

NINETY-THIRD REPORT
PUBLIC ACCOUNTS COMMITTEE
(1986-87)

(EIGHTH LOK SABHA)

MILITARY ENGINEER SERVICES

MINISTRY OF DEFENCE



Presented in Lok Sabha on 29 April, 1987
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LOK SABHA SECRETARIAT
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PART II*

Minutes of sittings of the Committee held on :

30-1-1987

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PUBLIC ACCOUNTS COMMITTEE

(1986-87)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, do present on their behalf this Ninety-third Report on Paragraph 20 of the Report of the Comptroller and Auditor General of India for the year 1984-85, Union Government (Defence Services) relating to Military Engineer Services.

2. The Report of the Comptroller and Auditor General of India for the year 1984-85, Union Government (Defence Services) was laid on the Table of the House on 7th May, 1986.

3. The Committee have found that the expenditure incurred during the closing month of the financial year—March is generally two to three times of average monthly expenditure incurred during the first eleven months. Despite the issue of instructions, in August 1984 to spread out the expenditure as far as possible expenditure incurred during March 85 was over 331 per cent of the average expenditure incurred during 11 months. The Committee have urged the Government to identify areas of slippage and effectively monitor the expenditure so that there is no rush of expenditure during the month of March.

4. The Committee consider it lightly unsatisfactory that huge expenditure involving crores of rupees incurred on the works executed under paras 10 and 11 of MES revised works, procedure on urgent military and medical ground without waiting for administrative approval continue to remain unregularised and that there should be delay of over 5 years in regularising such expenditure. The Committee have emphasized that the procedure should be streamlined and the Government should take steps to ensure that the works executed in exceptional circumstances are regularised by issue of formal sanctions promptly.

5. The Committee have found that delay in execution of the projects is yet another disquieting feature about the working of the MES. In projects sanctioned by the Ministry between December 1971 and April 1982, delay in execution of works ranged from over 1 year to 9 years. Undoubtedly such delays lead to cost, over-run. In the opinion of the Committee, a selective study of some of the

delayed projects should be carried out to avoid such pitfalls in future. Cost over-runs on these accounts can certainly be avoided by better planning and advance action on the part of all concerned. The Committee have urged that projects should be completed within the stipulated time and cost schedule.

6. The Committee have viewed with concern that during the period 1980—84, total number of cases where extensions were granted due to departmental delays were as many as 4,881. Out of these, in 70 cases the contractors have claimed price rise to the tune of Rs. 297 lakhs. These claims are under arbitration. Obviously, this is due to lack of planning and monitoring on the part of MES.

7. The Committee have expressed concern that as on 31.3.1985, losses to the tune of Rs. 7.36 crores were awaiting regularisation. It is disquieting to find that losses amounting to Rs. 2.19 crores and Rs. 6.39 crores were more than 10 years and 5 years old respectively as on 31.3.86. Further, in 109 cases involving an amount of Rs. 0.21 crore, the losses were found on the basis of enquiries/investigations due to theft, fraud and neglects. The Committee have urged the Ministry to hold an independent and in-depth enquiry into the losses incurred by MES during the last 3 years with a view to fixing responsibility. The Committee have also recommended that terms of contract should be suitably modified to discourage pilferage or misappropriation of stores and to effect recoveries and to award adequate punishment for losses due to negligence and fraud. Deterrent action should be taken against the MES staff found guilty in allowing misuse or leakage of construction materials.

8. According to the Committee, the very fact that expenditure on Defence Budget is increasing year to year casts an added responsibility on Defence authorities to ensure that there is optimum utilisation of funds and extravagant and infructuous expenditure is avoided. The Committee have hoped that with the introduction of Revised Works Procedure, 1986, finalised on the basis of the report of the Works Procedure Review Committee, the working of the MES will improve. The Committee have recommended that working of the new procedure should be periodically reviewed so as to effect necessary modifications on the basis of actual working. The Committee have also expressed the hope that the Ministry of Defence will examine the various suggestions made in the foregoing paragraphs so that the working of the MES is improved.

9. The Committee (1986-87) examined Audit Paragraph 20 at their sitting held on 30 January, 1987. The Committee considered and finalised the Report at their sitting held on 22 April, 1987. Minutes of the sittings form *Part II of the Report.

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

11. The Committee would like to express their thanks to the Officers of the Ministry of Defence for the cooperation extended to them in giving information to the Committee.

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

NEW DELHI;
April 23, 1987
Vaisakha 3, 1909 (S)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

REPORT

The Report is based on Paragraph 20 of the Report of the Comptroller and Auditor General of India for the year 1984-85, Union Government (Defence Services) regarding Military Engineer Services (MES), which is at Appendix I.

2. The Audit Para pertains to the working of MES in general and test check of constructional activities in 25 MES divisions in 5 Commands carried out by Audit in 1984-85.

Role of Military Engineer Services

3. The Military Engineer Services (MES) are responsible for carrying out all engineer services for the Defence Forces such as construction and maintenance of all types of accommodation, roads, airfields and ordnance factories, hiring and payment of rent, rates and taxes of buildings, assessment of rent for Quarters, furniture, electricity and water.

4. The Committee desired to know about the working of the MES particularly in the light of the various points raised in the Audit Paragraph. The Defence Secretary informed the Committee during evidence as follows:—

“MES is the largest single construction department of this country. This agency is responsible for providing works services to Army, Navy and Air Force and also for the military farms, ordnance factories, research and development establishment, inspection organisation, coast guard organisation, etc. Its current budget is about Rs. 970 crores and its work programme covers besides of conventional buildings and maintenance service, sophisticated complex laboratories and workshops, high rise buildings, air fields, dock-yards, slip ways and other maritime construction work. It deals with multifarious service requirements like air-conditioning, cold storage, water supply treatment plant, lifts, etc. for defence activities with the expanding technology advance in warfare, requirement of defence forces have become more critical complex demanding terms of engineering know-how, execution, capability and working under pressure of time. MES has stood the test by their performance; this is not to say that it does not leave scope for improvement. As you go through the

audit paras you would find that there are certain areas where we could have done better. I want merely to state that the size of the military engineering service is so enormously large that MES is carrying out engineering service under a separate budget head in defence forces, Army, Navy and Air Force, R&D organisation and the engineering services comprise of the original work, the maintenance service, maintenance of certain installations like electric power, pumping, sewage disposal, etc.

Then items like hiring and payment of taxes, rent, taxes on lands, buildings and railway buildings payment of bills of electrical energy, etc. also have to be provided for, assessment of rent for quarters, charges for furnitures, for electricity and water, provision for stores, plant and machinery for works, mobilisation of resources—all these are there.

It might be of interest to compare the work of the MES and its civilian counter-part, the CPWD which is very well-known. The MES has got 486 stations to look after. It is done by 28 Zonal Chief Engineers, 126 Commander Works Engineers which is equal to superintending engineers, 402 Garrison Engineers and 1458 Asstt. Garrison engineers. CPWD has 7 Chief Engineers, against 28 of the MES, only about one-third of the workload performed only in 20 stations as against about 486 of the MES."

5. Asked whether the present system and procedure were in anyway bottlenecks to the MES works, the Defence Secretary explained as follows:

"Realising that the procedures that we had were both obsolete, out of date and not in keeping with the advancing technology and exceedingly time consuming, we decided to set up a committee to quickly look into the work procedures..... A committee was, therefore, appointed under the Chairmanship of an Addl. Secretary with the senior representatives of Army, Navy and Air Force, Integrated Finance and the Engineer-in-Chief as the Member Secretary. The result of this has been that we have got the revised work procedure..... But I would only like to mention very briefly that the time which was consumed from the point the administrative approval and the revised financial concurrence were given, this time we felt was abnormally high and in tune with the requirements of three services. Now we have

practically compressed it to half. This has also been promulgated from April, 1986. These recommendations were received and we have found these recommendations very useful. Of course, this Committee-Engineer-in-Chief, Institution of Engineers, C.P.W.D. works—which consulted procedure—finally arrived at a formulation which we found was balanced and M.E.S. is happy with the new set of procedures. We feel that we will be able to compress the time frame for execution of work to something like 2/3rds. It includes the necessity part, administrative part.”

Rush of Expenditure

6. A scrutiny of the flow of expenditure during the years 1979-80 to 1983-84 by Audit revealed that the expenditure incurred during the closing month (March) of the financial years was invariably two to three times of average monthly expenditure incurred during the first eleven months.

The following table shows the rush of expenditure in March compared to the 11 months of the financial year:

Year	Expenditure incurred during 1st 11 months	Average expenditure during 1st 11 months	Expenditure incurred during March	Percentage of expenditure incurred during March over the Average expenditure during 1st 11 months
(Rs. in crores)				
1979-80	182.59	16.60	48.00	289
1980-81	216.27	19.66	4.87	259
1981-82	259.81	23.62	61.46	260
1982-83	321.63	29.24	69.20	237
1983-84	402.61	36.60	90.49	222

7. The Committee desired to know the reasons for rush of expenditure during the month of March. The Defence Secretary explained as follows:

“Invariably there is rush to try to utilise the Budget available.”

CPWD spent 25 per cent of their funds in the month of March. I am proud to say that in MES position has started improving. I submit quarterwise expenditure.

	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
1984-85	11%	18%	20%	51%
1985-83	10%	13%	25%	52%
1986-87	17%	24%	32%	

It leaves only 27 per cent to be spent in the fourth quarter."

8. The Ministry of Defence intimated Audit in November 1985 that instructions were issued in August 1984 to lower formations to spread out the expenditure as far as possible. It is however, found that even during the year 1984-85 rush of expenditure increased as compared to the expenditure of 1983-84 as indicated below:—

	1983-84	1984-85
		Rs. crores
Expenditure during 1st 11 months (April to February)	402.61	437.39
Expenditure incurred during March	80.49	131.36
Average Expenditure 1st 11 months	30.60	39.76
Percentage of expenditure incurred during March over the average expenditure incurred during 11 months	220	331

9. The Committee desired to know the further steps proposed to be taken by the Ministry to arrest the deteriorating situation. The Committee also enquired whether Low Base Budgetting would help the situation. In post evidence note the Ministry stated as follows:

"This question was discussed in the oral evidence taken, by the PAC on 30-1-87. It was explained that in 1986-87 we have already reached a figure of nearly 70 per cent of budget estimate for the current year by Dec. 86. This leaves only about 30 per cent to be spent in the last quarter of the financial year as compared to about 49-50 per cent of the previous years. This is definitely a better performance. It was further brought out that this phenomenon of rush of expenditure in March is common to all works departments as, for example, in CPWD they had spent Rs. 90 crores in March 1986 out of their final expenditure of Rs. 360 crores during 1985-86 which comes to 25 per cent". Thereupon, the PAC desired to know the

relevant figures excluding the supplementary grants during the previous five years. Accordingly the following statement was submitted:—

Financial year	Percentage of Extra allotment received in Feb. and Mar.		Percentage of Expenditure booked till FEBRUARY (11th A/c of the year)		Expenditure in the month of March only	
	Against sanctioned BF	Against Actual Expdr.	Against sanctioned BE	Against Actual Expdr.	Expdr. Percentage of BE spent in March	Against Actual Expdr.
1	2	3	4	5	6	7
1980-81	2.62%	2.41%	82.26%	75.53%	17.74%	19.68%
1981-82	21.36%	16.41%	96.60%	74.23%	3.40%	18.06%
1982-83	14.28%	11.43%	95.87%	76.72%	4.13%	17.81%
1983-84	13.24%	11.45%	88.17%	76.21%	11.83%	16.53%
1984-85	19.74%	16.78%	79.08%	67.17%	20.92%	26.94%
1985-86	2.22%	2.06%	76.02%	70.16%	23.98%	25.98%

It may be seen that if after subtracting the supplementary grant, the expenditure booked till February (11th account of the year) varies from 76 to 96 per cent of the budget estimates (vide col 4). The corresponding figures in Col 5 taking into account the supplementary grants comes to 67 to 76 per cent.

- (a) As regards Zero Base Budgetting, it was brought out during the PAC hearing that already this is being followed in respect of some departments in the Army like Military Farms and so on. Moreover, where there is planned expenditure with a perspective plan spread over five years and more as in the case of works, one of the Hon'ble Members had himself brought out that the concept of ZBB is not applicable. ZBB is required to be introduced only in sectors where there is no prospective plan and budget is purely an annual exercise."

10. The Committee asked if any mechanics has been evolved for monitoring of expenditure throughout the year. The Ministry of Defence stated as follows:

"The budget is being monitored at the level of Army HQ and Ministry respectively. In addition, we have steering committees pertaining to various projects reviewing the various aspects progress of the works over Rs. 5 crores each every quarter. This problem is thus tackled with all seriousness at various level of MES as well as at the Army HQ and Ministry levels. However efforts will continue to improve the trend to even out the expenditure, taking into account need for flexibility of execution of about 4,000 projects, constraints like land, external services, labour situation, socio-economic factors in the country and temporary or long-term shortage of strategic materials like cement, steel."

11. Asked as to how far this rush of expenditure in the closing month would lead to avoidable expenditure, the Defence Secretary elucidated as follows:

"The point you have made cannot be ruled out. But I would submit that the checks and balances of the procedures are such that they tend to reduce the impact of such a contingency to the minimum. When we start the construction of even a small project—let us take, for example, construction of a house for oneself. A certain assessment has to be made about Cement, Steel, Timber, etc. These things sometimes come ahead of schedule. Sometimes he keeps running in circle trying to get the commodities. Consequently there will not be a very fine tuning between the requirement and the actual expenditure. I am not by any means minimising the necessity for such a fine tuning. It is here. But one of the methods by which we have started to ensure this fine tuning and to make sure that we have as little of inventory of things, as little of rush of expenditure in the last quarter of the year is to have the enough sanctions. These sanctions are released in a graduated way throughout the year so that the work burden is evenly distributed throughout the year. But nevertheless it would be difficult to ensure that it would be arithmetically absolutely accurate and the last minute rush will be totally eliminated. But I would claim that it could be minimised.

Administrative Approval to Works

A. Commencement of Works without Administrative Approval

12. Rules provide that no works services shall be executed without administrative approval and technical sanction having first been obtained from the appropriate authority.

13. It is seen from the Audit Paragraph that works of a total value of Rs. 4.70 crores were taken up for execution without prior sanction of the competent authority during the years 1979-80 to 1983-84.

