convinced with the reasons given by the G.O.C. of the area in disagreeing with the findings of the staff Court of Inquiry. The Committee, however, understand that the matter was still under examination of the Ministry. They would like to know the final decision taken by the Ministry on the findings of the staff Court of inquiry.

*Item (vii):*

*Loss of Government property worth Rs. 1.21 lakhs (including currency notes to the value of Rs. 40,000 approximately) due to fire at a station in January, 1964.*

5.154. A Court of Enquiry held on 5th February, 1964 to investigate the loss observed that the fire was caused by the accidental knocking down of a jerrican containing kerosene oil over a stove kept for warming purposes. The General Officer Commanding held that there was a serious administrative lapse on the part of the Officer Commanding of the unit in having permitted a stove to be lit in premises where unit weapons, ammunition, etc., were stored. The Ministry have intimated (December, 1964) that disciplinary action has been taken against all the four persons responsible for the fire—two sepoy and one L/Naik have been sentenced to 28 days' imprisonment while the severe displeasure (to be recorded) of the General Officer Commanding, Corps has been conveyed to the Officer Commanding.

5.155. The Committee asked (i) whether no monetary limit had been prescribed for holding cash in the unit chest and (ii) whether the loss had been regularised. The representative of the Ministry of Defence stated that the loss had not yet been written off. The

case would be put up to the Central Ad hoc Committee in the Ministry. As regards the question of putting a limit on the imprest to be kept with units the matter was under examination. At present, normally there was no limit in the case of field units. In reply to a question, the witness stated that units kept money in a small steel cash box.

**5.156. The Committee are surprised how such a heavy cash balance (Rs. 40,000) was kept by the unit in this case. They feel that responsibility should be fixed for keeping cash in units chest beyond a reasonable limit. They also desire that the question of fixing monetary limits on holding cash in unit chest should be finalised early. The committee also trust that other necessary remedial measures to avoid out-break of fire and to strengthen the fire fighting arrangements have been taken.**

*Non-utilisation of generating set after repairs—Para 35—Page 22:*

5.157. Three generators rendered surplus on the closure of the Military Engineer Services Power House at Panagarh in January, 1961 were examined by a Board of Officers in September, 1962, i.e. 20 months after the closure, and were classified as Class VI (Poor). One of the sets was initially got repaired through a contractor at a cost of Rs. 40,950 and issued to another division, at Jhansi, in March, 1963. It did not give satisfactory performance on trial run and was, therefore, back-loaded to Panagarh in August, 1964 for further repairs.

5.158. The remaining two sets were also repaired on grounds of urgency, at a cost of Rs. 81,900, through a contract concluded in March, 1963 with the same contractor. The repaired sets were taken over by the department in June and September, 1963. Certain defects pointed out to the contractor in September, 1963, had not been rectified by him by September, 1964. Against the amount of Rs. 81,900 due to the contractor a sum of Rs. 70,000 had already been paid to him. The contractor completed the repair of the three sets in June, 1965 and they were found by a Board of Officers in July, 1965 to be satisfactory.

5.159. The Committee asked whether any enquiry had been conducted into the reason for the delay of 20 months in surveying the generating sets. The Engineer-in-Chief stated that a Board of officers, which was assembled to go into this aspect had completed the enquiry. Their report had been received in the Army Headquarters but a final decision on it had not yet been taken.

**5.160. The Committee regret to find that the Department took 20 months to survey the generating sets rendered surplus on closure of**

the power house. They would like to know about the findings of the Board of Officers which went into the matter and the final action taken on their report.

Another unsatisfactory feature of this case is that although the sets were repaired by the contractor in March, June and September, 1963, these could not be utilised due to certain defects which remained unrectified by him till June, 1965. In the meantime a sum of Rs. 1.11 lakhs (approximately) had been paid to the contractor. They would like to know whether any action has been taken against the contractor for the delay or the officer who made the payment without ensuring thorough repairs.

5.161. The Committee understand from Audit that after repairs were carried out to the first set in March, 1963 it was tested by a Board of Officers at Panagarh and sent to Jhansi for installation. On arrival the Board which tested it at Jhansi found it to be unsatisfactory. This indicates that the first test conducted by the Officers at Panagarh was perfunctory. The Committee are sorry that Officers concerned should have been so casual in testing the set repaired at the cost of Rs. 40,950. They would like to know whether any action has been taken against them.

5.162. The Committee would also like to know as to when and where the three generating sets were put to use after repairs and whether they gave satisfactory service.

R. R. MORARKA,  
Chairman,

*Public Accounts Committee.*

NEW DELHI;

April 7, 1966.

*Chaitra 17, 1888 (Saka).*

---

---

**APPENDICES**

---

---

## APPENDIX I

(Vide para 1.3 of Report)

### MINISTRY OF DEFENCE

**SUBJECT:—Regularisation of excess over voted grant disclosed in Appropriation Accounts of the Defence Services for the year 1963-64 under Grant No. 9—Defence Services—Effective:**

For the year 1963-64, the Revenue demands for Army, Navy and Air Force which were being presented separately in the past were combined into one demand—"Defence Services—Effective".

In view of the emergency the Revised Estimates figure of the year 1962-63 were repeated as Budget Estimates for 1963-64 and a lump sum provision to meet the total additional expenditure for the three services was shown under a separate head "Emergency Measures". The provision for "Emergency Measures" was reappropriated during the year, to the extent necessary to meet the requirements of the three services.

#### Grant No. 9—Defence Services—Effective

	Rs.
Voted Grant . . . . Original	723,46,65,000
Supplementary	Nil
TOTAL . . . . .	723,46,65,000
Actual Expenditure . . . . .	727,91,72,665*
Net Excess . . . . .	4,45,07,665

(i) \*Includes an erroneous booking of Rs. 86,500 which is correctly debitable to :

	Rs.
(a) Grant No. 115 Defence Capital Outlay Sub Head 'C' Air Force—Major Head 130 . . . . .	32,500
(b) Grant No. 40—Pre-partition payments— Major Head 78 . . . . .	54,000
TOTAL . . . . .	86,500

(ii) Excludes a sum of Rs. 3,198/- erroneously booked under Major Head 78—Pre-partition payments (Grant No. 40) which was



correctly debitable to Major Head 81—Defence Services Estimates—Air Force.

2. During 1963-64, the compiled actuals under Grant No. 9 Defence Services, showed an increase of Rs. 4.45 crores over the sanctioned budget provision. No supplementary demands were applied for, it being considered that suitable re-appropriations within the composite grant would cover the revised needs of the Services, which were reviewed from time to time. It would be seen from the undermentioned table that while it was possible to assess almost accurately the requirement of Navy and Air Force during the course of the year and provide for these in the final estimates framed in March, 1964, the appreciation of the Army's requirement of funds fell short of the actual expenditure:—

	Sanctioned Grant	Final Estimate	(In crores of Rs.)	
			Actual Expenditure	Difference between Actuals & Final Estimates
Army . . . . .	575.21	558.32	570.85	+12.53
Navy . . . . .	23.13	21.92	22.47	+1.55
Air Force . . . . .	125.13	134.15	134.60	+1.45
TOTAL	723.47	714.39	727.92	+13.53

Thus though there was an excess of Rs. 13.53 crores over the Final Estimates the excess that requires regularisation under Article 115 of the Constitution is only Rs. 4.45 crores, being the excess of the Actuals over the total sanctioned Grant.

3. The excess of Rs. 12.35 crores under Army in relation to the Final Estimates is mainly due to heavier expenditure than anticipated in respect of—

A. Army :

(In lakhs of Rs.)

- |  |     |
|--|-----|
| 1. (a) Ordnance stores, due partly to larger materialisation of supplies (Rs. 251 lakhs) and advance payments to the Bharat Electronics Ltd. on account of supply of various types of wireless sets. (Rs. 197 lakhs) and partly to heavier payment of customs duty (Rs. 148 lakhs) . . . . . | 596 |
| b) Clothing Stores, due partly to heavier payments of customs duty (Rs. 239 lakhs) and partly to larger materialisation of supplies (Rs. 144 lakhs) . . . . .  | 383 |

(c) Factory stores, due to heavier payment of customs duty (Rs. 359 lakhs) partly offset by less materialisation of supplies (Rs. 176 lakhs) . . . . .	183
(d) Stores for the Inspection Organisation, mainly due to larger materialisation of supplies . . . . .	22
	<hr/> 1,184 <hr/>

Partly offset by—

(e) Saving against provision for Mechanical Transport Stores due partly to larger issues to Border Roads Organisation, Air Force, etc. (Rs. 211 lakhs) and partly to cancellation of orders for spares consequent upon a change in policy for discarding vehicles (Rs. 186 lakhs).	397 787
2. Transportation charges, mainly due to larger movement of personnel and stores, by rail . . . . .	255
3. Pay and Allowances of Officers/Other Ranks, mainly due to per capita rates adopted having proved to be insufficient	126
4. Operational Army Works (Rs. 70 lakhs) and maintenance of Factory Buildings (Rs. 15 lakhs) . . . . .	85
	<hr/> 1,253 <hr/>

B. Navy:

4. The Excess of Rs. 0.55 crores over the Final Estimates in regard to Navy has arisen as follows:—

	(In lakhs of Rs.)
1. (a) Customs duty, due to an erroneous payment of Rs. 16 lakhs and balance 6 lakhs on account of payment of outstanding bills for the previous years . . . . .	22
(b) Oil and fuel, due to payment for supplies drawn during the previous year . . . . .	20
(c) Clothing Stores, due to larger materialisation of supplies . . . . .	13
	<hr/> 55
Partly counter-balanced by—	
(d) Less materialisation of supplies of armament stores . . . . .	18 37
2. Transportation charges, due to increased movement of personnel and stores (Rs. 17 lakhs) and printing and stationery (Rs. 1 lakhs) . . . . .	18
	<hr/> 55 <hr/>
TOTAL . . . . .	55

**C. Air Force**

5. The excess of Rs. 0.45 crore over the Final Estimates for the Air Force is due to :—

	(In lakhs of Rs.)
(a) Rail charges, due to larger movement of personnel and stores (Rs. 22 lakhs), payment of training fees to foreign countries (Rs. 10 lakhs) and Printing and Stationery (Rs. 7 lakhs)	39
(b) Pay and allowances of Civilians	19
(c) Works, due to receipt of larger debits for "Departmental Charges"	8
	66

Partly counter-balanced by—

(d) Less expenditure due to non-materialisation of Aviation Stores (Rs. 142 lakhs), Ordnance Stores (Rs. 57 lakhs) and non-receipt of invoices for the Air Frames and engines (Rs. 50 lakhs)—partly offset by larger expenditure on Pertol, Oil and lubricants (Rs. 153 lakhs), Provision (Rs. 29 lakhs), Mechanical transport Stores (Rs. 15 lakhs) Clothing Stores (Rs. 12 lakhs) and Other Stores (Rs. 19 lakhs)	21
	45

**6. Army:**

Brief reasons for the increases which occurred over the final estimates in regard to the 'ARMY' are explained as under:—

(1) (a) Under 'Ordnance Stores' there was an excess of Rs. 4.48 crores. The increase was due partly to the materialisation of certain stores which were not expected to be delivered during 1963-64 and partly to advance payments to the Bharat Electronics Ltd. Similarly under 'Clothing Stores' the value of stores (Rs. 1.44 crores) materialised was larger than expected at the the final estimates stage.