14. The Committee desired to know the total number of works commenced during the years 1979-84 without obtaining prior administrative approval. The Committee also asked the special reasons for commencing the works before obtaining administrative approval and the time taken in finally giving the administrative approval. In a note, the Ministry of Defence stated as follows:

"No work can be executed or commenced by engineers without administrative approval or in anticipation of administrative approval particularly for the works other than paras 10 & 11. It is apparent that the observation may have emanated from a communication gap most probably owing to the late receipt of copies of admn. approval from the competent financial authorities to the CDA's concerned. However, 46 works have been identified by CGDA so far on this account and these works are under verification for linking their admn. approvals in CDA offices. As has been mentioned earlier no work can commence without admn. approval; from the available details of works it is observed that these data have been taken from Appropriation Accounts for years 1979-80 to 1983-84 for the works commenced without admn. approval. The amount reflected in this para is Rs. 4.7 crores which is a cumulative total of all the five years data for works without admn. approval outstanding at the beginning of each of these financial years.

It is a continuous process wherein every year a major portion of the amount under objection at the beginning of the year gets regularised during the year. As a result the total amount outstanding for want of admn. approval for the whole organisation was only Rs. 88 lakhs as on 1 April,

1984 and the total amount outstanding on 31st March 85 as per Appropriation Accounts duly vetted by CGDA is only Rs. 1.85 crores...

The amount thus reflected as outstanding without admn. approval in the Appropriation Accounts may be due to the following reasons:

- (i) After the issue of admn. approval certain works or part of the works may go for financial concurrence when the cost of tender exceeds the tolerance limit. As such cases need revised admn. approval, they are also reflected in the Appropriation Accounts till the Financial Concurrence cases are regularised with the revised admn. approvals.
- (ii) In many cases the CFA sends the admn. approval copy to the CDA concerned for further transmission to the concerned formation i.e. Unit Accountant. This involves certain time gap resulting in a communication gaps during which the Unit Accountant raises the observations in his statement that is called Form 'C', and forwards to CDA which is ultimately reflected in Appropriation Accounts.
- (iii) In certain cases the very admn. approval itself is objected by the audit which are also reflected by the unit Accountant in the Form C of Appropriation Accounts under the head; "Want of Admn. Approval" till the observation is settled, and
- (iv) In a few cases the Engineers Group up certain maintenance work and conclude a contract to which the audit authorities object and put them in Appropriation Account while this expenditure is charged against the maintenance grant, for which admn. approval is not required. The delay in finalisation of the revised admn. approval as mentioned earlier is mainly due to the following reasons.
 - (a) The revised AE can be firmed up depending upon the required quantum of details available.
 - (b) Frequent changes that take place during the constructions process leading to increase in cost, delay in exec-

ution on account of delayed receipt of levy stores like cement and steel, power and water supply, strike by labourers and natural calamities.

- (c) In some cases of foreign collaboration/technical tie-ups details/decisions are not received in time.
- (d) In many cases after the receipt of financial concurrence where the revision of admn. approval is involved audit authorities insist on preparation of admn. approval based on completion cost and finalisation of stores (i.e. disposal of balance stores after execution of a project)

The above are some of factors that may take anywhere between 6 months and 2 years and on which the Engineers have little control.

However, the ministry is watching regularly the progress of regularisation of such works through explanatory notes of Appropriation Accounts for respective years by monitoring through regular reports/returns formulated for such purpose."

Commencement of Works under Paras 10 and 11 of the Revised Works Procedure (RWP): c

15. In the following exceptional circumstances works can be executed without waiting for administrative approval:

- (i) Urgent military reasons (Para 10).
- (ii) Operational military necessity or urgent medical grounds (Para 11).

However, even these works are required to be regularised by formal sanction expeditiously.

16. It is seen from the Audit Paragraph that works of a total value of Rs. 1.39 crores executed upto 1978-79 under para 10 of RWP were awaiting formal sanction on 31st March, 1981. The same position continued till 31st March 1984.

17. Similarly, the outstanding amount of expenditure on works executed under Para 11 of RWP awaiting formal sanctions, for the years 1978-79 to 1983-84 was as under:—

Year	Opening Balance	Value of cases which arose during the year	Value of cases regularised during the year		Closing Balance
			Pertaining to previous years	Pertaining to the year	
			(Rupees in crores)		
1	2	3	4	5	6
1978-79	3.50	0.64	1.14	..	3.00
1979-80	3.00	1.47	0.99	0.11	3.37
1980-81	3.37	1.03	0.48	0.04	3.88
1981-82	3.88	2.56	1.61	..	4.83
1982-83	4.88	4.71	1.10	2.33	6.11
1983-84	6.11	0.58	3.47	..	3.2

18. The Committee desired to know the total number of works carried out during the years 1979-80 to 1985-86 under paras 10 and 11 of RWP, where formal sanction regularising the works had not been issued. The Committee further asked about the time lag between the date of sanction and commencement of work in respect of these works and also whether the period of completion of these works was shorter than allowed for normal works.

The Ministry of Defence intimated as follows:

“Works are taken under para 10 and para 11 of MES revised works procedure on urgent military and medical grounds. It may be pointed out that these provisions have been kept to allow engineers to start work quickly with go-ahead sanction without waiting for formal Admn. Approval which may take some time. The preparation of estimates etc. for regularising these works through a formal admn. sanction is taken up thereafter. Thus works under paras 10 & 11 result in jumping of the queue of execution of works, consequent allocation of

funds and cutting short the pre-administrative approval period. However the normal execution time allowed for a work on MES norms are not reduced as these are technical requirements, otherwise the quality of work will suffer.

During 1979-80 to 1985-86 only one work amounting to Rs. 1.39 crores under para 10 has been identified and this work has since been regularised. The admn. approval for this work has been issued vide Govt. of India, Ministry of Defence letter No. Air|HQ|S 37955|4|W|W (OPS Group) 3952|D (Air II), dated 23-7-1984|8-8-1984 for Rs. 1,69,20,664/-

Only opening balance of Rs. 3.00 crores for the year 1979 and the closing balance of Rs. 3.22 crores for the year 1983 have been commented upon in the report. During every year objections arise much of which get also regularised during the respective years. Rs. 3.22 crores as reflected for the year 1983-84 is a cumulative figure carried forward from the previous years and during the period 1978-79 to 1983-84 as much as Rs. 10.16 crore worth of works under objection were regularised by issue of admn. approval.

After analysing a fair sample of such works under objection the following facts were found:

- (a) In the 97 cases analysed it is observed that in 90% of the cases the time lag between the date of commencement of the work and date of its sanction varies from 3 months (52 per cent) to 12 month (14th cent) and for the rest the time lag is 15—18 months. This delay is mainly attributable to non-availability of details from and changes in the scope of work by the users.
- (b) The works are completed mostly in normal time frame except when their PDCs have been extended due to the following unavoidable reasons:—
 - (i) The unanticipated changes of users requirement during the currency of the executions of work;
 - (ii) The delay in obtaining drawings|details|decisions from foreign collaborations, when foreign collaboration is involved;

(iii) Non-availability of short supply of power, water, and levy stores”.

19. From the analysis of the Works carried out, the following are the reasons for the delay in issue of formal sanction:—

- “(i) Non-finalisation of scope of work, inadequacy of details and firm requirements.
- (ii) Frequent changes during the planning and execution of work.
- (iii) Non-availability of detailed drawing, Technical instructions and decision where foreign collaborations are involved.
- (iv) Delay due to shortage of levy stores like Cement & Steel etc.
- (v) Delay due to inter dependency of outside agency like State electricity, water supply, public Acctts. Depts. Railway etc.
- (vi) Non finalisation of Accounts as audit authorities insists in many cases to finalise estimates based on completion cost duly vetted by UA, after completion of work.”

20. The Committee enquired about the steps being taken to reduce these frequent changes which hamper the planning and execution of works. The Committee also asked as to in how many cases the question of delay in issuing administrative approval has been examined with a view to fixing responsibility. In a note the Ministry of Defence stated as follows:

“Since such frequent changes have been experienced in a fairly large number of cases, particularly Navy and R&D works, instructions have recently been issued on 4-7-86 to the Service Hqs urging them to ensure that changes in scope of works after the issue of admn. approval are avoided and only when such changes are essential they should have the approval of the competent financial authority. The various reasons for the delay in issue of formal sanction have already been brought out. As the works pertain to period 1978-79 to 83-84, it will be difficult to analyse now with a view to fix responsibility for delay

further in many cases the delays are attributable to changes in the scope etc. at the instance of users and hence are beyond the control of MES."

Case A

21. In September 1980, Local Naval Authorities (LNA) accorded sanction for augmentation of class rooms and allied facilities (not falling within the purview of operational works) at Station 'A'. A contract for the work was concluded only in March 1981 and the work could be commenced only in November 1981 and completed at a cost of Rs. 34.99 lakhs in September 1982. The formal sanction was issued in May 1986.

22. The Committee enquired as to how the work relating to augmentation of class rooms and allied services could qualify for being sanctioned under the provisions of para 11 of EWP. The Ministry of Defence stated as follows:

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

The destroyers were expected to arrive in five phases starting from 26-9-80. The duration of training courses for the staff required to man the destroyers ranged from 9 to 20 weeks. Hence it will be appreciated that the facilities had to be kept ready well in time. Allowing the minimum period required for construction, this work under para 11 had to be sanctioned."

23. The Committee desired to know the reasons due to which the work sanctioned as an operational necessity in September 1980 had taken 2 years for completion. The Ministry of Defence stated as follows:

"CE, Bombay Zone concluded the contract within six months, i.e. in March 1981. The work could commence only partly due to some administrative reasons and finally the work was frozen by Naval Authorities in September, 1981. The 'freeze' was lifted in Nov. 81 when the acquisition of destroyers became imminent. Thereafter, the work progressed without any hindrance and was completed in Sep. 82 within 11 months. It will thus be seen that there has not been much delay in the completion of the work."

24. The Committee further desired to know the reasons for the delay in finalising the contract in an issue involving military necessity together with the reasons for freezing the work in September, 1981. In a note the Ministry of Defence stated as follows:

"The start of the execution of works was delayed because of the following reasons:

- (i) The exact scope of physical requirements based on the training content was not accurately defined.
- (ii) All manuals of instruction which were in Russian had to be translated into English.
- (iii) Interaction between those already trained and trainees took time.
- (iv) The trade structure in USSR is substantially different from India and so the course material had to be oriented to Indian trade structure; and
- (v) Naval HQ also contemplated to use temporarily existing facilities at Cochin but this was given up.

Regarding the reasons for freezing the work by the Nayal authorities work was frozen to finalise and crystalise the full scope of work as the users requirement kept changing frequently."

25. The Committee further sought reasons for the delay of nearly 5 years in the issue of formal sanction which was accorded in May, 1985. The Committee also enquired about the original estimate for the work costing Rs. 34.99 lakhs. The Ministry of Defence stated as follows:

"The formal sanction was delayed as AEs based on completion cost was insisted upon by CFA, which could only be finalised after adjustment of central purchase voucher for cement & steel floated by CDA.

The original estimate of Sep., 1980 of this work was for Rs. 13.23 lakhs, the scope of work kept changing and finally the cost of the work in May, 81 was Rs. 30.35 lakhs".

Delay in issue of acceptance of necessity, administrative approval to works and consequence thereof

26. Administrative control in respect of original works is exercised in two stages viz:

- (a) Acceptance of necessity.
- (b) Administrative approval.

27. According to the Audit Paragraph in 17 Projects included in the "Works Plan Programmes" for the years 1977-78 to 1981-83 and sanctioned between November 1978 and March 1983, delay in accepting the necessity and according administrative approval ranged between 1 and 4 years due to late submission of estimates by MES, changes in the scope of work by users and delay in issuing sanction by the Ministry as detailed below:—

Extent of delay	No. of cases
Over 1 year	12
Over 2 years	4
Over 4 years	1
	17

28. The Ministry of Defence intimated to Audit in November 1985 that acceptance of necessity of works was guided by internal priorities, availability of funds and consideration of time and situation prevailing at a particular point of time.

29. The Committee desired to know the total number of projects sanctioned by the Ministry of Defence during the period November 1978—March 1983. The Ministry of Defence stated as follows:—

"During the period November 1978 to 1 March 1983 the Ministry has sanctioned 253 works pertaining to Army, Air Force, Navy and Defence Production. Break up is as follows:

Army	89	This information pertains to four out of five Commands (Army)
Air Force	67	
Navy	40	
Defence Production :		
(a) R & D	22	
(b) Fy	26	
(c) DGI	9	
TOTAL	253	

30. The Ministry of Defence have further stated that out of above sanctioned projects a sample of 31 projects have been analysed for the delays in issuing acceptance of necessity and according administrative approval. It was observed from the analysis of these works that the main reasons for the delay in various stages are as follows:—

- (a) Non-availability of land.
- (b) Changes in scope of work.
- (c) Changes in key location plan.
- (d) Changes in the sanctioned strength.
- (e) Delay in inter-action with other departments like State Electricity Boards, Public Health Department, Water Supply and Electric Supply Department and Railways.
- (f) Non-availability of details like drawings and technical requirements where foreign collaborators are involved in the project.
- (g) Non-availability of Survey maps.
- (h) Non-availability of line plans at the stage of acceptance of necessity.
- (i) Changes in scale.
- (j) Non-availability of funds.

31. The Ministry have stated that no time-frame was fixed earlier for pre-adm. approval stage from the inception of the project. Since no norms were fixed, no definite time dimension can be given to the stagewise slippages. This defect has now been rectified with the issue of revised Defence Works Procedure April 1986. Definite time-schedules for pre-adm. approval stagewise have now been laid down for:

- (a) Acquisition and taking over of land.
- (b) Finalisation of proposals for works programme by the respective service headquarters.
- (c) Approval of works programme.
- (d) Preparation of rough cost.
- (e) Scrutiny of rough cost.
- (f) Acceptance of necessity by CFA.

32. Similarly time frame has also been fixed for the various stages of work, i.e. from acceptance of necessity to the issue of administrative approval.

Case C

33. An Ordnance Factory was proposed to be set up during June 1976 at Station 'C' on a very high priority basis in two Phases—Phase I intended to transfer production of some of the items of ammunition from an existing factory to the proposed factory and Phase II to productionise new items of ammunition under development.

34. A Board of Officers recommended in June 1976 that the project be so planned as to commence production by January 1979. Phase I of the Project was sanctioned in July 1977 at Rs. 2.94 crores but Phase II could not be sanctioned due to non-availability of technical details of imported equipments and processes.

35. Phase II of the Project was sanctioned in April 1981 at Rs. 6.28 crores. The Project was eventually completed in May 1984 at a cost of Rs. 7.83 crores.

36. The Committee enquired as to when the works services under Phase I were actually completed and at what cost. The Ministry of Defence stated as follows:

“Phase I (Civil Works) was fully completed in January 1981, at a cost of Rs. 3,09,30,655.00. The process of handing over the completed civil works to DGOF started in May 1979. The project was commissioned in June 1979. The handing over was completed in June, 1981.”