(b) The final estimates under 'Customs duty' payments on imported stores fell short of the actual expenditure by Rs. 7.46 crores. It has been found difficult to assess with accuracy the total 'Customs duty' charges that would ultimately be adjusted in the accounts of the year. This is so because the procedure of adjustment of customs duty in respect of 'Defence Stores' is extremely elaborate. Briefly, on receipt of the stores in the port, the Embarkation Com-

mandant prepares a provisional 'Bill of Entry' on the basis of 'Bills of Lading' and other shipping documents. The Bill of Entry is passed through the Customs authorities on a 'Note Pass' system which enables the Embarkation Commandant to clear the stores from the port. Later, on receipt of priced invoices etc., classification of items of stores is done by the Embarkation Commandant in accordance with Customs Tariff and value of stores is indicated in the Final Bill of Entry. The Final Bill of Entry duly supported by invoices etc. is passed through Customs authorities who assess and indicate the duty payable and return the Bill of Entry to the Consignee for acceptance. After the consignee has indicated his acceptance, the Bill of Entry is passed by the Customs authorities to the Accountant General concerned for raising the debit against the Controller of Defence Accounts concerned duly supported by Bills of Entry.

It would be seen that the adjustment of 'Customs duty' charges involves action by various authorities and unless prompt action is taken at every stage, the adjustment of the charges on the actual stores received is apt to bunch together towards the end of financial year. Because of these reasons the actual expenditure recorded upto February, 1964 was no indication of the total amount ultimately adjusted. Most of the adjustments were carried out only in the March Final and the March Supplementary accounts.

Streamlining of the procedure for speedy adjustment of customs duty is under consideration and the maintenance of 'Liability Register' by the consignees, as a step in that direction would also be examined in that connection.

- (c) There was a counter-balancing reduction of Rs. 3.97 crores under 'Mechanical Transport' stores. Issues to the Border Road Organisation and the Air Force had exceeded the anticipations by Rs. 2.11 crores. As a result of the Casting off policy of 'B' vehicles, a large number of order for spares for maintenance and overhaul had to be cancelled, but the exact quantum of the reductions could not be assessed as it depended in many cases on the willingness of the suppliers to accept the reductions in case of stores which had been contracted.

2. The expenditure under 'Transportation' charges exceeded the final estimates by Rs. 2.55 crores. The booking of expenditure under

this head is done by means of adjustments, carried out on the basis of 'Military Warrants' and 'Credit Notes'. Unless there is a uniform inflow of these vouchers from the Railway authorities on the basis of the warrants actually utilised for a particular period, the adjustments are bunched and carried out towards the end of the financial year and the estimating authorities tend to err.

3. Expenditure on 'Pay and Allowances' of Officers/Other Ranks exceeded the final estimates by Rs. 1.26 crores mainly due to the per capita rates adopted for the purpose having proved insufficient and payment of enhanced D.A., orders for which were issued only towards the end of February.

4. Under the Operational Army Works and Maintenance of Factory Buildings, there was an excess expenditure of Rs. 85 lakhs. Estimation is rendered difficult in view of the large number of estimating authorities involved in this head. Local Commanders may order the execution and the funds are met out of imprest accounts. Imprest accounts are then rendered to the C.D.A. concerned who carries out the adjustments.

#### *Navy:*

7. The actual expenditure under the Navy sub-head (Rs. 22.47 crores) exceeded the final estimates (Rs. 21.92 crores) by only Rs. 0.55 crore. Bulk of the excesses could be accounted for as due to higher adjustments on 'Stores' particularly Clothing Stores, Oil and Fuel. The stores supplied by D.G.O.F., however, were less than what were anticipated at the Modified Appropriations stage and this partially counter-balanced the overall excesses under 'Stores'. Under 'Customs duty' also there was an excess adjustment of Rs. 22 lakhs partly due to an erroneous payment of Rs. 16 lakhs and the balance of (Rs. 6 lakhs) on account of payment of outstanding bills for previous years. Higher transportation charges due to increased movement of personnel and stores also contributed to the total excesses on the overall Modified Appropriations.

#### *Air Force*

8. The Air Force Final Estimates (Rs. 134.15 crores) fell short of the actual expenditure (Rs. 134.60 crores) by Rs. 0.45 crores. The excess occurred mainly due to higher rail charges necessitated by larger movement of personnel and stores, payment of training fees to foreign countries and printing and stationery charges. As explained earlier, the expenditure on 'Rail' charges is booked through adjustments carried out on the basis of Military Warrants and Cre-

dit Notes and variations result between the estimated adjustments and actual adjustments carried out. There was also a slight excess in the expenditure under 'Pay and Allowances' of Civilians. The excesses under these heads were, however, partly counter-balanced by less expenditure due to non-materialisation of certain items of Aviation Stores, Ordnance Stores and non-receipt of invoices for Air-Frames and engines which were partly offset by larger expenditure on POL, Provisions, Mechanical Transport Stores, Clothing Stores and other stores.

9. The excess of Rs. 4,44,24,363 (excluding the erroneous booking of Rs. 86,500 referred to in para 1 above and including Rs. 3198| - wrongly debited to Major Head 78) is only 0.61 per cent of the Sanctioned Grant. In the circumstances explained above, it is requested that the excess may be recommended for regularisation by Parliament.

10. D.A.D.S. has seen.

R. J. REBELLO,  
*Joint Secretary*  
1-6-1965.

## APPENDIX II

(Vide para 1.31 of Report)

*Information required by the Public Accounts Committee in its sitting held on 14th January 1966, while discussing Appropriation Accounts, Defence Services, 1963-64—Para 31 (h).*

The Committee desired to have a statement giving the year-wise breakdowns with regard to the amounts recoverable from the various contractors.

Of the amount of Rs. 28.79 lakhs brought out as outstanding at the end of the year 1963-64, Rs. 9.08 lakhs have since been reported by the Chief Engineers as cleared.

2. With regard to furnishing of breakdown of the balance amount still outstanding, viz., Rs. 19.71 lakhs, it may be mentioned that Army Headquarters have not got the information as to the year in which the claims actually arose against individual contracts. The requisite information is being obtained from the concerned authorities and will be furnished to Lok Sabha Secretariat shortly.

3. However, a statement showing the breakdown of the outstanding amount of Rs. 19.67 lakhs out of total outstanding amount Rs. 19.71 lakhs by the years in which the contracts to which the claims relate were entered into is enclosed. Information with regard to balance amount of Rs. 4,000/- viz. Rs. 19.71 lakhs—Rs. 19.67 lakhs will be furnished as soon as possible. Information regarding the number of contracts involved and the years in which those contracts were concluded is not available for Rs. 2,04,065 shown in the Annexure.

L. S. LULLA,  
Joint Secretary (Q)  
9-2-1966

## ANNEXURE

*Year-wise breakdown of Rs. 19.67 lakhs outstanding on account of overpayment/short or 'non-recovery from contractors [para 31(h)], Section V. Review of MES Expenditure—Appropriation Accounts (DS) 1963-64.*

Year	No. of contracts	Amount. Rs.
1941-42	1	4,211
1942-43	2	3,058
1943-44	9	1,82,446
1944-45	2	42,583
1947-48	2	8,677
1948-49	5	1,19,907
1949-50	4	95,895
1950-51	8	1,18,521
1951-52	12	39,407
1952-53	4	68,784
1953-54	6	1,53,887
1954-55	17	2,60,248
1955-56	18	3,25,233
1956-57	10	88,345
1957-58	7	72,577
1958-59	7	35,165
1959-60	10	71,008
1960-61	5	70,899
1961-62	4	2,323
Not known	..	2,04,065
<b>TOTAL</b>		<b>19,67,239</b> (say Rs. 19.67 lakhs)



### APPENDIX III

(Vide footnote para 4.35 of Report)

#### MINISTRY OF DEFENCE

(Department of Defence Production)

**SUBJECT:** *Audit Report, Defence Services, 1965—Para 32—Delay in compilation of a Book of Regulations for Ordnance Factories.*

During discussion on Para 32 of the Audit Report—Defence Services 1965, the Public Accounts Committee desired to have information on the points listed below:—

- (i) Was any assessment made during the period of 12 years (1952 to-date) about the time required for the work of compilation of the Book of Regulations for Ordnance Factories?
  - (ii) What checks were exercised to see that the work was not being delayed?
2. The information in respect of the above points is given below:
- (i) Initially when the staff for the Cell in DGOF's Headquarters for compilation of the Book of Regulations was sanctioned in November 1952, a broad assessment was made that the time required for the completion of the work would be 6 months. The assessment presumably did not evaluate the entire scope and nature of the work involved and viewed in retrospect, proved totally incorrect. Subsequently further sanctions had to be obtained by the DGOF from time to time before the expiry of the validity of the earlier sanction. Every time the case for extension of the period of the Cell came up for consideration, a rough estimate was made of the time required on the basis of the data available at that time but in view of the very nature of the work and its size, which is borne out by the volume of the already published portion (i.e. Procedure Manual) these periodical estimates also proved to be inaccurate.
  - (ii) DGOF had from time to time intimated about the progress of the work while seeking sanction for the extension of the

cell. Wherever information, in this regard, was not adequate, it was also specifically obtained before sanction for continuance of the cell was accorded. The periodical extensions given for the continuance of the Cell did not exceed one year at a time and many of these extensions given were for 6 months or less. The checks that were exercised to see that the work was not being delayed were inherent in the scrutiny done prior to the issue of each sanction and also in issuing sanctions for short term periods so that the work done could be constantly kept under review.

3. It may be added that the existing sanction for the posts of one Assistant and one LDC in connection with the Regulations work will expire on 31-3-1966. No further sanction will be accorded for the continuance of these posts. The staff in the Headquarters of DGOF is being asked to look after the residuary work.

4. DADS has seen.

S. Y. RANADE,  
*Joint Secretary (F&C)*  
5-4-1966

## APPENDIX IV

(Vide para 5.16 of Report)

*Additional Information required by the Public Accounts Committee  
Audit Report Defence Services 1965—Pages 4-5—Para 4, Military  
Farms*

A note explaining the reasons for the high cost of production of milk in the Military Farms indicating *inter alia*—

- (i) the break-up of the overhead charges; and
- (ii) the relation of overhead charges to the total production in the Farms;

may be furnished.

*Present system of working out production cost:*

1. At present the production cost of milk is worked out as per the procedure given in the succeeding paragraph.

2. The cost of milk production is calculated by deducting from the total expenditure incurred at the Farms, the expenditure on some major items which do not relate to milk production e.g. the expenditure of the milk purchasing depots, milk purchased at the cattle holding farms, cost of SM Powder, realisation from sale of grains and fodder and miscellaneous receipts. While the expenditure of purchasing depots is excluded, the total cost includes the pasteurisation charges of the entire quantity of milk, including the milk purchased by the cattle holding farm. The average cost of production is then calculated by dividing the net expenditure on milk production by the total quantity of milk produced, less that fed to calves. In the case of a farm which holds both buffaloes and cows, the average cost will be for the entire milk production in the farm; but the average cost will be that of cows' milk where only cows are held and of buffaloes' milk where the herd consists of buffaloes only.

3. The cost of production calculated as indicated above includes pasteurisation and delivery charges of milk, depreciation on dairy plant and machinery, interest on capital on the dairy buildings and machinery, pay and allowances of the staff employed on processing

and distribution of milk, depreciation on cattle without taking credit for appreciation of the animals, rearing of unwanted calves and the interest on Government Accounts 'A' and 'C'.