37. The production of Ammunition under phase I commenced in 1979-80.

The Committee desired to know the reasons for delay in the completion of phase I. The Ministry of Defence stated as follows:

“It is submitted that most of the civil works were completed and handed over to the users in 1979 and there was no hold-up in production on this account. Only a limited number on non-productive construction like compound wall etc. remained to be handed over and were handed over in 1981 without detriment to production.”

38. According to the Audit Para, Phase II of the project was completed in May 1984. The Committee asked about the reasons for the abnormal delay. The Ministry of Defence stated as follows:

“Administrative approval for civil works of phase II was issued in April 1981 with date of completion as per 1984 and was actually completed in May 1984, as such there is no delay in completion of the project as far as civil works are concerned.”

39. The Committee desired to know whether the delay of over 5 years in the completion of the civil works and consequential delay in the production of the new items of ammunition not affect any inter-related performance of the weapon system as a whole. The Ministry of Defence stated as follows:

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

It is submitted that these are only illuminating pyrotechnic ammunition and not related to any weapon system as such.”

40. The Ministry of Defence intimated that no stop-gap arrangements were made to overcome the slippage in the programme of the weapon system.

Delay in execution of works

41. Audit Para points out that in 15 projects pertaining to 3 commands, sanctioned by the Government between December 1971 and April 1982, delay in executing works ranged from over 1 year to over 5 years as detailed below:—

Extent of delay	No. of Projects
Over one year	3
Over 2 years	1
Over 3 years	6*
Over 4 years	1
Over 6 to 9 years	4*

*2 out of 6 and 1 out of 4 were yet to be taken up for execution as on March 1985

42. The Committee desired to know the approximate additional expenditure on these projects due to delay ranging from 1 to 5 years. The Committee also enquired whether the question of fixing responsibility has been examined at least in cases of delay exceeding 3 years. The Ministry of Defence stated as follows:

“Some projects are yet to be completed and as such it is difficult to ascertain at this stage how much will be the excess cost due to delay in execution of projects—delays occurred due to change in plinth area, change of site, revision of authorisation of entitlement, change of approach road, change from PCC floor to terrazo floor, change in design of furniture etc.

All these have affected the scope of work significantly and made it difficult to precisely quantify as to how much of excess cost is due to change in scope of work or how much is due to price escalation as such. It is however agreed that some escalation in cost has occurred as a result of delay in execution of these projects.”

43. The Committee desired to know the remedial measures which the Ministry have either already taken or proposed to be taken to harness such over runs of time. The Ministry of Defence have stated as follows:

“In order to reduce the incidence of delays in the execution of MES projects a new works procedure called Defence Works Procedure 1986 has since been introduced w.e.f. April 1986, based on the recommendations of the committee appointed by the Ministry in January 1985 in order to review and streamline MES works procedure to cut short delays in MES works. It seeks to cut short the delays where they are likely to occur. For example it has been provided that the user should spell out their complete requirements at the stage of acceptance of necessity itself so that engineers get adequate time for planning and have not to change the plan subsequently at the instance of users. However, it is apprehended that the shortage of vital stores like Steel and Cement may still continue and cause some unavoidable delays in execution.”

44. According to the Audit Paragraph as on March 1985, 2 out of 6 and 1 out of 4 projects had not been taken up for execution even after 3 years and 6 years from the date of their sanction. The

Ministry of Defence have intimated that 2 out of 6 projects have since been taken up for execution. With regard to 1 out of 4 projects, it has been stated that execution of this air to ground weapon range has not been taken up for execution as users have proposed to approach Govt. for a fullfledged/standard Unrestricted range which is not yet sanctioned released.

Case—J

45. Due to increase in the fleet strength at the Naval Base at Station 'G' a Board of Officers recommended in Detember 1970 the construction of a 1,200 ft. wharf. In April 1972, the cost of this work was estimated at Rs. 798.55 lakhs by the Zonal CE. The CE, Dry Dock entrusted with the execution of the work, however, opined on 16th January, 1974 that construction of the wharf at the site was neither technically feasible nor economical. Later on in July 1976, he considered 4 alternative—3 for construction of wharf with different specifications|designs and one for construction of jetty in lieu and recommended construction of a wharf at an estimated cost of Rs. 746.58 lakhs in preference to a jetty estimated at Rs. 755.95 lakhs. In December 1976, the CE (Project) informed the Naval Area Authorities that construction of a jetty in lieu of a wharf was considered by the Naval Headquarters (HQ)/E-in-C's Branch.

46. Administrative approval for the construction of a 1,200 ft. jetty at Rs. 761.31 lakhs, inclusive of Rs. 15.68 lakhs for the preliminary works sanctioned in November 1975, as amended, was issued by the Government in February 1978. As per the sanction the work (excluding "Capital dredging") was to be completed within 36 months from the issue of sanction i.e. by February 1981.

47. The main contract was concluded in February 1979 with firm 'AX' for a lump-sum of Rs. 3 crores for completion of work by 21st February 1981. By 1st February 1982 when the progress registered was assessed to be worth Rs. 1 crores, the work came to a stop due to labour problems in the firm resulting in cancellation of the contract in October 1982. However, the firm challenged the cancellation in a Court of Law in November 1982 resulting in with drawal of cancellation in January 1983, but the work was not resumed. The contract was again cancelled on 2nd September, 1983.

48. A fresh contract (except for supply of rubber Fenders) for the remaining works was concluded in March 1984 with firm 'BX' at the risk and cost of the defaulting firm for Rs. 2.98 crores for completion by 6th Sept. 1985.

49. The Committee desired to know the circumstances under which the Chief Engineer Dry Dock, entrusted with the execution of the work, expressed his opinion about the technical unsuitability of having a wharf as late as in January, 1974. The Ministry of Defence stated as follows:

“The Board in 1970 was a recce-cum-costing board which brought out in specific the requirements of the users (Navy). The construction proposed required specific study (tidal|wave study, soil|strata exploration) which required in return expert advice, and was, therefore under discussion among E-in-C's Branch, CE (Dry Dock), CWE (Cochin), Central Water and Power Commission, Naval authorities etc. In 1974 on the basis of data gathered from such studies, CE Dry Dock made specific recommendations to the E-in-C's Branch and hence the delay in declaring Wharf as unsuitable.”

50. The Committee enquired the reasons for taking 1 year and 7 months by the Chief Engineer to consider the 4 alternatives. The Ministry of Defence stated as follows:—

“Reference to CWPC, soil investigation,, collection of meteorological data etc. were required for consideration of different alternatives involved in this project. Considering the volume of data to be collected, collated and compiled, the time taken to consider 4 alternatives is justified.”

51. The Committee further enquired as to why it had taken another 2 years for issuing the administrative approval in February, 1978. The Ministry of Defence stated as follows:—

“The construction of the 1200 Jetty of an estimated cost of Rs. 761.31 lakhs was a specialised work on which SSR's were not applicable. Hence, rates were to be arrived at by consulting various agencies like Port Trust, DGNP (Vizag) where similar work was executed earlier. Further, the work also required EFC approval. A 'Go-ahead' sanction based on AEs then prepared was issued on 10 October, 1977 amounting to Rs. 15.68 lakhs. EFC approval was obtained on 22 December, 1977. Finally on receipt of RM's and FM's approval in January, 1978, the formal sanction was issued on 3 February, 1978.”

52. Though the cancellation of the contract had to be done in January, 1983 as a result of court order the work was not resumed by the contractor and the contract was eventually cancelled in September, 1983. The Committee desired to know the reasons for the delay of about 9 months from January, 1983 to September, 1983, in cancellation of the contract. The Ministry of Defence intimated as follows:—

“The cancellation was not done as a result of court order.

When the contract was cancelled in October 1982, contractor issued a legal notice under Section 80 CPC and also filed a suit challenging the validity of cancellation of contract in the Sub Court, Cochin. Contractor failed to get an order in his favour in the Sub Court. Therefore, he filed an application in the High Court who first granted stay order. However, on an appeal against the said interim stay order, the same was vacated by the High Court on 23-12-1982. Immediately thereafter, tenders were issued to carry out the work at the risk and cost of the defaulting Contractor. In the meanwhile, the aforesaid contractor assured that he had sincere interest, desire and anxiety to complete the work. The Contractor's proposal to resume the work was accepted in good faith and also to avoid arbitration, extra cost and delay in the completion of the work. Cancellation order was, therefore, revoked. The contract was revived on 17-1-1983. Contractor commenced preparatory work and stated that he was making efforts with the leaders of the Labour Union to resume the work. The work again got into difficulties due to inter-union rivalry. The Joint Labour Commissioner Ernakulam was approached in the matter during May 83, who promised that he would do his best to sort out the labour problems so that the jetty work would not suffer. On 8 June, 1983, the firm declared a lay off and position at site remained unchanged and there was no sign of progressing the work. Hence, 'slow progress notice' was once again served on the contractor by the CE. The District Collector Ernakulam held a meeting of union leaders in July 83 and the leaders promised to co-operate to progress the work. The then Minister of Labour Kerala Govt. also held a meeting with the Union leaders and then decided to hold a joint meeting during middle of August 1983 with representatives of the contractor, Labour

Unions and CE. The contractor's authorised representative did not attend this meeting indicating lack of interest to complete the work. There was no other alternative but to issue necessary notices to carry out the work at the risk and cost the defaulting Contractor. Subsequently, the contract was cancelled with effect from 2 September, 1983."

53. The Committee desired to know the assessed contract sum and amount actually incurred on rubber fenders. The Ministry of Defence intimated as follows:—

"The assessed contract sum for supply of "Rubber fender" was Rs. 22,26,987.42 and this work has been completed on 4-4-1986 at the cost of Rs. 36,05,083.60. The Government claims include extra cost of Rubber fender."

54. The Ministry of Defence have intimated that the work on Jetty has been completed on 30-4-1986 and it will be commissioned after receipt of power and water supply from the State Govt. and completion of dredging operations.

55. The Committee enquired as to what would be the total amount of extra cost as a result of cancellation of the contract and its allotment to another contractor. The Committee also enquired about the present position of the arbitration case. The Ministry of Defence have in a post evidence note stated as follows:—

"The risk and cost contract has been physically completed, however, site clearance and equipment test-removal is still to be done as there is a court restraint on equipment removal/disposal.

The extra cost as result of cancellation of earlier contract and its allotment to another contract is as follows:

(1) Original contract with firm 'AX' was Rs. 3 crores, the unfinished work of firm 'AX' was Rs. 2 crores. The contract amount with firm 'BX' is Rs. 2.98 crores, and therefore extra amount as a result of cancellation and awarding it to another contractor is Rs. 0.98 crores.

(2) As regards the present position of the arbitration case the arbitrator has not yet given his award.

- (3) The action in recovery of extra cost from firm 'AX' will be initiated after the publication of award by the arbitrator."

56. The Committee desired to know the total expenditure incurred on the berthing charges. The Ministry of Defence intimated as follows:

"Total berthing charges expenditure incurred yearwise are as follows:—

1981	Rs.	87,565.45
1982	Rs.	1,65,625.30
1983	Rs.	6,83,601.12
1984	Rs.	1,95,608.26

Total :	Rs.	11,32,400.13

Case—L

57. The Committee desired to know the reasons due to which the sitting-cum-costing Board had recommended construction of accommodation for the Central Base Post Office (CBPO) in February 1965 without having acquired a clear title to the land. The Committee further enquired as to when this land was formally offered by the State Government and at what cost. The Ministry of Defence intimated as follows:

"A sitting-cum-costing board was convened in February 1965, as an advance action to plan accommodation for CBPO, in anticipation of acquisition/requisition of land. The land measuring 20.94 acres was requisitioned under DI Act, 1962, vide order of West Bengal State Land Acquisition Collector dated 29-4-65 and possession was taken over on 5-5-65 in the presence of Defence Estates Officer (DEO). A title to the land was, therefore, well established. Since the land was requisitioned through the Collector, advance planning action taken by MES may not be regarded as unjustified. However under new Defence Works Procedure April 1986, it has been provided that no contract

action for construction of accommodation should be taken till the land is actually taken possession of. (CPWD was asked to construct the fencing only in November, 1966).

The land was requisitioned through West Bengal State Land Acquisition Collector and was not, therefore, formally offered by the State Government.

The land was requisitioned through State Govt. in May 1965 and derequisitioned in 1969. However, the land was in the physical possession of the owners during the period and hence no recurring compensation was paid."

58. Asked as to when the land owners had offered resistance, the Ministry of Defence stated as follows:—

"The contract for perimeter fencing of this land was concluded by CPWD in November, 1966. When CPWD staff went to commence this work and carry out field investigations, they were prevented by the local people from proceeding with the work."

59. An alternative site was suggested by the State Government in July 1967. The Committee desired to know the steps taken for having accommodation for the Base Post Office between the period the land owner brought an embargo and July, 1967 when the State Government suggested an alternative site. The Ministry of Defence stated as follows:—

"The alternative site offered by State Government in 1967, was in 3 places. A Board was assembled on 23-12-68 and subsequent days to examine the suitability of lands for construction of accommodation of Base Post Office. These sites were found unsuitable by the said Board. Finally another new site was selected and acquired. The CBSO was then functioning at Shahpur Camp with other Army Units."

60. The Committee enquired as to when the land which was sanctioned for acquisition in February, 1969 was actually acquired and its possession taken over. The Committee also asked whether this

delay of about 2 years¹ from December, 1968 to February, 1971 in issuing sanction for construction emanated from the delay in acquiring the land. The Ministry of Defence stated as follows:—

“Sanction for acquisition was issued on 17-2-1969. Since the land was acquired under Land Acquisition Act, 1894, all the formalities under the said Act were to be completed by the Competent Authority viz. the Land Acquisition Collector. Declaration under Section 6 of L.A. Act, 1894 were published on 29-7-70. Award was got approved and declared, awarded amount was paid to the concerned persons and possession was taken over on 13-4-1971 under Section 11 and 16 of the said Act. There was no undue delay in the acquisition of the land. Further it may be noted that the sanction accorded in February 1971 was for provision of Married accommodation and not the OTM Accommodation sanctioned in February, 1966.”

61. The Committee desired to know the yearwise expenditure incurred on the work since 1972 and the percentage of work actually done when the work was ordered for foreclosure in March, 1974. The Ministry of Defence stated as follows:

“Expenditure incurred and percentage progress of the contract at the time of foreclosure in March 1974 was Rs. 17.27 lakhs and 32.8% respectively.”