*Cost of production of milk during 1963-64:*

4. A statement showing the cost of production per litre of milk at the various military farms during 1963-64 is attached at Annexure 'A' to this paper. It will be observed therefrom that the cost at the various farms ranged from 87 Paise per litre to Rs. 3.84 per litre. The average production cost on all India basis worked out to Rs. 1.72 per litre.

*Reasons for wide variations in the cost of production of milk at different farms:*

5. The cost of production of milk is dependent upon a number of factors which again vary from farm to farm and year to year. A separate paper summing up these variable factors is attached at Annexure 'B' to this note.

*Reasons for High cost of Production at Farms:*

6. The main reasons for the high cost of production of Rs. 1.72 per litre at the farms are given below:—

- (a) As explained in para 3 above, the cost of production of Rs. 1.72 per litre of whole milk is inclusive of certain charges which are not a legitimate charge on production e.g. expenditure in the dairy on processing and pasteurisation and delivery to the units/payment customers, interest on capital Account 'A' and Government Account 'C', appreciation of cattle and expenditure on rearing unwanted calves upto an age of one month for free gift to civil breeders. If these charges are excluded, the production cost of raw milk is likely to be reduced by 20 per cent i.e. from Rs. 1.72 to Rs. 1.38 per litre.
- (b) High establishment charges due to Central Government rates of pay—Minimum Wages and Labour Acts.
- (c) Stall feeding of animals in the absence of well-developed pastures and paying higher prices for concentrates procured through CDP.
- (d) High maintenance cost of animals under scientific and hygienic conditions in proper sheds with proper water

arrangements and adequate veterinary cover. The bulk of the milch herd maintained at the Military Farms is buffaloes. The buffaloes milk produced at the farm has an average BF content of 7.2 per cent. The milk normally purchased by the Military Farms is with BF content of 6.2 to 6.5 per cent. The production cost of raw milk at the farms will require to be reduced proportionately before comparing with the local market rates. The production cost of Rs. 1.38 per litre excluding the charges mentioned in (a) above, in respect of farm produced Buffalo milk with average BF content of 7.2 per cent is equivalent to a rate of Rs. 1.19 per litre for 6.2 per cent BF.

7. Apart from the above, it may not be appropriate to compare the cost of production of milk at the military farms with the local market rates. In the private sector, organised dairies owning their own cattle are almost non-existent. Bulk of milk supply comes from petty *gwalas* and farmers holding individually a small number of cows and buffaloes. Dairying is a side-line for an average farmer who owns a few milch animals for which no extra staff is employed by him. He maintains cattle under primitive conditions, uses very little concentrates to supplement the feeding of his cattle and has a large family to assist him. Thus he is able to produce milk with very little expenditure.

It may be mentioned that the sale rate of raw buffalo milk produced by private owners in Aarey Milk Colony for supply to Bombay Milk Scheme is Rs. 1.23 per litre.

#### *Break-up of Cost of Production of Milk.*

9. A statement showing the broad break-up of the cost of production of milk at 8 typical military farms is attached at Annexure 'C' to the note. The items of expenditure given against S. Nos. 3, 6 and 7 are clearly overhead charges. The percentage of overhead charges to the total cost of production in the 8 farms, for which detailed figures are given in Annexure 'C', is shown below:—

Agra	.....	23.3%
Panagarh	.....	14.6%
Wellington	.....	10.3%
Margoa	.....	13.3%
Jhansi	.....	11.1%
Kanpur	.....	18.8%
Jullundur	.....	15.3%
Kirkee	.....	20.9%

The broad reasons for disparities in the cost of production are explained in the note at Annexure 'B'.

*Conclusion:*

10. At present, the accounts of military farms are maintained collectively for all sections of the farms viz. cultivation, cattle-yard, stackyard and dairy. The cost of production is a cumulative index of the combined efficiency of all the sections. Under the present system, it is rather difficult to analyse properly and minutely the working economics of each section separately. With the switch over to the new system of cost accounting with maintenance of separate accounts for each section with effect from 1 April 1966, it will be possible to analyse the production cost of milk in a more scientific manner.

L. S. LULLA,

*Joint Secretary.*

### ANNEXURE 'A'

*Statement showing the cost of Production in various Farms.*

Name of Parent Farm	Cost of production per litre
	Rs.
AHMEDNAGAR . . . . .	1·87
BANGALORE . . . . .	1·65
BELGAUM . . . . .	1·41
DEOLALI . . . . .	1·52
JUBBULPORE . . . . .	1·48
KIRKEE . . . . .	1·53
PIMPRI . . . . .	1·95
SECUNDERABAD . . . . .	1·59
WELLINGTON . . . . .	2·26
MHOW . . . . .	0·97
MARGOA . . . . .	2·25
AGRA . . . . .	3·84
ALLAHABAD . . . . .	1·81
BAREILLY . . . . .	1·98
DEHRADUN . . . . .	1·98
JHANSI . . . . .	2·23
LUCKNOW . . . . .	1·53
KANPUR . . . . .	2·07
MEERUT . . . . .	1·98
NAMKUM . . . . .	1·93
PANAGARH . . . . .	2·59
AMBALA . . . . .	1·69
JULLUNDUR . . . . .	1·68
FEROZEPORE . . . . .	1·70
PATHANKOT . . . . .	0·87
KASALI . . . . .	1·68

## ANNEXURE 'B'

### *Reasons for variations in the Cost of Production of Milk at different Farms*

The cost of production of milk is dependent upon a number of variable factors which again vary from farm to farm and year to year. These are briefly summarised below:—

- (a) *Milking performances of the animals.*—The higher the per capita milk yield of the milch herd, the lower is the cost of production. The average milk yield in turn depends upon the undermentioned factors:—
  - (i) *Type of milch herd maintained at the farm.*—The cross-bred cows with 50 per cent and more exotic blood have the highest milk potential and are most economical to maintain. The cross-breds mature earlier, breed more regularly, produce more milk in a lactation, have a shorter dry period and possess a longer milking life. Cost of production of buffalo milk is the highest; yet because of its issue to troops after blending it is more economical to the State. Farms maintaining exclusively cross-bred cow herd with higher foreign blood as at MHOW and PATHANKOT will have lower cost of milk production than a farm with exclusively buffalo herd.
  - (ii) *Availability of suitable grazing land, green fodder, watering arrangements and cattle sheds.*—These environmental factors are conducive to better animal husbandry and consequently better milking performance.
  - (iii) *Incidence of disease and epidemic.*—The outbreak of diseases among the milch herd during a particular year adversely affects their condition and milking averages.
  - (iv) *Standard of care and cattle management.*—Since the calibre and efficiency of personnel vary from individual to individual, it is not practicable to provide identical conditions of cattle management at all farms. Therefore, the management is likely to vary from farm to farm and consequently the performances of the cattle also differ.



- (b) *Average cost of feed.*—(i) The two main items of cattle feed are concentrates and fodder. The concentrates (Gram, barley, barn and oil-cakes) are procured centrally through the Chief Director of Purchase, Ministry of Food and Agriculture. Although procurement cost at the station of supply is uniform, the incidence of freightage from station of supply to destination varies from farm to farm according to the distance from source of supply. Gram is mostly procured from Punjab for all the farms in the country. The military farms situated in the South incur greater expenditure on transportation, making feed more expensive to them. Bran for farms is procured mainly ex-GAUHATI.
- (ii) The fodder requirements are met partly by production at the farm, and the rest by harvesting from leased land and through purchases. The cost of production of fodder at the farms, varies from place to place according to availability of good agricultural land, nature of soil and irrigation facilities together with local climatic conditions, lease charges of grass lands and their distances from the main farms, labour charges, transportation cost and so on. The purchase rate of hay and bhoosa also varies from zone to zone.
- (iii) Some military farms where facilities exist produce abundant quantities of green fodder and save on concentrates thus reducing the cost of feed which ultimately results in lowering the cost of production of milk.
- (c) *Cultivation results.*—The cost of production of milk includes entire expenditure on cultivation of land less receipts from farm produced fodder supplied to ASC and sale realisation from cash crops. The out-turn from cultivation affects the cost of production of milk. The cultivation results are dependent upon the following factors which vary from farm to farm and year to year:—
- (i) The extent of land, nature of soil and irrigation facilities.
  - (ii) Timely, adequate and well spread out rains.
  - (iii) Absence of Kharaba, or
  - (iv) Incidence of crop disease, pests and insects.
- (d) *Increase in cost of production of fodder.*—The farm produced fodder issued to ASC is priced at the previous years

cost of production. In view of rising trends of prices, the cost of fodder tends to rise every year. The issues of fodder are, therefore, at a discount. The loss increases the cost of production of milk.

- (e) Rearing of bulls, bullocks and young and dry stock by certain farms on behalf of others. The actual cost of rearing is far in excess of the book value recovered from the farms at the time of transfer. AGRA is a typical example where a Haryana herd with comparative low milk production is maintained for rearing of bullocks.
- (f) Rearing of unwanted male calves upto a period of one month for free gift to civilian breeders. The farms rearing larger number of unwanted calves have to incur more expenditure thus increasing the cost of production of milk.

**ANNEXURE 'C'**

*Statement showing the breakup of Production Cost of one Litre Milk at Certain Military Farms during the Year 1963-64*

Sl. No.	Headings	Military Farm Agra			Military Farm Panagar			Military Farm Willington			Military Farm Margon		
		Expenditure	cost per lit.	% age of the total	Expenditure	cost per lit.	% age of the total	Expenditure	cost per lit.	% age of the total	Expenditure	cost per lit.	% age of the total
		Rs.	Paisa		Rs.	paisa		Rs.	Paisa		Rs.	Paisa	
1.	Pay of establishment	151269.77	10.25	32.5	64899.71	0.74	28.5	63826.59	0.88	38.9	14616.75	0.63	28.0
2.	Cost of feeds of animals including cost of grains and fodder produced and purchased	116411.47	0.96	25.2	62949.40	0.71	27.4	30418.10	0.42	18.5	21081.61	0.90	40.0
3.	Non-effective charges such as pay of administrative staff, vety Lab. charges, Mily accts Dept charges and Superannuation charges	16613.00	0.14	3.6	1485.15	0.02	0.7	5032.57	0.07	3.0	1157.48	0.05	2.2
4.	Plant and Machinery	35604.10	0.29	7.6	36147.34	0.41	15.8	11882.68	0.16	7.2	3934.95	0.17	7.6
5.	Transportation charges	19300.47	0.16	4.1	20322.17	0.23	8.8	32748.70	0.46	20.0	1812.77	0.08	3.5
6.	Depreciation charges casualties and condemnations transferred to ER Funds.	52926.00	0.44	11.4	17425.00	0.20	7.7	7732.00	0.10	4.7	4556.00	0.19	8.4
7.	Interest Charges	39422.00	0.32	8.3	13960.31	0.16	6.2	4100.63	0.06	2.6	1384.00	0.06	2.7

8. Other charges such as Misc. Stores & charges, Telephone charges Accommodation Con- servancy water & Elec- tricity, ice salt and acid.	34005.56	0.28	7.3	10780.68	0.12	4.9	8355.50	0.11	5.1	4033.06	0.17	7.6
9. Total :	465552.37	3.84	100.0	227969.76	2.59	100.0	164096.77	2.26	100.0	52576.62	2.25	100.0
10. Total quantity of milk produced Litres	121303		88103			72629			23315			

**ANNEXURE 'C'**

*Statement showing the break up of production cost of one Litre milk at certain Military Farms during the year 1963-64*