62. The Committee desired to know the main reasons for increase in cost of the project from Rs. 68.39 lakhs to Rs. 128.16 lakhs. The Ministry of Defence stated as follows:—

“The increase in the cost of the project from Rs. 68.39 lakhs to Rs. 128.16 lakhs is due to the delay in completion of the project on account of the following unavoidable reasons:—

- (i) Delay in acquisition of land from the State Govt. for approach road.
- (ii) Delay in soil investigation due to water logging of the site.
- (iii) Preoccupation of the CE with para 11 and emergency works sanctioned during the half of 1971 in connection with Indo-Pak war.

- (iv) Suspension of contract on 5-6-73 and subsequent foreclosure on 17-9-74. The work was later released for execution during 1975-76 and taken up for execution after financial concurrence in September, 1976.
- (v) Increase in the wage bill due to revision of wages by the State Govt.
- (vi) Increase in the length of timber piles to suit the site conditions also added to the cost.
- (vii) Increase in scope of work to cater for additional married accommodation in this complex."

Schedule of rates

63. The Standard Schedule of Rates (SSR) is the basis for pricing most forms of contract (Lumpsum, item rate, term) and for determining the reasonableness of contractors' quotations. In the MES, there are six sets of rates applicable to six different geographical zones of the country.

64. It is seen from the Audit Paragraphs that during 1962 to 1985, the CPWD revised their Schedules eight times, the last occasion being in 1983, in order to be abreast of the market trends. The MES, however, could during this period, revise their Schedules only four times in 1962, 1970, 1975 and 1980. The SSR for 1970 published by the MES in 1972 was made operative from 1st November, 1972 and the SSR 1275 from 15th November, 1975. The SSR 1980 was introduced from December 1983 but contracts continued to be executed based on the SSR 1975 even in 1983-84.

65. An examination of the working of SSR 1975, with reference to contracts concluded during 1978-80 to 1983-84 in five commands revealed that out of a total of 5,911 contracts of Rs. 1 lakh and above priced on the basis of SSR 1975, in 2,266 (38 per cent) cases the lowest rates quoted by contractors were 21 to 50 per cent above the SSR in 1,579 (27 per cent) cases 51 to 100 per cent above the SSR, and in 420 (7 per cent) cases more than 100 per cent above the SSR.

66. SSR 1980 was introduced with effect from December, 1983. The Committee desired to know the reasons due to which the con-

tracts concluded in the years 1984 and 1985 were based on SSR 1975. The Ministry of Defence stated as follows:—

- “(a) (i) Instructions were issued by the E-in-C's Branch to MES formations that the tenders to be issued after 15th December 1983 shall be based on SSR 1980. This implied that tenders which were issued prior to 15 December 1983 would be based on SSR 1975. These tenders were received in 1984 since minimum time of 5-6 weeks is required to be allowed for the contractor to quote his tender. Further it takes considerable time for scrutiny of processing and acceptance of tenders. Actual conclusion of some contracts, therefore, has taken place in 1984-85. That is why some of the contracts concluded in 1984 and 1985 were based on SSR 1975.
- (ii) It was also instructed to the MES formations that whenever the tenders were to be issued at the “risk and cost” of the defaulting contractor, the tenders should be based on SSR on which the earlier contract was concluded. This is a legal requirement since the contract to be concluded at risk and cost of the cancelled contract is to be identical. This implies that in such cases where the tenders were issued for completing the works at the risk and cost of the contractor whose tender was based on SSR 75 these are necessarily to be based on SSR 1975. Such risk and cost contracts are concluded in 1984 and 1985 based on SSR 1975 and also whenever the need arises.”

67. According to the Audit Paragraph, the SSR 1980 was introduced from December, 1983. Asked as to why it had taken 3 years to introduce SSR 1980, the Ministry of Defence stated as follows:—

- “It is admitted that there was a delay in preparing, printing and publishing the SSR-1980. This delay is attributable to the fact that last SSR i.e. SSR-1975 was prepared in 1973-74 and extensive revision, had to be carried out before preparing the manuscript for SSR-1980 for catering technological advancement in construction technique.
- (ii) Although SSR—introduced with effect from 15 December 1983 is called as “SSR-1980” this SSR was in fact printed in early part of 1983. The copies were despatched by Govt. of India Press Nasik by 30 August 1983, but the consignments were received by various formations throughout India only in October/November 1983. It requires at least 5-6 weeks for these formations to study this

voluminous documents before these rates are introduced by them. The earliest possible for introduction was therefore kept at 15-12-1983.

- (iii) There was thus some delay in printing of SSR in the Nasik Printing Press and its distribution to MES formations by them."

68. The Ministry of Defence had intimated Audit in November 1985 that efforts were being made to reduce the periodicity of publishing SSRs. The Committee desired to know the details of these efforts. The Ministry of Defence intimated as follows:—

"SSR 1985 have since been prepared, issued and made effective from 4-8-1986. It is decided to reduce the periodicity of revision of SSR's from 5 years to 3 years. SSR-Part II involves rates for different item in six Zones. These rates are to be formulated by working out and adding different components in different proportion. Hitherto before this work was being done manually which is time consuming process requiring rechecking. The process of formulating the rates has been computerised as a result of which much time will be saved."

Administration/Execution of contracts

69. The Audit Paragraph points out that in 3,178 cases pertaining to 5 commands, extensions of time were granted to contractors during the year 1983-84. Out of these in 2,143 cases (67 per cent) the periods of extensions granted were disproportionately large as compared to the periods originally fixed for completion. In 1,226 cases (39 per cent), the extensions of time granted were more than the original period and in 917 cases (28 per cent) half or more than half of the original period. The position in the year 1980-81 to 1983-84 was as under:

Year	Total No. of cases	More than the original period	Percentage	Half or more than of the original period	Percentage
1980-81	3,010	2,201	40	840	28
1981-82	3,144	1,079	34	864	27
1982-83	3,124	1,142	37	913	29
1983-84	3,178	1,226	39	917	28
	12,456	4,648		3,533	

70. The Committee enquired about the reasons for granting generous extensions to the contractors during the execution of the contracts. In a post evidence note the Ministry of Defence stated as follows:

"It is submitted that extensions of time are not granted to contractors generously but only on account of delays which are either due to the reasons beyond the control of the contractor or delays in issue of Sch 'B' stores/issue of T&P and delay in handing the sites. It is stated that such delays are not uncommon in the building industry throughout the country and are therefore catered for in Condition II, of IAFW 2249— (General Conditions of Contract) even though time is the essence of the contract. It would thus be evident that extensions of time are granted perforce and for the reasons stipulated in this condition only. No extension of time is granted for the laxity or slow progress of the contractor on account of his own failures."

71. The Committee further enquired whether the requests for extensions are entertained arbitrary or there was any uniform procedure in this regard. The Ministry of Defence stated as follows:

"Request for extensions are not entertained arbitrarily. There is laid down uniform procedure for granting extension of time and this procedure is being followed. Contractor has to give notice in writing immediately upon the happening of any such event causing delay in work but not later than 30 days of the happening of the event. The reasons given by the contractor are thoroughly scrutinised and critically examined.....Where it is found that the delay is solely due to the contractor's failure extension of time is not granted and compensation for delay in terms of contract conditions is levied. No cost escalation is permitted in cases where extension is given on contractors request."

72. The Committee further enquired about the steps taken to deal with extension which were purely for the purpose of gaining time to get escalation in costs. The Ministry of Defence stated as follows:

"In cases where the extension requested is found to be purely for the purpose of gaining time, no extension of time is granted in such cases at all, and on the contrary compen-

sation for delay is levied. Extension of time is granted only for the reasons which are covered under conditions of contract."

73. Since the contract periods were extended due to departmental delays, the Committee enquired that in how many cases (with financial implications) contractors had claimed price rise for such delays. The Ministry of Defence stated as follows:

"During the period 1980-84, total number of cases where extensions were granted due to departmental delays were 4881 Nos. Out of these in 70 cases the contractors claimed price rise. Total amount claimed in these 70 cases in Rs. 297 lakhs.

Since these claims were not acceptable to the department being non-contractual (since contract provides for only extension of time to contractors for completion of work in case of such departmental delays) the cases have been referred to arbitration. In most of the cases the arbitration proceedings are still in progress and awards are awaited."

74. The Ministry of Defence had intimated Audit in November, 1985 that in many cases extensions of time granted to contractor were unavoidable but a Committee was formed to look into the time over-run and package of measures required to ensure time completion of the projects. The Committee desired to know about the findings of this Committee and action taken thereon. The Ministry of Defence intimated as follows:

"The works procedure Review Committee which was constituted on 30-1-1985 has since submitted its report on 3rd January, 1986. It contains both the findings and the recommendations of the Committee. The main recommendations of the Committee are as follows:

Adherence to Stages:—Project/Civil work should be processed through well-defined stages and unless there are exceptional circumstances, all the stages should be adhered to.

2. *Perspective Planning*:—The concept of Perspective Planning based on the resource indicated by Government be followed by Service Headquarters, lower formations, and other user agencies in the Ministry of Defence. While formulating the perspective plans for arriving at construction costs, E-in-C's may be consulted.

3. *Standardisation of Engineer Documents*:—The Service Headquarters in consultation with MES should draw a standardisation programme with respect to line plan, tender documents, accommodation statement within a specified time frame. Deviation from the standard, if any, should be justified by special circumstances and approved by the next higher authority.
4. *Land*:—Land acquisition should be completed before issue of Administrative Approval. Where construction is to be taken up on the Defence land, the user organisation should ensure vacant possession in time.
5. *Zonal/Master Plans*:—Once the Zonal/Master Plan has been approved it should not be changed. In case changes are required the justification for the same has to be explained to and approved by the next superior authority.
6. *Planned Development of a Station/Zone*:—Financial resources permitting, the external services of a military station/zone should be planned and developed in an integrated manner.
7. *Sitting Boards*:—Following measures are recommended to cut down unnecessary delays in the finalisation of sitting Boards:
 - (a) Sitting Boards should be ordered only in respect of works included in the works programme.
 - (b) The programme of Siting Boards should be spread over the entire year.
 - (c) No special works should be permitted for standard units.
 - (d) Where there is a heavy backlog, the possibility of constituting Standing Siting Boards should be considered.
 - (e) Where CFA is Command HQ and above, Board Proceedings should be routed directly to the Command Headquarters for approval/recommendations with information copies to other concerned staff authorities.
8. *Administrative Approval and Release of works*:—The works should be released as a whole. Whenever due to financial constraints works are to be released in phases,

the same should be done as self-contained modules and the time frames would be regulated accordingly. The decision for partial release should invariably be taken in consultation with E-in-C.

9. *Time Schedule Part I*:—Separate Government letter has been issued.

Post Administrative Approval/Execution Stage

10. *Change of Site*:—Once the Administrative Approval has been issued, the site of the building should not be changed. If due to exceptional considerations change of site becomes necessary, prior approval of the Government should be obtained, if the Administrative Approval has been issued by the Government. In all other cases, approval of Services Hqrs concerned should be obtained.
11. *Change in Scope of Works*:—Service Headquarters should issue suitable administrative instructions for avoiding changes in the scope of works after the Administrative Approval. In case changes become essential the same should have the prior approval of the Competent Financial Authority and the time schedules should be regulated accordingly.
12. *Approval of Line Plans*:—Line plans should be firmed up and approved by the appropriate authority preferably at the Siting Board Stage and in exceptional cases prior to the issue of Administrative Approval.
13. *Financial Concurrence Cases*:—The existing procedures for Financial Concurrence cases should continue. Where the CFA is satisfied that sanction should not be accorded and re-tendering should be resorted to, reasons should be recorded while conveying this decision and the decision should be taken in time.
14. *Charging of Stationery to Project Contingencies*:—Stationery may be charged to contingencies of each project and MES authorised to procure the requisite stationery. This will make the functioning of the MES more effective.
15. *Shortage of MES Staff*:—The E-in-C should take necessary measures to reduce this shortage within a reasonable time frame. To this extent the ban imposed by

the Government may be relaxed, especially in the case of critical categories after revising the existing norms for subordinate staff. Wherever there is heavy backlog steps should be taken to clear the same immediately by resorting to consultancy making use of the existing provisions.

16. *Accommodation of Civilian Officers in MES*:—Existing provisions be continued and reviewed from time to time.
17. *Inadequacies in Specialised Skills*:—The E-in-C should take immediate steps to meet the needs of work services of the future and forward suitable proposals to the Government for their approval.
18. *Project Monitoring at Micro Levels*:—The E-in-C in consultation with the users agency suitably modify the QPR. In the case of major/important projects, PERT charts are to be prepared to facilitate monitoring.
19. *Project Monitoring at Micro Levels*:—For effective project monitoring the MES should establish computer aided Management Information System. The E-in-C should carry out a suitable system study to design the required software and put up a proposal to the Government. This interfaced with telex/data links between Services/Command HQ and E-in-C's Branch/Command/Zonal Chief Engineer's Office would provide real time information and considerably speed up, improve the information storage retrieval and communication capabilities. This will make the monitoring of projects more effective by the Government as well as the Service Headquarters.
20. *Working in Shifts*:—For urgent and operational projects the contractor may be asked to work in two or three shifts taking into account costs involved.
21. *Shortlisting of Contractors*:—For works costing over Rs. 2 crores, a new 'SS' Class of contractors should be introduced.
22. *Time Schedule Part II*:—Separate Government letter has been issued."

75. The Ministry of Defence further intimated that based on the recommendations of the Committee, a revised works procedure for

MES has since been issued which has come into effect from the 1st April, 1986:

"With the introduction of new works procedure the delays will be considerably reduced. However, the problem of availability of levy stores like Cement and Steel still persists as they are not available in time always. This sometimes leads to some delays. Since the delays are due to many unforeseen factors, it is not possible to take any preventive action in all cases. However, with the issue of new works procedure as stated above, these delays are likely to be minimized. Few examples which contribute to delays are as under:

- (a) Labour problems due to union rivalry;
- (b) Non-availability of Cement due to power shortage and wagon shortage;
- (c) Non-availability of steel due to non-rolling Programme;
- (d) Change in the scope of work by users;
- (e) Change of site.

Overpayment to contractors

76. As on 31-3-1985, the total amount outstanding on account of overpayment to contractors or short recoveries from them stood at Rs. 2.57 crores. The Committee enquired as to why despite the safeguard stipulated in the rules, these outstandings have been persisting. The Ministry of Defence stated as follows:

"The main reasons for the outstanding recoveries were due to observations of CTE, extra cost of work got done at the risk and cost of defaulting contractors, compensation levied on contractors for delay in completion of work etc. Much of these recoveries could not be realised as contractors have disputed the same and the matters are either before the arbitrators or in the Civil Courts. As such these outstanding recoveries can not be completely eliminated in spite of best efforts by MES."

77. The Committee further enquired as to how much of this outstanding amount of Rs. 2.57 crores has either since been recovered or has become irrecoverable or is under litigation. The Ministry of Defence stated as follows:

"Out of Rs. 2.57 crores, Rs. 43.20 lakhs has since been recovered. Rs. 9.29 lakhs has become irrecoverable since

the concerned contractors in these cases have no tangible assets wherefrom these recoveries can be realised. In a few cases, contractors whereabouts are also not traceable inspite of enquires through the police authorities. 200 cases are under litigation before arbitrators and civil courts. These cases are pending as under:

Prior to 1980	53 Nos.
1980 onwards	22 Nos.
1981 onwards	16 Nos.
1982 onwards	35 Nos.
1983 onwards	30 Nos.

78. The Committee desired to know the reasons for non-recovery of the outstandings and the type of regular efforts being made to effect their recoveries. The Ministry of Defence stated as follows:

“The reasons for non recovery of these outstandings are mainly due to the fact that these recoveries are disputed by the contractors and they have resorted to litigation, and the cases are either before the arbitration or pending in civil courts. Out of the amount outstanding, it is stated that the amount involved in cases before the arbitrator or in civil courts is Rs. 2.03 crores. Regular efforts are made to get the arbitration proceedings and court cases expedited, but it is stated that early finalisation of these cases is beyond the control of Department. Other recoveries are being recovered from the payments due to the contractors.”

79. Asked as to how the outstanding amount of Rs. 9.29 lakhs has become irrecoverable, the Ministry of Defence stated as follows:

“Amount of Rs. 9.29 lakhs has become irrecoverable since the concerned contractors in these cases have no tangible assets, wherefrom these recoveries can be realised. In a few cases, contractors whereabouts are not traceable inspite of enquiries through the police authorities.”

80. Of the 200 recovery cases pending under litigation before arbitrators or civil courts as many as 57 cases relate to the period prior to 1980. The Committee desired to know the reasons due to

which these old cases have not been finalised so far. In a post evidence note, the Ministry of Defence stated as follows:

"In these cases the contractors have in the first instance challenged the arbitration awards and filed petitions in the courts to set aside the awards. The cases are pending in courts for a decision. In some more cases, where the courts have dismissed the contractors petition and passed the decree in terms of the award, the contractors have filed the appeals against the lower courts judgements, and these cases are still in progress. Since the cases are pending in the civil courts, the Government has very little control over the same."

81. It is seen that overpayment amounting to Rs. 54.42 lakhs out of total work of Rs. 253.54 crores were detected by the Chief Technical Examiner. The Committee desired to know as to why these defects could not be detected at original supervisory level and steps proposed to be taken to avoid this situation. The Ministry of Defence stated as follows:

"It is submitted that the overpayment pointed out by CTE organization is Rs. 54.42 lakhs mentioned in the report is against the contract valuing Rs. 253.54 crores examined by CTE. The percentage of overpayment when compared with the value of contract examined, would work out to only 0.21 per cent (and not 21.5 per cent mentioned in the question). This percentage cannot be termed as highly unsatisfactory state of affairs since it is a very negligible percentage compared to the total work-load.

The defects pointed out by the CTE are generally of minor nature and even for these defects adequate instructions are issued to MES formations to avoid recurrence of these defects.

The defects pointed out by the CTE organisation sometimes are not detected by the supervisory staff when the work is executed on large scale and with speed so as to achieve the completion by targeted time. Since CTE's examination is a detailed and critical, these defects are pointed out by that organisation, Efforts are however made to eliminate

this situation so that the defects are not allowed to remain in the work."

82. The CTE is required to carry out technical examination during the currency of the work or after the work has been completed. After technical examination of 4 completed works, the CTE pointed out recoveries totalling Rs. 49.59 lakhs on account of defective workmanship during the period February 1976 to September, 1976.

83. The Committee enquired as to why the defects pointed out by the Chief Technical Examiner could not be detected during execution of the works by Engineers-in-Charge or supervising engineers. It was also enquired whether these works were inspected by the CE/CWE concerned during execution. The Ministry of Defence stated as follows:

"The defects were detected by the CE and Engineer-in-Charge. Though some concrete slabs failed (5.8 per cent of the total slabs in case of contract 'AB' and 14.5 per cent of the total slabs in case of contract 'AC' in flexural strength they were all found finally acceptable after the core tests and therefore the CE was satisfied about the quality of the work after which final bill was paid to the contracts in April 1975. The concrete slabs are still sound and pavement is operative. These works were inspected by CE/CWE during their execution."

Losses of Stores and Cash

84. The Committee desired to know the reasons for the total amount of stores and cash losses for Rs. 7.36 crores awaiting regularisation as on 31st March, 1985. The Ministry of Defence stated as follows:

"These outstanding losses are not entirely of MES, but mostly of Defence Assets created by MES and hence included in the MES.

These losses not only consist of *Stores and Cash Losses* but comprise of losses due to natural calamities like storms, floods, fire, earthquake etc. and irrecoverable amount against Rent and Allied charges, Barrack damages and other miscellaneous items as detailed below. The bulk of these losses forming 46.19 per cent of total losses are however due to natural calamities. Stores losses are to the extent of 2.58 per cent only.

Break-down details are given below:—

		Amount Rs. in Crores
Categories 'A'	Loss due to storm, flood and earthquake, fire	3.40
'B'	Loss of stores	1.90
'C'	Loss on a/c of barrack damages	0.16
'D'	Loss due to nonrecoveries of rent & allied charges	0.07
'E'	Loss of furniture	0.06
'F'	Miscellaneous losses	1.77
Total		7.36 crores

85. The Committee desired to know the number of cases of losses which are awaiting regularisation for more than 10 years, 8 years, 5 years and 3 years and the reasons for rising trend of annual losses. The Ministry of Defence stated as follows:—

“The losses awaiting regularisation alongwith the amounts are given below (as on 31-3-85):

		No. of cases
(a)	Over 10 yrs : Rs. 2.26 crores	458
(b)	Over 8 yrs : Rs. 1.59 crores	429
(c)	Over 5 yrs : Rs. 1.81 crores	459
(d)	Over 3 yrs : Rs. 0.59 crores	167
(Upto 82-83)		

The increase in trend is mainly due to manifold increase in amount of assets, and workload (constructional activities) computed workload during 1975-76 was of the order of Rs. 247 crores and during the year 1985-86 it is of the order of Rs. 1202 crores i.e. an increase of 386 per cent but the powers to write off these losses by CFA continue to be same as during 1963. However, marginal increase in CFA powers in respect of MES losses was made in the year 1985. The increasing annual losses in MES can be attributed to the following:—

- (i) Large No. of loss cases is due to natural calamities beyond the control

- (ii) Increasing loss cases may be viewed in the context of growing & large increase in MES assets (buildings & stores). Loss is marginal compared to assets created.
- (iii) Regularisation of losses is a time consuming process entailing board proceedings finalisation, enquiry report, meteorological report, audit report, clarification given on the same, and also involves interaction among various Departments like Police, DVC, CBI, Judiciary and private parties.

The position of losses as on 31-3-86, pending from 82-83 and earlier periods is indicated below:—

	<i>No. of Cases</i>
(a) Over 10 Yrs : 2.19 crores	409
(b) Over 8 Yrs : 1.51 crores	371
(c) Over 5 Yrs : 1.69 crores	386
(d) Over 3 Yrs : 0.57 crores	151

(Upto 82-83)

86. The Committee desired to know the present position of the outstanding amount of losses for the period of 1984-85 and 1985-86 together with the steps taken to reduce these losses. In a post evidence note, the Ministry of Defence stated as follows:

Year	Outstanding at the beginning of the year	Losses occurring during the year	Total	Losses regularised during the year	Total	Outstanding at the end of the year	
				----- pertaining to the previous year			
1	2	3	4	5	6	7	8
1984-85	7.00	1.22	8.22	0.84	0.02	0.86	7.36
1985-86	7.36	1.25	8.61	0.81	0.15	0.96	7.65

Instructions have been issued by E-in-C's Br. vide their letter No. 03784/AP/84-85/ESP-I (losses/FE) dated 28 July '86. The instructions highlight the following aspects:—

- (i) General security of the Area

- (ii) Receipt of stores
- (iii) Intensification of stock-taking
- (iv) Issues
- (v) Documentation
- (vi) Checks and inspections
- (vii) Duties and responsibilities.

These instructions also highlight 'dos and don'ts' to be followed by the executive at site."

87. The Committee desired to know the number of these cases which were found by the Court of Inquiry to be due to theft, fraud and neglect. The Ministry of Defence stated as follows:

"Each loss is investigated, irrespective of the cause, by a Court of Inquiry. The holding of a Court of Inquiry may at the discretion of the competent financial authority, be dispersed, where the loss is not due to theft, fraud and gross neglect is less than Rs. 10,000/-. The break-up of the losses found to be due to theft, fraud and neglect as on 31-3-86 is given below:—

	Nos.	Amount
Due to theft, fraud and neglect	109	8.21 crores"

88. The Committee enquired about the reasons for the low trends in settlement/regularisation of cases of losses. The Ministry of Defence stated as follows:

"Reasons for low trend in settlement/regularisation of cases of losses are summarised as below:—

- (a) Inadequate powers to write off losses to Staff authorities. These powers continue to be the same as during 1963 except for marginal changes.
- (b) Different agencies involved in regularisation, Engineers, Audit & Station authorities & their intermediaries.
- (c) In some cases Court of Inquiry get delayed due to non-availability of witness and cannot be finalised if police investigations are also not finalised in theft cases, for example."

89. As desired by the Committee, the Ministry of Defence furnished the following details about the amount of store losses written off and borne by the Government between 1980-81 and 1984-85:

1980-81	28.58 lakhs
1981-82	97.65 lakhs
1982-83	81.94 lakhs
1983-84	55.76 lakhs
1984-85	27.23 lakhs

Revenue

Outstanding rent and allied charges

90. According to the Audit Paragraph a sum of Rs. 3.38 crores was outstanding on account of rent and allied charges as on 30 June, 1984. The Committee desired to know the present position and steps being taken to regularise these dues. It was also enquired whether there was any mechanism to periodically review these recoveries at a higher level. In a post evidence note, the Ministry of Defence stated as follows:—

- “1. In order to liquidate the outstanding rent and allied charges, the following instructions have been issued from time to time:
 - (a) Ministry of Defence vide their letter No. 12(13)/72/D (W-II) dated 28 Feb. 74.
 - (b) E-in-C's Br. letter No. 83/58/HQ/E2 (WPC) dated 28 Oct. 85.
 - (c) QMG Br. letter. No. A/6443/Q3 (b-c) dt. 3 July '86.
2. In addition to these Ministries have proposed to further issue instructions emphasising for strict implementation of the instructions contained in their letter 1(a) above. The following action is also being proposed:—
 - (a) Expeditious regularisation of very old cases having being irrecoverable.
 - (b) Half yearly review of cases at Joint Secretary level.
 - (c) To adjust dues against the grant-in-aid to Municipal Corporations Cantt. board etc.

- (d) Station Commander is being made responsible to cut off electricity and water of the defaulters.

A periodical review at the Joint Secretaries level of these outstanding amounts in the Ministry is under contemplation."

91. The Committee desired to know as to how much of the total amount of Rs. 2.88 crores (as on 30 June 1983) and Rs. 3.57 crores (as on 30 June 1985) constitute the outstanding against Army, Navy, Air Force officers. The Ministry of Defence stated as follows:—

"There are no outstanding amount against serving officers. The figures against retired/ released Officers are as follows:—

	Outstanding as on	
	March 1983	March 1985
(a) Army	11.45 lakhs	7.34 lakhs
(b) Navy	18.73 lakhs	22.17 lakhs
(c) Air Force	7.14 lakhs	5.56 lakhs
	Rs. 37.32 lakhs	35.07 lakhs

92. With regard to the outstanding amount of Rs. 35.07 lakhs, the Committee asked as to why it was not possible to recover these dues before the release of pension/gratuity order. The Committee also enquired about the steps being taken to recover these outstanding and whether there was any lacunae in the system. In a post evidence note, the Ministry of Defence stated as follows:

"In the case of retired/released officers, an amount ranging between Rs. 300/- to Rs. 500/- approximately depending upon dues/demands, on account of rent bills, income-tax etc., is retained. No demand certificate is also insisted upon in all cases and the account is not generally finally settled till receipt of 'No Demand Certificate' from all concerned. It may be however appreciated that is rendition of 'No Demand Certificate' has to be given by different agencies it does take some time particularly when the demand continues to accrue as for instance in the

case of continued retention of Government accommodation by officers even after retirement. In such cases 'No Demand Certificate' is not possible to be furnished quickly for the simple reason that quantum of demand is not precisely known and cannot be assessed. In this case, since the period of unauthorised occupation ranges from three months to two years, the Controller of Defence Accounts (C) could not wait long for 'No Demand Certificate' and postpone the final settlement of the Office account indefinitely. Once the officer retires from service, CDA may at best have assets equal to one month's pay and allowances and maximum of Rs. 1000/- only of DCRG (the latter can be withheld for a period of six months at best). The assets may, therefore, not be sufficient to recover the demands reports to CDA after the date of retirement. In such cases, Unit Accountants BSO are to request the Station HQ to initiate statements of cases with full details for recovery from pension/Death-cum-Retirement Gratuity or for obtaining order from the President for withholding pension or to effect direct recovery through courts by Civil suits or to arrange for regularisation of losses by the Government.

The Ministry is contemplating invoking regulation 5 of Army Pension Regulations for withholding pensions in respect of the service officers for the misconduct of not clearing the dues on account of rent and allied charges and also on account of unauthorised occupation of Government Accommodation by the officer concerned."

93. According to the Audit Para, dues outstanding against private parties represent 25 per cent of total outstanding. The Committee desired to know whether there was adequate mechanism to enforce recovery against private persons and also whether security deposits were being obtained from these persons for services rendered. It was also enquired whether responsibility for lapses had been fixed in cases where the amount due had not been recovered. The Ministry of Defence stated as follows:

"The present mechanism is adequate to enforce recovery against private persons. However, Ministry have issued detailed guidelines and instructions to contain these outstanding amount by (a) regular monitoring of the outstanding (b) to cut off electricity and water supply of

the defaulters (c) to enforce eviction law stringently where applicable (d) no accumulation of arrears to be permitted. In addition to monitor this action a half yearly review meeting should be held at the level of Joint Secretary.

As per the existing procedure six months advance deposit is kept.

The amounts which have become irrecoverable are investigated through a Court of Enquiry and responsibility fixed as such."