Sl. No.	Headings	Military Farm Jhansi			Military Farm Kanpur			Military Farm Jullundur			Military Farm Kirkee		
		Expenditure	Cost per lit	%age of total	Expenditure	Cost per lit	%age of total	Expenditure	cost per lit	%age of total	Expenditure	cost per lit	%age of total
		Rs.	Paisa		Rs.	Paisa		Rs.	Paisa		Rs.	Paisa	
1.	Pay of Establishment	260154.28	0.62	27.9	146936.28	0.57	27.7	412764.48	0.45	27.0	426445.17	0.36	23.5
2.	Cost of feeds of animals including cost of grains and fodder produced and purchased	310356.30	0.74	33.4	208133.33	0.82	39.5	617677.24	0.68	40.3	828507.19	0.70	45.9
3.	Non-effective charges such as pay of administrative staff, Vety. Lab. Charges, Military Accts Deptt charges and Superannuation charges.	37158.75	0.09	4.0	17140.00	0.07	3.4	37606.00	0.04	2.4	48636.70	0.04	2.6
4.	Plant and Machinery	146436.66	0.36	15.7	33536.26	0.13	6.3	79451.24	0.09	5.2	131119.60	0.11	7.2
5.	Transportation charges	348805.73	0.83	37.5	23122.79	0.09	4.3	59588.58	0.06	3.9	69604.65	0.06	3.8
6.	Depreciation charges casualties and condemnations transferred to R.R. Funds.	49113.18	0.12	5.3	69550.00	0.28	13.5	150212.28	0.17	9.8	219781.00	0.18	11.8
7.	Interest charges	16906.79	0.04	1.8	8780.00	0.04	1.9	46863.15	0.05	3.1	115878.00	0.10	6.5

8. Other charges such as  
 Misc. Stores & charges  
 Telephone charges,  
 accommodation, Conser-  
 vancy, Water and  
 electricity ice, salt and  
 acid.

*(-)	(-)	(-)							†(-)	(-)	(-)
238096.03	0.57	25.6	19932.73	0.07	3.4	127121.04	0.41	8.3	28344.69	0.02	1.3

---

9. TOTAL:	930835.66	2.23	100.0	527131.39	2.07	100.0	1531284.01	1.68	100.0	1811627.62	1.53	100.0
-----------	-----------	------	-------	-----------	------	-------	------------	------	-------	------------	------	-------

---

10. Total quantity of milk  
 produced Litres.

417387	254134	913337	1187670
--------	--------	--------	---------

---

\*Due to increased transfer of stores to MF Gwalior on its establishment.

† Due to mistake in working out cost Receipt of SM powder also appear to have been included in this head.

## EXPLANATORY NOTE ON VARIOUS HEADINGS

*Pay of Staff.*—This includes pay and allowances of all the staff of Mily. Farms (Permanent or Temporary) excluding Daily Labour, Pay of Officer Incharge, Clerical Staff and Office Contingencies. In other words pay of establishment of dairy, cattle yard, cultivation, stores and other sections is also included in it.

2. *Cost of Feed of animals including cost of grains and fodder produced and purchased.*—Self-explanatory.

3. *Non-effective charges such as pay of administrative staff, vety. Lab. Charges, Mily. Accounts Deptt. charges and superannuation charges.*—Self-explanatory.

4. *Plant and Machinery charges.*—This includes POL, maintenance of vehicles and other machinery and spare parts of plant and machinery met from Revenue.

5. *Transportation Charges.*—Charges incurred on freight and other transportation of concentrates, fodder and other stores including loading and unloading are included in the item.

6. *Depreciation, casualties and condemnations transferred to RR Fund.*—Receipts from Capital items is excluded.

7. *Interest on Capital*—Interest on Govt. Account 'C' is also included.

8. *Other charges such as Misc., Stores and charges, Telephone Charges, accommodation, conservancy, water and electricity charges, Ice, salt and acid etc.*—In addition to have rent of land and Travelling allowances of staff is included.

## APPENDIX V

(Vide para 5.50 of Report)

*Note containing additional information required by the Public Accounts Committee.*

*Audit Report Defence Services, 1965—Page 25—Appendix I, item (iv)—Damage to Hats*

It was stated that two packages had been damaged at the Bombay Port. What was the nature of the damages?

Two different lots of packages containing Gorkha hats were shipped under 2 bills of lading Nos. 856/19 and 856/20. The first lot was of four packages and the second of six packages. Out of the first lot of 4 packages, the outer packing of two was found to be in broken condition. These two packages were marine surveyed but no damage or discrepancy was discovered in these packages. The observations in the Audit Report 1965 do not pertain to this first lot of 4 packages shipped under Bill of Lading No. 856/19.

2. Out of the second lot of six packages, shipped under Bill of Lading No. 856/20, one package was cleared on 30th May, 1962 in a damaged condition and a regimental survey alone could be conducted. 58 hats therein were found deficient, while the remaining 542 hats were repacked suitably in 5 cases and despatched to the consignee on 7th September 1962. The observations by Audit do not pertain to this consignment sent on 7th September, 1962.

3. Five out of the six packages covered by Bill of Lading No. 856/20, which were cleared in sound condition, were despatched to the consignee on 26th July, 1962 by goods train. The loss in this consignment due to rain in transit has been mentioned in Appendix I, item (iv) at page 25 of the Audit Report.

L. S. LULLA,  
Joint Secretary.  
22-2-1966.



## APPENDIX VI

(Vide Para 5·78 of Report)

### MINISTRY OF DEFENCE

*Points arising out of Audit Report (Defence Services) 1965 on which the Public Accounts Committee desired to be furnished with further information at their sittings held on the 20th and 22nd January, 1966.*

Point No. 4—*Para 15—Extra expenditure in stitching Garments.*

What action was taken to claim damages from the Delhi firm who failed to supply the garments in time? Was any letter addressed to the firm pointing out their liability to pay damages under the terms of the contract?

On 16-3-1963, the firm expressed difficulty in adhering to the contract date of delivery and asked for extension of the contract period. After due consideration extension was granted to the firm for six weeks upto 12th May, 1963 for delivery of stitched garments without invoking the penalty clause.

2. No letter was sent to the firm claiming damages calculated as per the penalty rates provided in the supply order.
3. Clause 8 of the supply order stipulated penalty at the rate of 2% to 5% of the price of the store which the firm failed to deliver for each day during which the delivery of such stores may be in arrears.

At the rate of 2% penalty per day, the actual quantum of the penalty to be recovered from the contractor would have been Rs. 16·03 lakhs approximately. At the rate of 5%, the penalty would have been Rs. 40·08 lakhs approximately. Against this, the total amount payable to the contractor for the entire contract was Rs. 13,72,200·00.

4. As the amount of liquidated damages calculated at the rate indicated in the contract appeared *prima facie* large, the advice of the Ministry of Law was sought on the

question whether the recovery of the amount in question would be free from legal objection. The Law Ministry advice was that "it would be difficult to recover damages at the rate mentioned in the contract", that the said amount would be considered by the court as "excessive and unconscionable" and that it would be advisable to assess compensation for delayed performance on the basis of DGS&D's practice. According to the DGS&D practice, the amount of recovery was assessed at Rs. 8,971.00 and the same was imposed and recovered accordingly.

5. In view of the advice given by the Ministry of Law, the question whether the penalty clause in the Supply Order was appropriate was examined and, in May 1965, the Penalty Clause for inclusion in Supply Orders in future was revised. The liquidated damages are sine assessed at the rate of 1% to 5% (actual percentage left to the discretion of the Purchasing Officer) of the price of stores for each month or part of a month during which delivery may be in arrears. The total recovery as liquidated damages is, however, not to exceed 5% of the total value of stores irrespective of the period of delay during which the delivery may be in arrears.
6. Three advance copies are sent as desired while one copy has been routed through the D.A.D.S.

L. S. LULLA,  
*Joint Secretary.*  
 21-2-1966

## APPENDIX VII

(Vide Para 5.98 of Report)

### MINISTRY OF DEFENCE

*Additional information required by PAC on Para 38 of Audit Report (Defence Services) 1955 relating to delay in repair/overhaul of vehicles.*

**QUESTION:—**What efforts were made by the Army authorities to get back their vehicles from the Contractor? Was an application to this effect made to the Court of Law also?

**ANSWER:—**

(a) On 9th October, 1958, a notice was issued to M/s. \* \* \*, informing them that they have committed default in failing to complete the work in accordance with the contract of 24th March, 1958 and asking them to deliver all the 50 vehicles duly overhauled by the 30th October, 1958 failing which action would be taken to cancel the contract and recover damages according to law.

(b) On 31st October, 1958, a notice was issued to M/s. \* \* \* informing them that they had failed to give delivery of the 50 vehicles after overhaul by the 30th October, 1958 and informing them that their contract stood cancelled. The same notice informed the contractor that possession of all the 50 vehicles would be taken from them on 3rd November, 1958 by Lt. Col. \* \* \* on behalf of Government. On 3rd November, 1958, the Government representative called at the workshop of the contractor but was refused delivery of the vehicles. The contractor stated that unless the settlement regarding mode of payment for the work already done by him was not made, he could not give delivery of the vehicles. The Government representative explained to the contractor that an inventory showing the condition of each vehicle and stripped/unstripped assemblies and components would be made on a specific form which was duly shown to the contractor, but still the contractor refused to hand over delivery of the vehicles.

(c) On 5th November, 1958, the contractor was again informed in writing to hand over the vehicles at 10.00 hours on 8th November, 1958 when an inventory would be prepared in the joint presence of

the contractor and the Government representative. The contractor was also informed that if he did not attend by the appointed hour, the inventory would be made out in his absence and steps would be taken to take delivery of the vehicles. On 6th November, 1958 a reply was received from the contractor that he had a lien on the vehicles and could not hand them over until the claims were settled. In pursuance to this letter from the contractor, the Law Ministry were consulted and they advised that Government representative should not call on the contractor on 8th as originally proposed and that the dispute be referred to arbitration. They further opined that the dispute may be discussed with the contractor without prejudice to legal rights.

(d) The matter was discussed with the contractor on 5th December, 1958 and 5th January, 1959, but yielded no results.

(e) In accordance with the advice from the Ministry of Law, the arbitrator was appointed on 10th July, 1959. One of the claims submitted to the arbitrator on 20th August, 1959 was for an immediate return of the 50 vehicles handed over by Government to the contractor. On 3rd August, 1965 an application was submitted to the arbitrator that in case the vehicles were not delivered by the contractor in the condition in which they were handed over to him, an amount of Rs. 1,63,800 representing their value should *inter alia* be paid to Government.

(f) The arbitration proceedings were stayed by a civil court at the instance of the contractor on 27th August, 1959. The stay was discharged on 19th August, 1960. The contractor appealed to the Additional District Judge who dismissed the appeal on 22nd January, 1964. The arbitration proceedings are still pending with the arbitrator.

(g) Since the terms of the contract provide for settlement of the dispute by arbitration, a motion direct to the court for a decree for return of the vehicles would patently not be maintainable. The action to refer the dispute to arbitration was taken in accordance with the Law Ministry advice.