Outstanding Barrack Damages

94. Damages to buildings, fittings, fixtures and furniture caused willfully or by negligence are called Barrack Damages.

95. According to the Audit Paragraph, the total amount outstanding on account of non-recovery of barrack damages at the end of 1983-84 stood at Rs. 29.14 lakhs. The table below indicates an increasing trend in barrack damages.

Command	Outstanding at the end of the financial year (Rs. in lakhs)			
	1980-81	1981-82	1982-83	1983-84
Western	3.92	4.08	5.51	5.90
Central	7.76	8.73	8.76	7.60
Northern	1.70	2.55	3.10	3.22
Southern	6.11	8.09	8.30	7.06
Eastern	4.61	4.36	4.60	5.36
	24.10	27.81	30.27	29.14

96. At the instance of the Committee, the Ministry of Defence furnished the following details of the barrack damages which have been outstanding for over 10 years, between 5-10 years, between

2 to 5 years and upto 2 years:

Category	EXTENT OF OUTSTANDING AMOUNT					Grand Total
	WC	CC	NC	SC	EC	
Over 10 years	0.27	0.98	0.01	0.43	0.13	1.82
Between 5-10 years	0.57	1.96	0.32	0.39	0.80	4.04
Between 2 to 5 years	1.96	2.06	0.31	0.92	1.06	6.31
Upto 2 years	3.10	2.60	2.58	5.32	3.43	17.03
Total	5.90	7.60	3.22	7.06	5.42	29.20

97. In the light of instructions contained in para 1176 of RAI and Regulations of MES Para 634 it is required that recoveries of barrack damages are to be effected before units/Officers leave the stations. The Committee desired to know as to why outstanding on this account has gone up from Rs. 24.10 lakhs in 1980-81 to Rs. 29.14 lakhs in 1983-84. The Ministry of Defence stated as follows:—

“It has been already brought out that major portions viz. 80 per cent approximately of Barrack Damages pertain to dues from Units & Messes. The delay in settlement of these vouchers from the Units/Messes is due to their movement to forward/operational areas many a times not allowing sufficient time for vetting & acceptance of vouchers before their movement. The other factors leading to accumulation are as follows:—

- (i) Increased number of Units, Messes and hence total value of assets.
- (ii) Irrespective of the original cost of the item of damaged item, the Barrack damage is raised at current market rate, that is at the replacement cost taking into consideration the escalation factor, hence increased amount of Barrack damage.
- (iii) Non-pursuance of cases by Units resulting in accumulation.

- (iv) Slow process involving representations and subsequent investigations.
- (v) Pre-audit of Barrack damage voucher before realisation of the amount.

Instructions have been already issued on 19 Sept. 1986 to adhere to the existing procedures scrupulously to avoid further accumulations. Further instructions are being issued for post auditing the Barrack damage vouchers so that recovery can be effected on the spot, before the move of an individual or Unit or a party. It is too early to assess the results of these recently issued instructions."

Stores Management

98. A review conducted by Audit of the pattern of procurement of cement and steel for 8 projects executed by GEs revealed that:

In 8 projects, for every 75 tonnes of cement and 54 tonnes of steel used, 100 tonnes of each were procured resulting in total surplus procurement of 6,732 tonnes of cement (cost: Rs. 50.51 lakhs) and 2,635 tonnes of steel (cost: Rs. 92 85 lakhs).

In projects 'C' and 'F' the quantity of steel planned was 775 MT (138+637 MT respectively), whereas the quantity actually utilised was 778 MT (112+666 MT) being almost equal. However, the quantity procured was 1,344 MT (426+918 MT). The excess quantity of steel procured was 566 MT i.e. 73 per cent above the planned requirement, and costing Rs. 14.38 lakhs.

99. The Committee desired to know the reasons for wide variations between the estimated quantities and actually procured quantities of cement and steel for the aforesaid 8 projects and the present position about the utilisation of the relevant stores..... The Ministry of Defence stated as follows:—

"The present state of stores of 8 projects under consideration is as follows:—

QUANTITY IN TONNES
(VALUE IN LAKHS OF RUPEES)

CEMENT									
PROJECT									
	'A'	'B'	'C'	'D'	'E'	'F'	'G'	'H'	Total
Planned for the project	2201	2400	2350	24500	2900	3473	2218	615	40657
Procured against the project	2201	1864	1765	13217	1868	3473	2218	615	27221
Value	8.58	9.32	8.83	111.00	13.95	12.85	11.56	3.15	179.24
Utilised	1714	1489	1635	8492	1294	3338	1804	561	20327
Value	6.68	7.45	8.17	71.70	10.61	12.35	9.39	2.87	129.22
Excess Procurement	487	375	130	4725	574	135	414	54	6894
Value	1.20	1.88	0.65	39.30	3.34	0.50	2.17	0.28	50.02
Excess transferred to other projects	487	375	130	4725	574	135	414	54	6894
Value	1.90	1.88	0.65	39.30	3.34	0.50	2.17	0.28	50.02
Freight Handling charges on transfer charged to project	Nil	Nil	Nil	Being ascertained	0.14	Nil	Nil	Nil	Being ascertained
Remaining surplus	Nil	Nil	Nil	Do.	Nil	Nil	Nil	Nil	Do.
Value	Nil	Nil	Nil	Do.	Nil	Nil	Nil	Nil	Do.

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STEEL									
PROJECT									
	'A'	'B'	'C'	'D'	'E'	'F'	'G'	'H'	Total
Planned for the project	748	243	138	1165	192	637	873	213	4209
Procured against the project	1092	380	426	1922	351	918	962	221	5996
Value	18.54	7.60	13.20	92.44	16.26	20.08	26.00	6.76	200.85
Utilised	339	189	129	974	294	666	497	58	3146
Value	5.76	3.78	3.99	47.92	13.56	14.85	14.66	1.86	106.3
Excess Procurement	753	191	297	1058	57.27	252	365	163	3012.66
Value	12.53	3.82	9.20	44.52	3.70	5.23	11.34	4.90	93.66
Excess transferred to other projects	753	191	297	1050	43.60	252	365	163	3026.27
Value	12.53	3.82	9.20	44.52	2.06	5.23	11.34	4.90	95.24
Freight handling charges on transfer charged to project	Nil	Nil	Nil	Being ascertained	0.016	Nil	Nil	Nil	Being ascertained
Remaining surplus	Nil	Nil	Nil	Do.	13.16	Nil	Nil	Nil	Do.
Value	Nil	Nil	Nil	Do.	1.64	Nil	Nil	Nil	Do.

In projects A&H large quantities of surplus stores were utilised locally and small quantities were transferred to outstation units. The freight charges were borne by receiving units and actual amounts are being ascertained.

Surplus stores in all projects except project 'E' have been transferred/utilised in other running projects.

In projects B. G. F&G no amount was incurred in freight charges being utilised locally.

In project 'E' an meagre amount of Rs. 0.15 lakhs towards charges was incurred.

100. The following salient points may be noted in this regard:

- “(a) The stores procured temporarily in excess to those required have been by and large subsequently transferred to other projects and utilised and these involves no infertuous expenditure.
- (b) No excesses are held against most of the project except project E where 13.61 MT of steel is presently held unutilised (which is marginal)

The fluctuations or variations in the planning figures and actual consumption can be better appreciated if the following aspects are kept in view:—

- (a) The inventory control takes into account (i) rate of consumption (ii) lead time and (iii) availability pattern.
- (b) The rate of consumption in turn depends upon the projects under execution which are in various stages of progress.
- (c) The lead time has direct bearing on the availability of stores and is related to rolling programmes of firms producing steel.
- (d) The planning time of a project from the point of release upto the finalisation of designs, when actual requirements of stores could be worked out ranges between 3 to 6 months depending upon the magnitude and complexities of the project and required Quantities can be ordered for procurement.

(e) The time required for tendering|contract action and physical commencement of work ranges between 3 to 6 months, when physically stores are required on the ground whereas lead time varies between 12 to 18 months. Thus there is a gap of 9 to 12 months of uncertainties between requirement and availability of stores which is required to be bridged based on past experience to allow the work to start according to schedule. Suitable adjustments between the projects either by slowing down the projects or by utilising temporary available excesses or both have to be made depending upon the ground situation and priorities regarding the completion of projects. These adjustments are normally done by the executive on the ground in exercise of the powers vested in them, under paras 136 and 777 of MES Regs and it is not possible to furnish their details since formal records of such decisions are not maintained.

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

101. Asked whether the inventory level of various items like cement and steel has been fixed with reference to requirements of these units, the Ministry of Defence stated as follows in a post evidence note:

"The inventory level for cement and steel is not planned in the sense it is planned in a production unit. Because in MES there is no single type of construction activity requiring a particular type of inventory. However procurement of stores is planned as a quarterly basis at the level of zonal CE based on quarterly requirement of such stores indicated by executives under him. The executive in turn

estimates his requirement based on the quarterly requirement of stores for not only on going projects but also for the newly sanctioned projects.

Only closing balance at the end of the quarter of cement and steel is held in stock which is subsequently consumed in on going and newly sanctioned projects. Once a project is sanctioned its store requirement is worked out on the basis of plinth area/cost of the building in order not to lose time in procurement. However once the detailed drawings are finalised the estimates are checked and firmed up."

Re-erection to two "Igloo type" hangers

102. The Audit Para points out that though the Ministry approved ONGC type hangers in March 1980, indents for supply of only 201 MT of steel, as against 1097 MT required, were placed in March 1980 as the amount sanctioned in the Go-ahead sanction was Rs. 7.50 lakhs as against Rs. 30 lakhs (approx.) required.

103. The Committee enquired as to why it was not possible for the department to obtain funds for the procurement of 1097 MT of steel especially when the cost of stores for construction of ONGC type hangers mainly consisted of steel. The Committee also asked as to why the matter was not taken up by the Department with the Government again as the requirement of steel was brought to its notice. In a post evidence note, the Ministry of Defence stated as follows:—

"The Go-ahead sanction for Rs. 7.5 lakhs was issued on 13-3-1979 based on cost estimates as indicated by the Air HQrs after obtaining the same from the concerned lower formations. This go-ahead was for construction of Igloo type of hanger. However, at that point of time also approximate estimates for the construction of ONGC type of hanger in place of Igloo type were received by the Air HQ on 15-3-1979. It was expected at that time that regular Admn. approval was to be issued in a very reasonable time and hence it was not regarded prudent to go back to the Govt. for increasing the Go-ahead amount. However, for various reasons like obtaining EFC approval furnishing clarifications to the Ministry of Finance (Defence) the Admn. Approval got some what delayed and was issued on 22-1-1981 after the approval of EFC was obtained."

104. In July 1981, a contract was concluded with firm 'DX' for Rs. 1.31 crores. The Department was to assist the firm in getting steel from the Steel Authority of India Ltd. (SAIL) on priority basis.

105. In August 1984, the Ministry of Defence intimated Audit that the total cost of procurement of steel for the two hangers, if procured by the Department, would have been Rs. 42.90 lakhs against Rs. 73.07 lakhs paid to the contractor.

106. The Ministry of Defence intimated Audit in November, 1985 that since the users wanted the entire work to be completed in 52 weeks, the Department had no option but to make the contractor responsible for supply of steel as procurement by the Department would have involved delay.

107. The Committee enquired that when the Deptt. could assist the contractor in getting steel from SAIL on priority basis, why it was not possible for them to get steel for itself from SAIL on priority basis. The Ministry of Defence stated as follows:—

“The procedure for departmental demand and supply of steel is time consuming. Anything from 12—18 months are taken for getting the steel.....The contractor procured 873 MT Steel out of 1097 MT required from SAIL. The Ministry assisted the contractor to get the steel on priority basis. But the Department did not procure the steel, directly from SAIL and made the supply of steel the full responsibility of the contractor as the work was to be completed within 52 weeks only, keeping the above supply constraints in view. Because in that case, the contractor cannot delay the work by holding Department responsible for short delayed supply of steel. In view of the urgency of work again the Deptt. came forward to assist the contractor in procuring steel from SAIL without committing to supply the same to the contractor.”

108. The contractor procured 873 MT of steel from SAIL and the balance 224 MT were procured by him from the market. The work was completed in December 1982. Even, 201 MT of steel procured earlier by the Department was not issued to the contractor and was utilised on other works. The Committee enquired the rea-

sons for not supplying this steel to the contractor. The Ministry of Defence stated as follows in a post evidence note:—

“The type of Steel Sections required for ONGC type of hangers *vis-a-vis* Igloo type hangers were different as the size is of the two hangers and their areas were also different. The steel section which were common to both and had already been procured were given to the Contractor and utilised for the subject work. However, the balance of the steel section which were not required for this type of hangers were transferred to other works and therefore properly utilised rather than causing it as an infructuous expenditure.”

Excess Procurement of Bitumen

109. Out of 2,806.06 MT of bitumen valuing Rs. 80.71 lakhs procured for a certain project, only 1,175.89 MT of bitumen were utilised during November 1981—May 1982 on the project.

110. The Audit Paragraph reveals that between September 1979 and May 1981, 7 supply orders for a total quantity of 2,100 MT of bitumen were placed, without obtaining prior approval. The Committee enquired the reasons for placing these 7 supply orders without obtaining approval of CFA. The Ministry of Defence stated as follows:—

“Supply orders for bitumen were placed centrally by the concerned CE keeping in view total perspective need for bitumen for works in his zone as per accepted norms of stores planning and management.

Even though seven supply orders for bitumen were placed between September 1979 and May 1981, the supply materialised from Oct. 81 i.e. nearly 4 months after the placement of the first order, acceptance of necessity was accorded for the project for resurfacing of Minor Runway at Air Force Academy, Secunderabad even earlier. It is also submitted that during 1978 to 1981 the supply position of bitumen was very short throughout the country. Advance planning was required for resurfacing the runway and there was considerable lead time in supply. Hence, advance action was taken by CWE.”

111. The Committee desired to know as to why the assessed quantity of bitumen was not diverted by the CWE to other MES forma-

tions as pointed out by GE in July 1981 and instead ordered transfer of 129.5 MT of bitumen from another station to the project. The Ministry of Defence explained as follows:

“The bitumen of 129.5 MT was transferred from GE Bidar to Hyderabad|Secunderabad as it was required urgently for the works. (GE, Bidar comes under Secunderabad Zone). This bitumen had to be returned to GE, Bidar on completion of work|availability of bitumen.

Even though GE pointed out in July, 1981 that 925 MT bitumen were only required, CWE did not take any action to divert any excess quantity as no supply materialised before Oct. 1981.”

112. The Committee also enquired the reasons for placing 2 more supply orders for procurement of a further quantity of 600 MT of bitumen. The Ministry of Defence stated as follows:—

“The order for bitumen was centrally planned at Secunderabad not only for “Minor Runway resurfacing” but also for other works at Secunderabad, as noted below:—

- (a) widening of roads between 10 C complex and hangers,
- (b) provision of pump house, roads, culverts and fencing for augmentation of water supply,
- (c) Widening of cadets' mess road,
- (d) provision of recompression chamber at AFA, Secunderabad,
- (e) Maintenance of roads at Secunderabad.

113. The Ministry of Defence have confirmed that all the bitumen transferred to other formations have been utilised. But according to the Audit Paragraph, out of unutilised balance of 1,630.17 MT valuing Rs. 46.89 lakhs, 1,342.802 MT valuing Rs. 38.62 lakhs were transferred during July 1981—July 1983 to other formations at a cost of Rs. 4.67 lakhs.

Arbitration Awards

114. A review conducted by Audit of the cases referred to Arbitrators in Western, Eastern, Central and Southern Commands between 1978-79 and 1980-81, revealed that out of 286 cases referred to Arbitrators, 116 cases were pending with Arbitrators as on 1st

January 1982 and that of 170 cases decided by the Arbitrators between 1978-79 and 1981-82 (upto December 1981), 103 cases went in favour of contractors.

115. When asked as to how many of the 116 arbitration cases pertaining to 1978-79 to 1980-81 and outstanding as on 1-1-1982 were still outstanding. The Ministry of Defence explained as follows:—

“As per the statistics collected by us, it is seen that total 422 were referred to arbitration during 1978-79 to 1980-81. Out of these 191 cases were outstanding as on 1.1.1982, of which only 57 cases were outstanding on 31st March 1986.”

116. The Committee further enquired the reasons owing to which these 57 cases were still outstanding and what steps were proposed to be taken to get these cases finalised. In a post evidence reply, the Ministry of Defence stated as follows:—

“Reasons for arbitration cases pertaining to period 1978-79 to 1980-81 which are outstanding on 31-3-86 are as under:—

- (i) Court cases—23 Nos. The contractors have filed petitions in the court of law and obtained stay of arbitration proceedings. Vacation of stay by the Court takes considerable time.
- (ii) Original arbitrators resigned and fresh arbitrators appointed to fill in the vacancies—13 Nos.

The arbitrators have resigned their appointment due to various reasons such as retirement or non-cooperation by the contractors, litigation in the court and transfer to a post with a changed responsibility.

- (iii) Contractors died and succession certificates are not obtained by the successors—12 Nos.

In absence of the legal successors, the arbitration cases pertaining to the contractors who have expired or the partners who have expired cannot proceed.

- (iv) Delay in submission of hearing—9 cases.

The submissions before the arbitrators are delayed because of non-availability of documents, non-production of documents and non-cooperation by the contractors. Also

number of hearings are to be held, since more evidence is produced before the arbitrators.

Following steps are taken to expedite the outstanding arbitration cases:—

- (i) Wherever the petitions have been filed in the court for stay of proceedings etc., Government standing counsels are requested to approach the court to expedite these cases.
- (ii) Wherever the Govt. has got the claims against the contractors who have expired, details of the successors and their assets are ascertained through revenue and police authority. After obtaining the necessary details, the petitions are filed in the court to make these successors as parties to proceedings.
- (iii) We have also issued the instructions that there should not be any delay whatsoever on the part of the department in submission of statement of cases/pleadings in defence before the arbitrator.
- (iv) The arbitrators are requested to expedite the proceedings.”

117. Out of the 170 cases decided between 1978-79 and 1981-82, 103 cases went in favour of contractor. Further out of 134 cases decided upto 31.3.1986, 121 cases were decided against the Government. The Committee desired to know whether there was any agency to analyse the causes of cases lost by the Government. The Committee also enquired about the special steps being taken to expedite finalisation of pending arbitration cases. In a post evidence reply, the Ministry of Defence stated as follows:

“There is no separate agency to analyse the causes of cases lost by the Government. However, the awards published by the arbitrator are critically examined by the Accepting Officer before taking the decision for implementation or otherwise. Opinion of the Ministry of Law is obtained in respect of all awards where payment to the contractor is more than Rs. 25000 Internal Audit (CDA) is also consulted. Action to challenge the award in the court is taken based on the advice of the Ministry of Law. Although no specific study as such was conducted for analysing the arbitration cases, the trend of published awards was examined in great

depth in the Ministry of Defence in consultation with the Legal Adviser (Defence). It was felt that since the awards were non-speaking, it was difficult to know the arbitrators mind in awarding against the Govt. and the awards could not therefore be effectively challenged in the court of law. The Ministry of Defence has since issued orders providing that wherever the total claims of any party exceeds Rs. 1 lakh, the arbitrator is required to give a reasoned award. The General Conditions of contract in MES have been amended accordingly. With the introduction of reasoned awards as the reasons for awards going against the Govt. would be known effective steps to remedy the situation can be taken.

Following steps are taken to expedite the outstanding arbitration cases:—

- (i) Arbitrators are requested to expedite the outstanding arbitration cases pending with them.
- (ii) Instructions have been issued by the Department that there should not be any delay in submission of statement of case and pleadings in defence and attending the hearing whenever fixed by the arbitrator."

118. When enquired about the total amount of compensation paid to the contractors, the Ministry of Defence stated as follows:—

"Between 1978-79 and 1981-82, 231 arbitration cases were decided. No payment in the form of compensation is made to the contractor. The amounts claimed by the Govt. and contractor in Arbitration and the amounts awarded by the arbitrators in favour of Govt. and contractor in these decided cases are as under:

	Amount claimed in lakhs	Amount awarded in lakhs
Government	309	46
Contractor	1083	311

Construction of 3RCC overhead tanks 'A', 'B' and 'C'

119. In July 1980, a CE concluded a contract agreement with firm 'CX' for construction of 3 RCC overhead tanks 'A', 'B' and 'C' of 5.67 lakh, 2.27 lakh and 6.81 lakh litres capacity respectively as per design and specifications of the firm. Tanks 'A' and 'B' were completed in March 1981 but were taken up for testing in February 1984.

120. The Committee desired to know as to why tanks 'A' and 'B' which are completed in March 1981 were taken up for testing in February, 1984 i.e., after a lapse of 3 years. The Ministry of Defence stated as follows:

"Three tanks of following capacities were constructed under contract No. CEPIT/51 of 80-81 :—

- (i) Overhead tank of capacity-2,27,000 Ltrs.
(hereinafter designated as Tank 'A')
- (ii) Overhead tank of capacity-5,67,500 Ltrs.
(hereinafter designated as Tank 'B').
- (iii) Overhead tank of capacity-6,81,000 Ltrs.
(hereinafter designated as Tank 'C').

The tank were subjected to test as shown below and tanks A&B put in use thereafter :-

Tank 'A' —Aug. 81

Tank 'B' —Aug. 81

The date of testing mentioned as Feb. 84 in the para has probably crept inadvertently because of retesting required by factory authorities at the time of handing|taking over between MES|Users which was done in 1984. Tanks 'A' and 'B' were in use and water was being supplied by MES to the factory authorities during the intervening period of testing and handing over to factory which was to assume the responsibility of maintenance of these tanks A&B."

121. In a post evidence note the Ministry of Defence further elucidated the position as follows:—

"The tanks 'A' and 'B' were tested in August 1981 and since then, were in use. Handing over could not be completed since users insisted on taking over all the three Over Head Tanks together. As explained the two tanks were in use and there is no delay involved."

122. Tank 'C' which was completed in June, 1981, collapsed on 9th September, 1981 when water was filled in it for preliminary test. The Committee desired to know the action taken on the CBI inquiry in this case. The Ministry of Defence stated as follows:—

"In their report CBI specifically named two officers as responsible for the lapses i.e. the then Chief Engineer (P) Itarsi

and one Assistant Executive Engineer. Charge Sheets were issued to both of them accordingly. The then CE filed a writ Petition in Central Administrative Tribunal and obtained stay order. The case has finally been decided by the Central Administrative Tribunal in favour of the petitioner on 29.1.87 and their judgement is awaited. The case against the Assistant Executive Engineer is under progress."

"In their report CBI also suggested to take action against the officers found guilty by a Court of Inquiry held before the case was investigated by CBI. Based on the recommendations of Central Vigilance Commission action has been initiated against the officer named therein, except one who is an Army officer and has since retired and the case against him is time-barred under the existing rules."

123. The Ministry of Defence had intimated Audit in November, 1985 that the matter regarding collapse of new tank in replacement of the earlier tank which had also collapsed was likely to be handed over to the CBI. However, in a Post evidence reply, the Ministry clarified that the matter regarding collapse of new tank was not handed over to CBI by the Ministry but was investigated by a Departmental Technical Board of Officers.

124. In case of Overhead tank 'C' due to inadequate supervision by the Engineers, the tank collapsed during test trials. The Contractor rebuilt it at his own cost but the tank collapsed again during test trials. The following facts make it clear that there was complete lack of supervision.

- (a) The contractor removed the shuttering of the shaft within 24 hours of casting as against 72 hours provided in the contract.
- (b) The mix of the concrete for the cube was lower than that provided in the contract.

125. The Committee desired to know the reasons for utter lack of supervision. The Ministry of Defence explained as follows:

"The reasons for the collapse of the tank (second time) have been investigated departmentally. Disciplinary action for major penalty have been initiated against officers/staff found guilty for lack of supervision and negligence of duty. Charge sheets to three officers of the ranks of

Superintending Engineers, six officers of the rank of AE/AEE and three subordinate staff have been issued. Issue of Charge sheet under Pension Rules against an officer already retired is under consideration."

126. About the action being taken to get this tank completed, the Ministry of Defence in a post evidence note intimated as follows:

"Tenders to complete this work at risk and cost of the contractor has since been issued by the Chief Engineer."

Statutory Audit Objections

127. According to the Audit Para 1,020 LTARs comprising of 23 items of Part I and 1,862 items of Part II were issued between 1981-82 and 1983-84. Of these, 20 Part I items and 1,138 Part II items remained outstanding as on 30th September, 1984.

128. The Committee asked about the action taken by the Ministry to ensure that replies to Audit objections (LTARs) are furnished positively within a specific time. The Ministry of Defence stated as follows:

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

129. With regard to the Audit Para under consideration the Committee desired to know during evidence the delay in furnishing comments to the various Audit objections brought out in the Paragraph. The Defence Secretary explained as follows:

"It is true that in commenting on the draft audit para we had problems. This draft audit para is very long and rambling one. It is an omnibus para. It involved consultations with a variety of establishments at different levels in the Navy, Air Force, R&D, etc. The para relates not to a specific year but to a span of years. The result was even though we pressurised them very hard we found it difficult to get the material from these organisations because each one of those organisations had to get the material from their lower formations.... I think we ought to be doing something about that."

130. **Military Engineer Services (MES)** is the largest single construction department in the country. It is responsible for providing works services to army, navy and air force and also for the military farms, ordnance factories, research and development establishment etc. Its current budget about Rs. 970 crores and its work programme covers besides conventioned buildings and maintenance service, sophisticated complex laboratories and workshops, airfields, dock yards, slip-ways, etc. Obviously, MES is a very important single Government agency so far as the defence of the country is concerned. This in turn casts a very heavy responsibility on this organisation to achieve utmost efficiency in its working. The Committee's examination has revealed a number of loopholes which need to be plugged.

131. The Committee note that the expenditure incurred during the closing month of the financial year March is generally two to three times of average monthly expenditure incurred during the first eleven months. Instructions were issued to lower formations in August 1984 to spread out the expenditure as far as possible. It is regrettable that despite the issue of these instructions, expenditure incurred during March 85 was over 331 per cent of the average expenditure incurred during first eleven months. Supplementary grants are voted in January/February and allotments are made in late February/early March. The quantum of supplementary grant can vary from 13 to 21 per cent of the original allotment. This inevitably leads to rush of expenditure in March to avoid lapse of funds. Whatever be the special reasons, the Committee urge the Government to identify areas of slippages and effectively monitor the expenditure so that there is no rush of expenditure during the month of March.

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

133. No work can be executed or commenced by engineers without administrative approval or in anticipation of administrative approval for the works other than under paras 10 and 11 of Revised Works Procedure. According to the Audit para, works valuing Rs. 4.70 crores were taken up for execution during the years 1979-80 to 1983-84 without obtaining prior sanction of the competent autho-

rity. According to the Ministry, these data have been taken from Appropriation Accounts for the year 1979-80 to 1983-84 for the works commenced without administrative approval. As a result of regularising these works, the total amount outstanding for want of administrative approval as on 1-4-1984 and 31-3-1985 was Rs. 88 lakhs and Rs. 1.85 crores. Further, 46 works have been identified by CGDA on this account which are under verification for linking their administrative approval in CDA offices.

134. Works are undertaken under paras 10 and 11 of MES revised works procedure on urgent military and medical grounds without waiting for administrative approval. According to the Audit para works of a total value of Rs. 1.39 crores executed upto 1978-79 under para 10 of RWP were awaiting sanction on 31st March 1981. It is not clear as to why these works could not be regularised till 31-3-1984 and the administrative approval therefor was issued subsequently on 23-7-1984/8-8-1984. It was brought out that in 97 cases analysed in 34 cases, the time-leg between the date of commencement of work and sanction was 15-18 months. Similarly, the closing balances of the outstanding amount of expenditure executed under para 11 awaiting formal sanctions for the years 1981-82, 1982-83 and 1983-84 was Rs. 4.83 crores, Rs. 6.11 crores and Rs. 3.22 crores respectively. It is obviously unsatisfactory that huge expenditure involving crores of rupees continue to remain unregularised and that there should be delay of over 5 years in regularising such expenditure. It is necessary that the procedure should be streamlined and the Government should take steps to ensure that the works executed in exceptional circumstances are regularised by issue of formal sanctions promptly.

The Committee understand that the Ministry of Railways have a procedure by which urgent works of operational necessities can be undertaken without preparation of estimates but while submitting the proposal for undertaking works an urgency certificate to the competent authority a date has to be specified by which the detail-estimate for the works would be ready. The Committee recommend that such a procedure should be devised mutatis mutandis for operation on the M.E.S. also, so as to ensure that the gap between the administrative approval and the commencement of the work is the barest minimum.