L. S. LULLA,  
Joint Secretary.  
23-2-1966

## APPENDIX VIII

(Vide Para 5.133 of Report)

### MINISTRY OF DEFENCE

**SUBJECT:—Page 13—Para 18(a) of the Audit Report (DS) 1965—  
Continuance of MES Divisions without sufficient load—  
further information desired by the Public Accounts  
Committee.**

- (i) *What were the reasons for cancelling the works costing Rs. 19.26 lakhs within six months of the sanction?*

The following two projects were cancelled in July, 1963:—

- |   |                 |
|---|-----------------|
| (a) Provision of accommodation for station Workshop EME Type 'C' and attached Components. | Rs. 9,80,000.00 |
| (b) Classification ranges.  | Rs. 46,000.00   |

The necessity of the work at para (i) (a) above was accepted by Headquarters Delhi and Rajasthan Area on 14.3.1963, and approval granted accordingly. The work was however not progressed for 2 reasons, and the sanction cancelled in July, 1963. Firstly, it was noticed that the special items of work amounted to Rs. 4,84,300 and thus exceeded Rs. 50,000 which is the limit prescribed for the Area Command. This was pointed out by the Army HQ to the Area Commander in May, 1963. Secondly, due to new raisings and also due to expansion of the \* \* \* Training Centre and congestion in military area, it was found difficult to accommodate the workshops and other units in the originally proposed area which was surrounded by civil population on three sides and river on the fourth side; and a proposal was made to locate the proposed \* \* \* Cantonment in a different area. For the latter reason, the work at (i) (b) above, was also held in abeyance.

- (ii) *On what basis was the site of the E.M.E. Workshop selected and why was it changed within a short period?*

A board of officers had selected a site for the EME Workshop and the basis on which the site was selected had been stated vide paras 3 and 4 of the board proceedings (extra attached). The Board recognised that there was land difficulty at \* \* \*. The project however was not progressed for reasons mentioned above.

L. S. LULLA,  
Joint Secretary.  
26.2.66.

**Extract of Headquarters Delhi and Rajasthan Area Letter,  
No. 3700|6|3|03 dated 14th March, 1963—Paras 3 and 4.**

3. Keeping in view the limited availability of Government land in the station and the difficulties of requisitioning| hiring the land for locating the workshops, the board decided to site the unit on the Government land in the area adjacent to the Military Vegetable Farm. The following points were considered while selecting the site:—

- (a) The land is owned by the Government and is readily available. Construction work can start without any delay.
- (b) There is enough space to accommodate the workshop and to cater for future expansion.
- (c) Situated on a good road and is away from civil population.
- (d) Water supply is readily available as the water pipe passes along the main road in front.

4. The site, however, has, the following distinct disadvantages:—

- (a) The area is relatively flat and is subject to accumulation of water during the monsoon season. The lack of proper drainage system further aggravates the problem to drainage and provision of proper drainage system is considered essential.
- (b) It is comparatively away from the unit located in \* \* \* and is at a distance of about 3 miles.

**APPENDIX IX**

*Summary of main conclusions/recommendations*

S. No.	Para No. of Report	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	1.6	Defence <hr/> Finance (Defence)	The Committee desire that the question of streamlining the procedure to have an effective control over expenditure should be pursued vigorously and suitable steps taken in consultation with the Ministry of Finance to remove the defects in the present system.
1	1.7		Subject to the above observation the Committee recommend that excess under Grant No. 9—Defence Services—Effective may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.
2	1.9	do.	The Committee are surprised how in the absence of detailed estimates such large amounts were provided in the budget estimates, which remained largely un-utilised. Further, in the opinion of the Committee, when the trend of the foreign exchange and assistance was known, there was no justification for retaining the funds upto the close of the financial year. The Committee regret to observe that the instructions issued by the Ministry of Finance in October, 1962 (c/f para 5 of 17th Report of P.A.C.—Third Lok Sabha) for

631

surrendering of savings immediately they were foreseen were not complied with in this case.

3            1.13            do.

The Committee observe that there was a substantial saving of Rs. 7.73 crores under the item 'purchase of Dodge, one ton chassis and ambulances'. Since adequate capacity within the country to supply this item was not available, the Ministry could not expect supply in time and as such they should not have made a provision of such a substantial amount. Further the difficulties of availability of foreign exchange etc. were also known to the authorities from the very beginning and they should have estimated their requirements more precisely. The Ministry of Defence also could have imposed a lump sum cut to reduce the gap between the budget estimates and actual expenditure in these cases.

4            1.23            Defence.

The Committee feel concerned to note that despite their repeated observations (para 87 of 17th Report & para 62-63 of 33rd Report—Third Lok Sabha) the position of store accounts is still far from satisfactory, and the number of outstanding vouchers had been gradually increasing. Since, in the absence of proper linking of these vouchers it cannot be ensured that the actual quantity of stores that should have been received by the consignee has actually been received by him, undue delay in this matter is fraught with the risk of losses. The Committee were informed that special officers had been appointed for the purpose of clearing of the outstanding vouchers. They would watch results through the next Audit Report.



1

2

3

4

5

I.24

Defence

As regards the existing procedure for linking of Stores purchased in U.K. and paid for by the Chief Accounting officer of the Indian High Commission, the Committee understand from Audit that such payments are finally booked by the Chief Accounting Officer as a lump sum. A list of such payments is not received by the Defence Accounts Officers in India and they are not in a position to ensure that all the stores paid for in the U.K. have been received in India and taken on charge in the books of the Defence consignees. In this connection the Committee understand that one copy of the Mechanical form (Duplicate claim copy of invoice and packing accounts) is now being retained in the Chief Accounting Officer's office as a spare. The Ministry of Defence may examine, in consultation with the Department of Supply, whether this copy could not be utilised by the Chief Accounting Officer to support the lump sum figures booked by him in the Accounts and sent to the C.G.D.A. so that the latter might link them up with receipted packing accounts received from the ultimate consignees. The Committee also feel that in view of the time-lag in verifying whether the stores paid for have been actually received or not, the Ministry of Defence in consultation with Department of Supply should carefully examine the feasibility of importing goods on D.A. terms (Document against Acceptance).

152

6

I.28

do.

The Committee regret to note that such a large number of audit objections should have been pending with the administration. They

trust that the Ministry of Defence would take further steps to clear the older cases and ensure that the authorities give prompt attention to objections raised by audit in future.

- |    |      |     |  |
|----|------|-----|--|
| 7  | 1.32 | do. | The Committee regret to note that over-payment/short recovery and non-recovery should be outstanding for such a long period. They desire that all cases excepting those pending with the courts or under arbitration should be settled within a year and a report sent to them.  |
| 8  | 1.36 | do. | The Committee may be informed about the outcome of the proposed review; the streamlining of the procedure and the steps taken or proposed to be taken to expedite the disposal of these cases.   |
| 9  | 2.6  | do. | It is unfortunate that the judgement exercised by the authorities in this case resulted in the locking-up of funds in costly equipment which could not be used so far. The Committee feel that when such items the development of which is not proved are to be purchased, the decision must be taken at the highest level after considering all the pros & cons and examining the alternatives available. The Committee would like to be informed of the progress made in the procurement of ancillary items. |
| 10 | 2.8  | do. | The Committee regret to observe that an order was placed for the equipment without any demand from the user unit. Apart from procedural defects, the case also discloses lack of co-ordination and proper supervision by higher authorities in the matter of imports of  |
-

costly equipment. The Committee suggest that immediate steps should be taken to remove these defects in the procedure which results in placing of an indent for additional quantity of equipment without proper justification. The Committee would also like to know the decision taken to develop the equipment within the country.

II

2.15

Defect

The Committee regret to note that it took more than five years for Air Force Authorities to utilise properly the portable lighting equipment imported in 1957. If the authorities had no experience of this item, it was necessary on their part to obtain technical advice from foreign experts or other countries where such equipment was being used. They should have at least watched a trial performance of the set before finalising the purchase. The Committee regret to note that when the quotations of suppliers did not provide the required control of intensity of light at 10 per cent the Air Force authorities did not even enquire from them if they could provide the same. In the opinion of the Committee, had the authorities been vigilant enough this defect or lucuna could have been noticed much earlier.

101

2.16

Further the Committee also regret to note that the equipment was not received in proper condition and that it took more than 3 years to get the damaged parts replaced and have the equipment in a serviceable condition. The Committee would like to be inform-

ed whether this matter had been taken up with the suppliers to claim damages in this regard.

2.17

do.

As regards the further delay it was admitted before the Committee that the works and services were not planned properly. The Committee trust that suitable measures will be adopted by the Ministry of Defence to ensure that all connected works are taken up simultaneously and such cases are avoided in future. The Committee cannot emphasize too strongly the need of greater vigilance in all items of such importance particularly those which are imported from abroad against the expenditure of foreign exchange.

12

2.21

do.

This is another case of failure to synchronise various items of works which were necessary for completing this project. The Committee had occasion to comment over such lack of planning and non-utilisation or delay in utilisation of equipment in their 17th (Paras 42 to 46) and 33rd Reports (para 31)—3rd Lok Sabha. In para 42 of their 17th Report the Committee had suggested that the Ministry of Defence should give a serious thought as to how to obviate the recurrence of such cases and examine whether the existing procedure did not require to be streamlined. In reply to this recommendation the Ministry had urged (page 542 of 40th Report—3rd Lok Sabha) that:—

“Apart from the instant case, the peculiarity of which has been brought out above, there has been no other instance

15

of abnormal delay, inviting adverse comments from the Audit of the P.A.C. In the circumstances, the Government does not consider it necessary to examine the question, as a general issue, of streamlining the existing procedure since the Emergency Works procedure is already in existence."

In view of the cases which have since come to light, the Committee would urge upon the Ministry to review the whole procedure and take suitable steps to obviate the recurrence of such cases.

**Defence**

The Committee deplore the manner in which machines which were received against an urgent indent were handled by the Air Force authorities. They are surprised to find that the procurement authorities did not even know as to where the test benches were to be sent. This resulted in avoidable delay due to shifting of these test benches from place to place, and an infructuous expenditure of Rs. 20,000 in rectifying the damage caused to them due to rough handling in transit. The Committee trust that the Ministry of Defence will further investigate the reasons for the defective handling of test benches and take further steps to ensure that costly equipment required by the Services is carefully handled and promptly put to use.

14

2.29

do.

(i) The Committee feel that the construction of quarters was sanctioned in this case without proper assessment of requirements. Had the prevalent conditions and the availability of residential accommodation at the station been taken into account, the loss due to quarters remaining vacant could have been reduced if not altogether eliminated.

(ii) The Committee were informed in evidence that the failure to make further assessment of local problems and the requirements of staff at the time of finalisation of tenders in April, 1963, was having enquired into. They would like to be informed of the result of such an enquiry.

15

2.33

do.

From the above the Committee regret to observe that the Air Force Authorities were themselves to be blamed for the delay in procurement of fire tenders and the unsatisfactory position of fire-fighting equipment. They deprecate the delay on the part of the Air Force Authorities in finalising the orders against the offers received by the D.G.S.&D. in 1955. It is unfortunate that the authorities could not even decide for such an urgent and important need, about the type of equipment, its Chassis etc. for five years and in the meanwhile they were running a serious risk. The Committee find that the incidence of loss due to fire in Air Force installations had increased from 15 cases in 1960 (involving a loss of Rs. 8,397) to 28 cases (involving a loss of Rs. 2,24,880) in 1964. The Committee take a very serious view of this deficiency and feel that if the same is not remedied in time, the possibility of future damage of imported

---

1

2

3

4

---

equipment and those in short supply would always loom large. They therefore, desire that the Ministry of Defence should give serious and immediate attention to this problem and make an all out effort to strengthen the fire-fighting arrangements in the Air Force as the damage caused by fire involves not only loss of foreign exchange but deprives the service of their valuable equipment.

16

2.38

Defence

The Committee cannot appreciate the reasons on the basis of which the opinion of the technical expert was disregarded. They feel that if the opinion of the technical expert had been kept in view, the loss of money as well as the inconvenience to the Air Force could have been avoided. Nor are the Committee impressed by the argument of economy advanced by the witness as it is clear in retrospect that ultimately the project has cost more. In view of this the Committee would caution against the practice of taking "calculated risk" against the advice of the technical experts.

17

3.9

do.

The Committee regret to note that the shortage of cheaper oil was mainly due to the under-provisioning of this oil by the Naval authorities during the successive annual reviews relating to the years 1959-60 to 1961-62. This resulted in an avoidable extra expenditure to the extent of Rs. 1.24 lakhs. The Additional Secretary, Defence admitted in evidence that it was a case of human failure. The Committee are, however, surprised to know as to how the wit-

ness considered the question of fixing the responsibility in this case as 'not worth-while' when, according to his own statement, the mistake was serious enough because it was repeated for 3 years. It was even admitted in evidence that responsibility could be fixed if they really went into it. The Committee regret to note that no attempt was made to fix the responsibility for the mistake. Further, no measures had been taken to guard against the occurrence of such cases in future. The Committee were given to understand that a further enquiry was being conducted in this case by the Ministry of Defence. They would like to be apprised of the results of this enquiry.

3-10

do.

They also suggest that the procedure of provisioning of stores in this case should be examined with a view to remove defects, if any.

-129

18

3-15

do.

The Committee regret to note that over-provisioning of spares in the first item and excessive manufacture of items in the second case took place. The more disquieting feature in this case is that in the absence of records, the basis on which the provisioning of the spares had been made in the first case and purposes for which items were manufactured at the Dockyard in the second case cannot be ascertained. They feel that suitable measures should be adopted to remedy this unsatisfactory state of affairs. They would also urge the Ministry to initiate early action regarding special reviews proposed to be conducted in the three services.



The Committee are constrained to observe the tardy manner in which the important scheme of expansion of Naval Dockyard was handled by the authorities at different stages. They cannot help getting the impression that the urgency of the matter was not fully appreciated by those who dealt with this scheme. It took more than 2 years for Government to consider the scheme submitted by the Consulting Engineers in June, 1950 and another period of about 2 years was taken to start the work on Stage I. Ultimately, the work which was supposed to be completed by 1961 was still incomplete. In para 28 of their 8th Report (Second Lok Sabha) the Estimates Committee (1957-58) had expressed their dissatisfaction over the progress of the scheme as follows:—

“The work on the Stage I was started in the middle of 1955 and is expected to be completed in 1961. The Committee consider it very unfortunate that over 2½ years should have been taken in commencing the execution of the project in 1955 when the scheme was finalised towards the end of 1952..... The Committee feel that in an important matter like the Naval Dockyard, a greater sense of urgency in executing the project should have been shown.”

The Committee regret to observe that despite the above observations of the Estimates Committee no serious attempt has been

made to accelerate the progress of work on the scheme and in the meanwhile, further delay continued to add to the cost of the project.

20

3-32

do.

In this connection also the Committee want to draw attention to the following observations of the Estimates Committee contained in para 32 of their 8th Report (Second Lok Sabha):—

“The Committee do not feel happy over the method in which the fees of the Consultants have been fixed. . . . . The present terms are such as to give them an unintended benefit on account of the increase in the cost of work due to extraneous reasons, like contractor's delays and failure and not due to additions to the work. The Committee would, therefore, recommend that Government should review the matter and lay down principles on which remuneration should be paid to consultants in future contracts. They would suggest that Government should negotiate with the consultants in the present case to eliminate increments of costs on account of extraneous reasons, from the cost of the project, for determining remuneration.”

141

In their reply to this recommendation (at page 25 of 109th Report of Estimates Committee—Second Lok Sabha) the Ministry of Defence had stated that the consultants had given certain proposals/suggestions which were under consideration of Government.

---

---

1

2

3

4

---

21

3-34

Defence

The Committee are not sure whether the revised terms will safeguard the Government against the unintended benefit occurring to the Consultants as a result of increase in the cost of works due to rise in prices and other extraneous reasons (e.g. delay in completion of work etc.). They, therefore, suggest that in future while negotiating such contracts where the details of the project and its period of completion are not certain, the Government should consider provision of an over-all ceiling for the remuneration of the Consultants.

22

3-37

do.

The Committee regret to observe that lack of forethought and proper planning on the part of Naval authorities delayed the commissioning of the test house. The equipment received from 1960 to 1963 had been lying idle and there had been extra expenditure which could have been avoided had the authorities contacted the suppliers for providing technical data from the very beginning. The Committee are surprised how the Naval authorities thought of installing the equipment by themselves when at the time of ordering for this equipment they did not even consult who could render them some assistance. They trust that the Ministry of Defence would establish better coordination between the Services and ensure that such cases do not recur. They also hope that equipment in question would be utilised early now.

23

3.45

do.

The Committee regret to observe that the C.D.A.'s objection was not given prompt and due notice by the Naval Headquarters and they continued to incur expenditure without proper sanction. It is unfortunate that the authorities kept on watching the progress of the proposed scheme for more than one year and approached the Ministry of Defence only in July, 1958 for *ex-post-facto* sanction. Had the matter been taken up earlier the avoidable expenditure could have been reduced. The Committee trust that the Ministry of Defence will issue suitable instructions to Service Headquarters to give proper and prompt attention to audit objections in order to avoid cases of this nature.

24

4.6

do.

While the Committee are inclined to accept the reason for placing of order on the old Factory 'A' in the first instance due to the pre-occupation of the more modern factory 'B' with other items of production, they see no justification for continuing the production of this item in the uneconomical factory for 3 years. If, as stated in evidence, the fact that the cost of production in Factory 'A' will be more, was known from the very beginning, the D.G.O.F. should have taken the earliest opportunity, to augment the capacity of Factory 'B' and discontinue production of this item in factory 'A'. Had this been done a major portion of extra expenditure could have been avoided.

145

25

4.8

do.

The Committee are surprised that even after trying the casting method for more than 8 years the Ordnance Factory was neither able to reduce the rate of rejections nor was it able to determine

---

1	2	3	4
			<p>the relative economies of this method of production. The Committee feel that the Factory should have taken into consideration the cost of rejections also to determine the relative economies of this new process.</p>
26	4-12	Defence	<p>While the Committee appreciate the fact that the existing capacity of the Ordnance Factories has to be utilised to the maximum extent and that in an emergency the D.G.O.F. may have to place orders on uneconomical factories also, they nevertheless feel that in the cases referred to above, the difference in the cost of production was a marked one, the reasons for which deserve careful examination. The Committee suggest that the D.G.O.F. should make a constant review of the methods and cost of manufacture of an item in different factories. This would help in planning, production in the factories and also enable him to keep a watch on their efficient management.</p>
27	4-17	do.	<p>The Committee are not satisfied with this explanation. They learn from Audit that in the case of item (i) the number of boxes purchased from the trade was nearly 3 times that produced in the Factory. Even the average cost of material used per unit (Rs. 32.50) in the factory was much in excess of the finished article procured from trade (Rs. 24 to Rs. 29.75). The Committee are surprised as to how the Government factories were not able to procure the cheaper varieties of timber in sufficient quantity when the private firms could</p>

do so. This clearly indicates that either no serious attempt was made by the Factory or the existing arrangements for provisioning of timber are not satisfactory. The Committee desire that the matter should be further enquired into to find out what steps were taken by the management to procure timber of the right and cheaper variety after the order for the manufacture of boxes was placed on it. The Ministry should also examine the desirability of improving the existing procedure since as stated in evidence there had always been a time-lag in the supply of timber against the demands placed on the State Forest Deptt.

28      4 18      do.

The Committee, asked the representative of the Ministry of Supply to examine these cases and to furnish a note indicating (i) whether a penalty clause was included in the contracts given to private firms; (ii) what action had been taken against the suppliers for not supplying the goods in time and (iii) in the case of wooden boxes, what were the rates at which orders were placed on the trade, the reductions effected, if any, on account of lowering of specifications and the final prices paid to them. The Committee regret to observe that this information is still awaited.

29      4 22      do.

The Committee hope that such mistakes would be avoided in future.

30      4 28      do.

(i) What surprised the Committee most in this case was the inability of the technical experts to locate the cause of the failure of the ammunition in proof tests. Even till this day the definite cause

---

1

2

3

4

---

remains undetermined. There was evidently a defect in the filled shells as a result of which it could not be used. Still under the existing system of check, with all the scientific aids, it had not been possible to find out the defect. The Committee are, therefore, left with the impression that the existing system of checks and inspection in the Ordnance Factories leaves much to be desired. The Committee take a serious view of this lacuna and desire that this matter should be further examined at the highest level with a view to tightening up the inspection procedure in the Ordnance Factories and improving its efficiency.

4-29

Defence

(ii) The Committee regret to note that the rejections of the shells which were manufactured during November, 1958 to October, 1959 were made known to the Ordnance Factory only in February, 1961. This delay may be investigated and responsibility fixed.

31

4-33

do.

The Committee feel concerned to note that the machines which were obtained on the recommendation of an expert from the Ordnance Factory remained idle in the factory godown for 8 to 12 years and it was left only to Audit to point this out. The Committee feel that the existence of the machinery should have come to the notice of the factory authorities during periodical physical verifications of items of tools and plant. No such physical verification appears to have been done during all these years. The Committee

241

suggest that the circumstances in which machinery valuing Rs. 1.34 lakhs remained unutilised for such a long time should be investigated with a view to avoid a recurrence of such cases. Defects in procedure, if any, found as a result of such investigations, should be removed.

32            4.37            do.

The Committee regret to note the halting manner in which the whole case of compilation of the Book of Regulations for the Ordnance Factories was handled by the authorities. Not only was the initial estimate of the work defective but also no check seems to have been exercised to watch the progress by anyone (the D.G.O.F., Ministry of Defence and Finance) for 12 years. The Committee regard this period as too excessive and they feel that during this long period the objective with which this work was initiated has suffered. During evidence, it was admitted that there was no need to keep a separate officer to supervise the work for 7 years. The lack of interest shown by the authorities in this case resulted not only in avoidable extra expenditure but also in the delay in the publication of the book which was considered to be useful for the Ordnance Factories. The Committee hope that the second volume of the compendium would be finalised without further loss of time.

33            4.42            do.

The Committee are not able to appreciate the placing of the bulk order for this item in December, 1960, when results of the educational order placed in February, 1960 had not yet been received.

4.43            do.

The Committee would like to be informed of the final utilisation of the surplus material.

---



---

1

2

3

4

---

34

5-17

Defence

In the absence of proper accounting system in the military farms, the Committee regret to observe that the figures of profit shown are unrealistic as admitted by the witness and that they do not represent the true position of the financial working of the farms. The Committee were informed that a revised system for pricing payment issues and free issues of milk on the basis of the market price in the locality would come into force from 23rd January, 1966. A new accounting system which was recommended by an expert accounting committee in November, 1962 is proposed to be introduced from 1st April, 1966. The Committee are not happy over the delay in introducing the new accounting system and they hope that its introduction will not be further postponed. They would watch the results of implementation of the new pricing system and the progress of introducing revised accounting system through future Audit Reports.

35

5-18

do.

The Committee deplore the inordinate delay in the implementation of some of the important recommendations of the R.V.F. reorganisation Committee which had submitted its report in 1959. Out of 128 recommendations made by this Committee, final decision on 28 recommendations had yet to be taken by Government. The Committee regret to observe the casual approach in this case. They would like the Ministry to expedite decisions regarding the remaining recommendations.

do.

The Committee understand from the Ministry that all the cattle-holding farms were incurring losses, because of high cost of production. At present the cost of production of milk at the various farms ranged from 87 paise per litre at Pathankot to Rs. 3.84 per litre at Agra. The average production cost on all India basis worked out to Rs. 1.72 per litre. The Committee feel that cost of production of milk produced at Military Farms is too high. They regret to note that this problem of high cost of production of milk has not yet been tackled effectively by the authorities concerned. In their earlier reports (para 9 of 17th Report and para 19 of 33rd Report, 3rd Lok Sabha) the Committee had suggested that the Ministry should examine in consultation with the Ministries of Finance and Food and Agriculture, the feasibility of entrusting the supply of milk requirements of units and formations to civil organisations which might be set up for the purpose. The Committee regret to observe that no headway has been made in this regard. The Ministry of Defence have approached the State Government only to take over the responsibility of supplying milk to units. The State Governments though agreeable to supply milk to units, were not able to assure supplies in case of general scarcity at any time. The Ministry have however, not explored the possibility of entrusting the supplies to the Co-operative Societies or other agencies. When the Committee made the aforesaid recommendations it was not their intention to entrust the work to State Government but they wanted that this should be entrusted to private agencies so that the farms may be operated more efficiently and economically. The Committee regret that their

---

1

2

3

4

---

recommendation has not been given due consideration. The Committee desire that this matter should be examined in all aspects and early decision taken.

37

5.21

Defence

The Committee are surprised how this important aspect regarding unsatisfactory conditions of grazing/accommodation at the station was overlooked while deciding to locate the sheep farm. To that extent there was lack of planning and forethought on the part of the officers concerned.

5.22

do.

The Committee desire that before it is decided to set up a new sheep farm else-where, the question whether it is absolutely necessary for the Defence authorities to have their own farm for the purpose should be examined. In view of the high establishment and overhead charges involved in a departmental farm, it should be considered whether it would not be more economical to get the meat supplies from other sources.

38

5.24

do.

In view of the fact that the cultivable land of the farm has been reduced from 802 acres to 200 acres, the Committee desire that the Ministry should consider the economics of continuing the cultivation activities through the Military Farm, Shahjahanpur. It should also be examined whether any reduction can be effected in the existing staff as a result of curtailment of cultivation activities.

39

5-27

do.

The Committee regret to note that due to lack of proper planning in this case the expenditure on the ancillary buildings (Rs. 6.86 lakhs) became partly infructuous. The buildings could not be utilised fully for the intended purpose and the troops had to be billeted elsewhere at the station. The Committee were told in evidence that the case was being looked into with a view to fix responsibility. They would like to know about the action taken against the officer responsible for bad planning, and also about the utilisation of the buildings.

40

5-35

do.

The Committee are not happy over the manner in which the building (with rent of Rs. 3,900 p.m.) was requisitioned in May, 1963 for the use of an officer of the rank of Maj. Gen. and was retained till August, 1965 and an expenditure of Rs. 34,851 was incurred on additions and alterations made in the building. In addition to the expenditure of Rs. 34,351 on repairs, an approximate amount of Rs. 1.01 lakhs will become payable to the land for the period June, 1963 to August, 1965. As against this total expenditure of Rs. 1.35 lakhs, a sum of Rs. 3,200 approximately has been realised from the officers who were allotted this house during this period.

According to the Ministry's own admission "This is one of those cases where we really cannot say that the powers that have been delegated have been exercised with all due discretion." The Ministry are considering about the extent to which powers should be limited and regulated. The Committee would like to know about the decision taken in this regard. They hope that such cases will not recur.

1	2	3	4
	5-36	Defence	<p>The Committee are surprised that even after the transfer of the Major General concerned in September, 1964 the Army Authorities thought that they could meet the requirement of entitlement of accommodation with regard to floor area by allotting the house to two Lt. Colonels, without having regard to the heavy rent payable. The house could have been derequisitioned at this stage instead of in August, 1965. The Committee deprecate such routine approach on the part of officers.</p>
	5-37	do.	<p>The Committee would also like to know the outcome of the dispute regarding the fixation of rent of the building by the collector. They would also like to know if any part of the expenditure of Rs. 34,851 incurred on additions and alterations, had been recovered from the owner of the building or the fixtures installed by the Army Authorities have been removed.</p>
4I	5-42	do.	<p>From the facts placed before them, the Committee find that there is no conclusive evidence documentary or otherwise as to whether both the firing ranges at the station were in use by the Army Units during the period 1947-48 to 1958. The local army authorities responsible for allocating the firing ranges ought to have maintained a register showing the allotments made to the various units from time to time. Apart from this there should have been a periodical review by the local military authorities regarding the utility</p>

and the need for continued occupation of the ranges. But in the present case the Ministry reviewed the position only after the claims of the owners of the adjoining lands came in for payment in 1958. Even after that, the Ministry took four years to decide about the abandonment of the ranges. The Committee desired that the procedure regarding carrying out periodical reviews of the properties acquired or requisitioned or hired by the Defence Services should be improved to ensure that such properties as are surplus to the requirement are not retained.

42

5-51

do.

The Committee regret to observe that owing to lack of proper understanding between the Military authorities and the Railways, there was a loss of imported stores (hats) valuing Rs. 22,740 as a result of exposure to rains of the packages which were despatched in an open wagon without any protective covering during the monsoon. The Committee feel that while asking for an open wagon the Defence authorities should have taken adequate precautions to protect the packages from damage due to rain. They regret to observe that this was not done. The Committee cannot also rule out the possibility of some damage having occurred by rain during storage at port since 3 of the packages received in April, 1962 were handed over by the port authorities to the Embarkation Commandant in July, 1962. The Committee note the contention of the Defence Ministry that the goods had been booked at Railway risk at higher rates of freight. Even so, the Committee feel that the Embarkation Head quarters should have ensured that the packages

153

---

1

2

3

4

---

were actually provided with adequate covering, especially when the goods were susceptible to damage by rain and also when goods were despatched during monsoon season. The Committee hope that the Officers will be more careful in handling defence stores which are imported at the cost of much needed foreign exchange and the damage to which is also likely to affect the operational efficiency of the Armed Forces.

5-52

Defence

The Committee desire that in the present case the dispute between the Railways and Defence Authorities should be settled early and a report submitted to them.

111

43

5-57

Law

The Committee feel concerned to observe that there was an omission on the part of the officer of the Ministry of Law to notice this point even after the Supreme Court gave a ruling in two cases in 1962 that the contracts not executed according to the constitutional requirements cannot be validated by ratification. In view of the fact that this case was seen by Ministry of Law on several occasions after the publication of Supreme Courts' ruling in 1962, the omission is all the more regrettable.

44

5-58

do.

The Committee have also come across some instances at other places where the opinion given by the Ministry of Law was based more on expediency than on law or that it was given without con-

sidering all aspects of the case (as in the case under discussion) or they have given several opinions inconsistent with each other.

The Committee have also come across instances where the Administrative ministries refer cases to the Ministry of Law though not strictly necessary whereas even some important cases where prior consultation of the Ministry of Law would be beneficial for safeguarding the interests of Governments are not referred to that Ministry at appropriate stage.

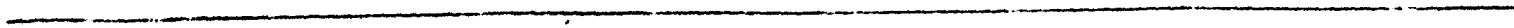
5 59                    do.                    The Committee therefore, suggest that a proper procedure should laid down for referring the cases to the Ministry of Law and time-limit should also be fixed for the Ministry of Law to give their opinion.

45                    5 60                    Defence                    The Committee find from the note furnished by the Ministry of Law that the Solicitor General had suggested that there would be no objection on rent or compensation being accepted without prejudice to the contention of the Government.

5 61                    do.                    The Committee would like to know about the action taken by the Ministry of Defence to recover the rent from the contractor.

46                    5 64                    do.                    The Committee hope that necessary remedial measures will be taken by the Ministry to prevent such unauthorised occupation of Government premises by contractors and also concealment of information about such unauthorised occupation.

156





1	2	3	4
	5.65	Defence	The Committee would also like to be informed about the decision of the court on the applications for vacation of the injunction against Government in the present case.
47	5.66	do.	The Committee also regret to note the abnormal delay of over 10 years which has taken place in finalising this case. The desirability of early finalisation of this case can hardly be over-emphasised.
48	5.72	do.	The Committee find that after placing the indent for the equipment on the India Stores Department London, two important changes necessitating reduction in the requirement took place viz. (i) Reorganisation of Army units in April/May 1963 and changes in provisioning policy. While reducing the order in November, 1963, the Master General of Ordnance took into account the changes in the provisioning policy but it is regrettable that owing to lack of co-ordination in the various sections of the Army Headquarters, the decrease in the requirement on account of reorganisation of Army Units was not brought to the notice of the M.G.O. The timely action by the sections concerned would have enabled the M.G.O. to take into account the decreased requirement while modifying the order in November, 1963. The Committee desired that the present procedure should be tightened with a view to ensuring that all important changes affecting the provisioning of costly and important equipment are brought to the notice of the M.G.O. promptly to avoid over-provisioning and unnecessary locking up of funds.

49

5 81

do.

The Committee are not satisfied with the action of the Army authorities in placing a bulk order on a single firm for stitching of 9,13,200 garments to be supplied in 3 months' period on the basis of quotations obtained from 3 firms after verbal or telephonic inquiries. The firm was able to supply only 19 per cent of the quantity ordered by the due date and the balance by December, 1963 i.e., in about a year from the date of placing the order. In the meantime, the recruits who had to be clothed, had to undergo training without uniforms. Thus, even though an extra expenditure of Rs. 4 lakhs was incurred (as compared with the highest rate in the second order), the purpose in view was not served. Further, due to delayed supplies only 53 per cent of the quantity ordered in Delhi could be issued by March, 1964 and the remaining quantity had not been utilised by then.

5 82

do.

The Committee are surprised how the Director of Ordnance Services who visited the factory before placing the order was satisfied about the capacity of the firm to execute this bulk order by the due date. They are inclined to take the view that the assessment of the capacity of the firm made by the officer was faulty.

50

5 83

do.

The Committee find from the Ministry's note that an amount of Rs. 8,971 had been recovered from the firm as a penalty for delaying the supplies. The penalty was levied after consulting the Ministry of Law and stated to have been calculated @ 10 per cent of 2 per cent according to the procedure followed by the D.G.S.&D. Taking into consideration that the Government had to incur an extra ex-

penditure of Rs. 4 lakhs approximately (as compared to the highest rates in the second order placed in February, 1963), the Committee feel that levying of a penalty of Rs. 8,971 was too meagre. It is understood from Audit that the token damages @ 10 per cent of 2 per cent are levied by the Director General, Supplies & Disposals in cases where—

- (a) higher prices have not been paid for earlier deliveries, or
- (b) Government have not been put to any loss for belated supplies.

Even this was not applicable in the present case.

Time was the essence of this contract and it was on that account that Government paid higher rates involving quite a lot of extra expenditure. The Committee feel that the major portion of the extra expenditure of Rs. 4 lakhs which the Ministry incurred on the plea of prompt supplies and which did not materialise in time should have been recovered from the contractor.

According to the agreement the quantum of penalty at the lowest rates (2 per cent) was Rs. 16.03 lakhs approximately and the highest rates (5 per cent) was Rs. 40.08 lakhs as against the amount of Rs. 13.72 lakhs payable to the contractor for the entire work. The

Ministry of Law had advised that the amount of the damages calculated according to the agreement would be considered by the Court of Law as "excessive and unconscionable," and that it would be advisable to assess compensation for delayed performance on the basis of D.G.S. & D's practice. The Committee are surprised to learn how the Ministry of Law gave this opinion about levying of penalty according to the procedure followed by the D.G.S.&D., when there was a clear stipulation in the agreement about the recovery of liquidated damages and when time was the essence of this contract.

52

8.87

do.

The Committee regret to observe that there had been inordinate delay in starting the construction of the kiln building and subsequently in commissioning the seasoning plant. Although the laboratory equipment, the availability of which held up the commissioning, was available with the Director General of Ordnance Factory, since 1959, this fact was not known to the Army authorities due to lack of coordination. The other difficulties which held up the commissioning of the plant viz., want of necessary power connection and certain other stores could have been avoided with proper planning. The Committee hope that such delays will be avoided in future.

159

53

5.90

do.

The Committee regret to observe that this is another case of bad planning. There was delay in the placement of the indent for the preservation plant and also in its utilisation after its receipt in January, 1963. The Committee would also like to know the date on which the plant actually goes into production.

---

1	2	3	4
54	5-94	Defence	<p>The Committee feel concerned over the tardy manner in which the proposal mooted by the Army Headquarters in October, 1950 for setting up a small laboratory in the Depot was pursued. The sanctioning of the provision of the laboratory took eight years and there was a further delay of seven years in establishing it. The Committee feel that once the decision to establish a laboratory had been taken in March, 1958, it should have been executed expeditiously.</p>
55	5-99	do.	<p>The Committee feel concerned to find that 50 vehicles handed over to the contractor for repairs in 1958 were neither repaired by him nor had been returned by him so far even after about 8 years. In the meantime, the vehicles had been deteriorating as a result of their being kept in the open and in dismantled condition. The Committee cannot view with equanimity the facts of this case and the state of helplessness in which Government found itself as a result of the agreement entered into with this party. The case points to the necessity of examination of the contract form in order to make a provision for cases of this type viz. withholding Government property delivered to a contractor for repairs, withholding of the same without carrying out repairs and yet claiming some compensation for having incurred alleged expenses.</p>
56	5-100	do.	<p>The Committee desire that necessary steps should be taken in consultation with the Ministry of Law to expedite the settlement of the dispute which has been going on with the contractor since</p>

12

1958. They would also like to know the final result of the arbitration in this case. The Committee would also like to know whether Government have considered any departmental action such as black-listing the contractor for his non-cooperative and obstructive attitude.

57

5.105

do.

The Committee regret to observe that this is yet another case where there was failure to notice a major change effecting the provisioning of an item of Defence stores and to take necessary action to revise the requirement before placing orders for supply of 92,000 numbers (costing Rs. 55.20 lakhs) in July-August 1960 on the Director General of Ordnance Factories. This item was deleted from the operational reserve list vide General staff Branch letter dated 26th May, 1960, but nobody in the M.G.O. Branch took notice of this deletion. What is worse, even after the omission was pointed out by Ministry of Finance (Defence) in January, 1961, no action was taken by the M.G.O. Branch to cancel or suspend the bulk orders already placed on the D.G.O.F. Instead, the matter was referred to the General Staff Branch for clarification. Even if the M.G.O. Branch had a doubt in the matter, they should have at least suspended the orders till a clarification was available.

161

56

5.106

do.

Another unsatisfactory feature of the case is that the General Staff Branch took two years to clarify the position that deficiencies need not be covered and the demands cancelled to the extent possible without financial repercussions. But it was too late at that time to cancel the order. Only about 48 per cent of the quantity ordered could be cancelled. This has resulted in avoidable expendi-

---

ture of Rs. 25 lakhs approximately on the quantity of 30,954 which has already been supplied by the D.G.O.F. The Committee would like to know about the final action taken to cancel the remaining quantity of 16,414 (involving Rs. 1,46,000) which has not yet been manufactured. The Committee desire that this case should also be examined with a view to fixing responsibility on the officers concerned for the various lapses at different stages.

5.107

Defence

The Committee note that some remedial measures have been taken or are proposed to be taken by the Ministry. They hope that such cases will not recur.

58

5.115

do.

The Committee are surprised that in this case although the rate quoted by the contractor were well above the administrative approval and technical sanction, those were considered freakishly low on the ground that prevalent rates were higher. It was deposed before the Committee that during the last five years both the administrative approval and technical sanction have been unrealistic. If so, the Committee regard it as very unsatisfactory that the administrative approval and the technical sanction which are usually accorded on the basis of the M.E.S. schedule of rates, should bear no relation with the prevalent rates. The Committee feel that the M.E.S. schedule of rates have not been kept reasonably upto date as otherwise administrative approval and technical sanction would not have been

unrealistic during the last five years. They therefore, stress the need for revising the present system with a view to ensuring that the rates according to administrative approval and technical sanction reasonably conform to prevalent rates.

- 5-116 do. The Committee note the remarks of the Ministry of Finance in this case that the method adopted by the Chief Engineer to get the rates corrected was not within the ambit of the Director General of Works. They desire that this aspect of exercising delegated powers should be carefully examined and procedure streamlined for future. In this connection, the Ministry should also consider the desirability of defining 'freak rates' rather than leaving the criterion to the entire discretion of the local engineers.
- 59 5-118 do. The committee are surprised to learn that according to the standing instructions if any freak rates are discovered in tender, the tenderer concerned is given an opportunity to revise those rates, if he so desires. The Committee feel that quoting of the freak rates should not be the only criterion to negotiate higher rates with that tenderer. In such cases the higher tenderer should be given an opportunity to bring down their rates. They desire that the standing instructions in this regard should be suitably modified.
- 60 5-120 do. The Committee regret to observe that, while on the one hand the officers were keen to revise the "freak rates" quoted by the contractor on the ground that he would not be able to do the work at those rates, on the other they allowed him to do sub-standard work. The



---

1

2

3

4

---

Committee would like to know the action taken against the officers who were slack in supervision, and also about the recovery (Rs. 1.75 lakhs) from the contractor.

61

5.127

Defence

The Committee are perturbed at the perfunctory manner in which the contract was placed for a work of the magnitude of more than Re. 1 crore. Only a short period of 10 days was allowed for quoting rates, stipulating an unrealistic time schedule of three months for completion of the work. On the last day for submission of tenders, the period of completion was extended from 3 months to 5 months, but no extension of time was allowed for submission of tenders on modified basis. The result was that only one tender was received which was 100 per cent above the estimated cost but which was brought down to 60 per cent above the estimated cost after negotiation. It is understood from Audit that the Chief Tech. Examiner has stated that the rates accepted are high.

104

5.128

do.

What is worse, as against the 5 months period allowed for the completion for the work, it was actually completed after more than a year from the date of handing over the site. Thus even after paying higher rates, Government could not get the benefit to early completion. It is only fortuitious that the operational efficiency of the Air Force did not suffer because of the cease-fire but really speaking the contractor, has let down the Air Force. The Committee hope

that learning from the experience of this work, the authorities in the Defence Services would be more careful in planning and execution of emergency works which involve an expenditure of huge amount of public money.

5-129 do. The Committee regret to note that the S.P.E. has taken too long a period in finalising investigations in this case which was referred to them in 1963-64.

5-130 do. They would like to know the outcome of the enquiry made by the SPE and the action taken against the officers.

62 5-135 do. The Committee are surprised that within 6 months of sanctioning the work (costing Rs. 10.26 lakhs) these were cancelled. It is not clear why all the factors subsequently advanced in favour of shifting the site were not fully considered originally. In fact the Committee find that the Board of Officers which selected the site for the workshop had observed that there was enough space to accommodate the workshops and to cater for future expansion and that this land was away from the civil population. It was deposed before the Committee that the proposed change in the location of the scheme was due to some local pulls from technical authorities themselves arising from rivalry between the two stations. In that case, the Committee feel, that the matter should have been referred to higher authorities and decision taken on merits. The Committee however take a serious view of such local prejudices influencing the vital decisions of location of Army units. They would like to know the final decision taken in the matter.

1	2	3	4 ;
5.136	Defence	It is also not clear to the Committee why after the sanction was cancelled in July, 1963, the MES division was not closed down till June, 1964. The Committee desire that this aspect should also be investigated with a view to fixing responsibility.	
63	5.140 .	do.	The Committee are of the view that the creation of the second division in this case lacked proper justification. They feel that in such cases instead of creating two divisions with about 50 per cent of staff, the MES authorities should have created one fully staffed division to look after the work in hand and bifurcated it later if more work had developed. The Committee hope that there will be better planning in future.
64	5.146	do.	The Committee are far from happy at the halting manner in which departmental action is being taken against the officers responsible for misappropriation and negligence. A Court of enquiry was held in March, 1962, the Sub-Area Commander recommended disciplinary action in January, 1963 and the case was referred to the SPE by the Area Commander in March, 1963. It is regrettable that the SPE also took 20 months to investigate the case and report in the matter (November 1964). The MES authorities took further 5 months to serve charge sheets against the officers concerned (April, 1965). The cases have not yet been finalised. It is very unsatisfactory that even though about 4 years have elapsed, yet officers at

fault have not been punished for the misappropriation detected in March, 1962. The Committee desire that immediate steps should be taken to expedite the matter and remedial measures should be taken to prevent recurrence of such delays.

65

5-152

do.

The Committee are sorry to note that 460 tonnes of cement costing Rs. 66,118 was damaged and rendered unservicable due to negligence on the part of an individual officer by exposure to rain in July 1963. They feel that the loss could have been avoided if timely action had been taken by the officer either to suspend the supplies or to provide suitable covered accommodation during the period of monsoon.

5-153

do.

The Committee find that the staff Court of Inquiry held the Garrison Engineer responsible for gross negligence. The Committee are not convinced with the reasons given by the G.O.C. of the area in disagreeing with the findings of the staff Court of Inquiry. The Committee, however, understand that the matter was still under examination of the Ministry. They would like to know the final decision taken by the Ministry on the findings of the staff Court of inquiry.

65

5-156

do.

The Committee are surprised how such a heavy cash balance (Rs. 40,000) was kept by the unit in this case. They feel that responsibility should be fixed for keeping cash in unit chest beyond a reasonable limit. They also desire that the question of fixing monetary limits on holding cash in unit chest should be finalised

---

1

2

3

4

---

early. The Committee also trust that other necessary remedial measures to avoid outbreak of fire and to strengthen the fire fighting arrangements have been taken.

67

5 160

Defence

The Committee regret to find that the Department took 20 months to survey the generating sets rendered surplus on closure of the power house. They would like to know about the findings of the Board of Officers which went into the matter and the final action taken on their report.

Another unsatisfactory feature of this case is that although the sets were repaired by the contractor in March, June and Sept., 1963, they could not be utilised due to certain defects which remained unrectified by him till June, 1965. In the meantime a sum of Rs. 1.11 lakhs (approximately) had been paid to the contractor. They would like to know whether any action has been taken against the contractor for the delay or the officer who made the payment without ensuring thorough repairs.

68

5 161

do.

This indicates that the first test conducted by the officers at Panagarh was perfunctory. The Committee are sorry that officers concerned should have been so casual in testing the set repaired at the cost of Rs. 40,950. They would like to know whether any action has been taken against them.

do.

The Committee would also like to know as to when and where the three generating sets were put to use after repairs, and whether they gave satisfactory service.

---