135. Works relating to the augmentation of class rooms and allied facilities at Station 'A' was undertaken under para 11 of RWP. According to the Ministry, advance action had to be taken to train

the crew for the destroyers with new weapon system being acquired at that time. The contract for the works which was mooted in September 1980 was concluded only in March 1981. No operational urgency in the matter even thereafter appears to have been shown as the work thereon was commenced only in November 1981 and completed at a cost of Rs. 34.99 lakhs in September 1982. The Committee do not find any justification for taking recourse to para 11 for execution of the simple work whose completion had taken quite a long period of 2 years. Disappointingly formal sanction for the work was issued only in May 1985 after a period of about 3 years of its completion in September 1982. The Committee recommend that selection of works for execution under paras 10 to 11 of Revised Works Procedure should be done scrupulously and only those works which fulfil the prescribed conditions should be executed thereunder.

136. The Audit paragraph points out that in 17 projects sanctioned between November 1978 and March 1983 the delay in accepting the necessity and according administrative approval ranged between 1 and 4 years. Delay in project implementations have grave financial and economic implication. According to the Ministry of Defence, since no norms were fixed, no definite time dimension can be given to stagewise slippages. This defect is stated to have now been rectified with the issue of revised Defence Works Procedure in April 1986. The Committee expect that with the introduction of the new procedure it would be possible hereafter to ensure timely according of administrative approval and all implications relating to construction of projects would be discussed in advance with users before tender action is initiated.

137. Sanction for Phase II of an Ordnance Factory which was propose to be set up during January 1976 was accorded after an inordinate delay of five years in April 1981 at a cost of Rs. 6.28 crores. Phase II of the project was ment for productionising by January 1979 new item of ammunition under development. As the project was eventually completed in May 1984 as a cost of Rs. 7.83 crores, it not only led to huge delay in productionising the new item of ammunition but also resulted in huge escalation in cost by 24%. The Committee strongly deprecate this inordinate delay.

138. Delay in execution of the projects is yet another disquieting feature about the working of the MES. In projects sanctioned by the Ministry between December 1971 and April 1982, delay in execution of works ranged from over 1 year to 9 years. Undoub-

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

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

140. Thereafter, the Chief Engineer, Dry Dock, took more than 2 years to propose 4 alternatives, 3 for construction of wharf and one for construction of jetty in lieu. There was further delay of more than 1-1/2 years in according of the administrative approval for the construction of 1200 ft. jetty at Rs. 761.31 lakhs which was issued in February 1978. The main contract was concluded in February 1979 with firm 'AX' for a lumpsum of Rs. 3 crores. By 1st February 1982 when the progress registered was assessed to be worth Rs. 1 crore, the work came to a stop due to labour problems which eventually resulted in the cancellation of contract with this firm in October 1982. A fresh contract for the balance work was concluded in March 1984 with firm 'BX' at the risk and cost of defaulting firms for Rs. 2.98 crores. The work was finally completed on 30-4-1986.

141. The above facts lead to the inevitable conclusion that there was complete lack of planning and coordinated approach in the construction of a wharf/jetty in question. The work which was initially expected to be completed by February 1981 as a cost of Rs. 3

crores was eventually completed after an inordinate delay of 5 years in 1986 at an increased cost of Rs. 3.98 crores implying percentage increase of 33. Regrettably, even after such a delayed completion the wharf/jetty could not be commissioned on completion for want of power and water supply and non-completion of dredging operation. The Committee have no doubt that all these factors are such which could be monitored and controlled with appropriate interaction between the various agencies involved. The Committee would like to be intimated of the actual date of commissioning of jetty.

142. The delay in the commissioning of the jetty also resulted in the additional avoidable expenditure of about Rs. 11.32 lakhs on account of total berthing charges during the years 1981 to 1984. The Committee strongly deprecate the lack of planning in the execution of the project. They recommend that the whole matter should be examined with a view to fixing responsibility and taking remedial steps for obviating such recurrence in future. The Committee deprecate that total additional expenditure of Rs. 109.32 lakhs has already been incurred due to lack of adequate planning and co-ordination between various units of the Ministry. The Government should go into the relevant issues and fix responsibility and take further necessary action under intimation to them. The Committee will also like to know the outcome of arbitration on the recovery of additional cost of Rs. 0.98 crore from firm 'AX'.

143. Similar lack of planning and foresight was noticed in the case of construction of an accommodation for a Central Base Post Office at Station 'H', which was proposed as early as in February 1965. Due to non-establishment of clear title on the 1st site and the need for selection and acquisition of a second site for the Post Office, the work could eventually be completed in September 1980. The actual cost on the work was Rs. 128.16 lakhs as against the contract for Rs. 67.33 lakhs concluded in September 1976. There was not only an inordinate delay in the execution of the work but also increase in cost to the tune of about Rs 60 lakhs, which could have been avoided. The Committee agree with the recommendation of the Works Procedure Review Committee that land acquisition should be completed before issue of administrative approval. It is regrettable that on a proposal which was initiated in 1965 the work was actually completed after 11 years in September 1976, 4 years after the execution of contract at a cost of Rs. 128.16 lakhs against the original contracted amount of Rs. 67.33 lakhs. Most of the factors leading to time and cost over-run in the implementation of the

above construction project were such which could be controlled by the Ministry provided there was adequate planning and foresight.

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

145. The Committee are constrained to observe that contracts entered into by MES are mostly not completed as per the prescribed time schedule. Extensions are very generously granted to the contractors during execution. During the years 1980-81 to 1983-84, out of 12,456 cases in as many as 4,648 cases extensions of time granted were more than the original period and further in 3,533 cases the extensions of time granted were half or more than half of the original period. Undoubtedly, such extensions are responsible for time and cost over-runs. Further the possibility of seeking extensions by the contractors purely for the purpose of gaining time cannot be ruled out.

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

147. The Committee regret to note that as on 31-3-1985, a sum of Rs. 2.57 crores was outstanding against the contractors. According to the Ministry of Defence, these outstandings were on account of extra cost of work got done at the risk and cost of defaulting contractors, compensation levied on contractors for delay in completion of works, etc. Out of these outstandings, the Ministry have so far been able to recover only Rs. 4320 lakhs. Further, a sum of Rs. 9.29 lakhs have become irrecoverable since either the concerned contractors in these cases have no tangible assets or their whereabouts were not traceable. It means that an amount of more than Rs. 2 crores is still outstanding. Much of these recoveries could not be effected as contractors have disputed the same and the matters are either before the arbitrators or in the civil courts. There have obviously been further accretions on this account during the years 1985-86 and 1986-87. The Committee deprecate that year-wise position of amount outstanding against contractor is deteriorating from the years 1980-81 to 1984-85 and only indicates that inadequate control was being exercised in this regard. The Committee take a very serious view of this sad state of affairs and urge the Government to take effective steps to accelerate the process of recovery by envisaging periodical review at an appropriately higher level. Effective steps should also be taken to ensure that such large accumulations do not take place in future.

148. The Chief Technical Examiner is required to carry out technical examination during the currency of the work or after the work has been completed. On scrutinising the works for Rs. 253.54 crores, the CTE Organisation had pointed out overpayments to the tune of Rs. 54.42 lakhs. Further, on technical examination of 4 completed works, this organisation also pointed out recoveries totalling Rs. 49.59 lakhs on account of defective workmanship. The Committee are concerned to note that these defects could not be detected by the Engineers-in-charge or supervising engineers during annual inspection. The Committee recommend that immediate steps should be taken to ensure that types of recoveries and nature of defects in workmanship pointed out by CTE Organisation do not take place in future and the remedial instructions to avoid such lapses in future are scrupulously observed. Position about the recovery of the outstanding amount of about Rs. 1 crore may also be intimated to the Committee.

149. The Committee are deeply concerned to note that as on 31-3-1985, losses to the tune of Rs. 7.36 crores were awaiting regularisation. According to the Ministry of Defence, out of this

amount, losses due to storm, flood, earthquake and fire were of the order of Rs. 3.40 crores and losses of stores were of the order of Rs. 1.90 crores. The Ministry have indicated an amount of Rs. 1.77 crores on account of miscellaneous losses but have not specified the details of such miscellaneous losses which need elucidation. It is disquieting to find that losses amounting to Rs. 2.19 crores and Rs. 5.39 crores were more than 10 years and 5 years old respectively as on 31-3-86. This unsatisfactory state of affairs needs to be attended to with due promptitude as with the passage of time it would not be worthwhile to investigate such cases and it would not be possible to pinpoint officers responsible for such losses. It is imperative that cases of losses are investigated promptly and responsibility for losses fixed and action taken against delinquent officers. Further, in 109 cases involving an amount of Rs. 0.21 crores, the losses were found on the basis of enquiries/investigations due to theft, fraud and neglects. The Committee strongly deprecate this deplorable state of affairs in MES. The Committee would like the Ministry to hold an independent and in-depth enquiry into the losses incurred by MES during the last 3 years with a view to fixing responsibility. The Committee also recommend that terms of contract should be suitably modified to discourage pilferage or misappropriation of stores and to effect recoveries and to award adequate punishment for losses due to negligence and fraud. They would also like deterrent action to be taken against the MES staff found guilty in allowing misuse or leakage of construction materials.

150. It is further distressing that during the years 1980-81 to 1984-85, losses of the order of Rs. 291 16 lakhs were written off and borne by the Government. The Committee would like to know the detailed reasons for writing off such losses.

151. According to the Ministry of Defence, regularisation of losses is a time consuming process entailing board proceedings finalisation, enquiry reports, metrological reports, audit reports, etc. The Committee also gather that powers to write off losses of stores were revised in 1985 but those did not take into account the erosion of the value of rupees. The enhancement of powers of various CFAs to write off the losses are reported to be under active consideration in the Ministry in order to take care of erosion of the value of rupee and also due to manifold increase in the amount of assets which are added every year. The Government should expedite the decision in the matter so as to facilitate expeditious settlement of outstanding cases of losses. The Committee recommend that the exist-

ing procedure for regularisation of losses should be thoroughly reviewed and suitable changes may be effected therein for achieving early regularisation of such losses.

152. It is further distressing to note that a sum of Rs. 3.30 crores was outstanding on account of rent and allied charges as on 30-6-1984. 25 per cent of these outstandings were against private parties. In March 1985, a sum of Rs. 35.07 lakhs was outstanding against the retired/released officers. Similarly, at the end of 1983-84, total amount outstanding on account of non-recovery of barrack damages stood at Rs. 20.14 lakhs. The Committee would urge the Ministry to view the matters involving heavy outstanding amounts of rent recoveries and barrack damages, etc. earnestly and take urgent steps to recover these outstanding dues. The Committee would also like the Ministry to take concerted measures to ensure against accumulation of dues against public and private authorities.

153. As against the total procurement of 27,221 tonnes of cement costing Rs. 179.24 lakhs for the 8 projects, 20,327 tonnes costing Rs. 129.22 lakhs were utilised for these projects leading to excess procurement of 6,884 tonnes costing Rs. 50.02 lakhs. Similarly, against the total procurement of 5,996 tonnes of steel costing Rs. 200.85 lakhs, 3,146 tonnes were actually utilised leading to excess procurement of 3012.66 tonnes of steel costing Rs. 93.66 lakhs. Thus excess procurement of cement and steel for about Rs. 146.14 lakhs was made for only 8 projects. According to the Ministry of Defence, steel and cement are scarce stores and inspite of statutory control are not available even for Government works. Further, procurement takes long to materialise. While the Committee agree that there should be some buffer-stock for materials like cement and steel but such procurements should as far as possible be realistic and proportionate to actual requirement. Obviously the actual procurement of both these commodities for the 8 projects in question was far excessive than the actual requirements. Besides locking up huge amounts, the excess procurement results in avoidable expenditure in transferring surpluses to other projects or places. The Committee recommend that procurement of cement and steel should be judiciously and realistically planned and urge the Government to fix inventory level of important store items on realistic basis which should also be periodically reviewed to ensure that carrying cost of inventory is avoided.

154. In another case, despite the fact that the Ministry had approved ONGC type hangers in March 1980, indents for supply of only 201 MT of steel as against 1097 MT tonnes required, were plac-

ed in March 1980. The required quantity of 1097 MT was not initially intended as go-ahead sanction for Rs. 7.5 lakhs was issued on 13-3-1979 against Rs. 30 lakhs required. According to the contract concluded with firm 'DX' for construction of these hangers, the firm was required to arrange for the requisite quantity of steel direct but the Department was to assist the firm in obtaining steel from the Steel Authority of India on priority basis. On the recommendation of the Ministry, the contractor procured 873 MT of steel from SAIL and the balance 224 MT of steel were procured by him from the market. The question of procurement of steel by the contractor would not have arisen if the Department had arranged itself in March 1980 to obtain funds required for the procurement of entire quantity of 1097 MT of steel especially when cost of stores for construction of ONGC type hangers mainly consisted of steel. Had the steel been procured by the Department, it would have cost Rs. 42.90 lakhs against Rs. 73.07 lakhs paid to the contractor for steel. Surprisingly, even 201 MT of steel procured earlier by the Department was not issued to the contractor. The Committee deplore that failure on the part of the Department to arrange requirement of steel from SAIL has cost the national exchequer an infructuous expenditure of about Rs. 30 lakhs. There has been a total failure of planning and foresight in indenting of stores requirement in advance.

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

156. The Arbitration Act, 1940 stipulates that awards shall be made within 4 months of entering on the reference. General conditions of MES contract, however, provide that an arbitrator shall give his award within six months from the date of his entering on the reference. The Committee regret to note that out of 422 cases referred to arbitration during 1978-79 to 1980-81, as many as 191 cases were still outstanding as on 1.1.1982 the progress rate being only 45 per cent which clearly indicates that there is scope for substantial improvement in accelerating the pace of settlement. Out of these

cases as many as 57 cases were still outstanding on 31 March 1986. The Arbitration Act had been framed by Parliament with the intention of ensuring that disputes arising out of contracts are resolved expeditiously without having to go through other more time-consuming processes of law. But this slow trend of pendency of arbitration cases indicates that the purpose for which the Act had been conceived has apparently been largely defeated. The Committee feel that delay on the part of arbitrators can, to some extent, be eliminated if there are full-time arbitrators as it has been mentioned by the Ministry that there was delay in fixing hearing by arbitrators because of official preoccupations. The Committee strongly recommend that concrete measures should immediately be devised to ensure that arbitration awards are given within the stipulated period of 6 months as far as possible, and steps are taken to clear outstanding arbitration cases by taking special steps.

157. One of the 170 arbitration cases decided between 1978-79 and 1981-82, as many as 103 cases went against the Government. Further, out of 134 cases decided upto 31.3.1986, 121 cases were decided against the Government. According to Audit these cases were mostly lost due to lack of proper supervision of works, delay in giving decision by the engineers and defective drafting of contracts. Surprisingly, there is no agency to analyse the causes of cases lost by Government. Earlier one of the reasons was that mostly the awards were non-speaking. The Ministry of Defence have since issued orders providing that wherever the total claims of any party exceeds Rs. 1 lakhs, the arbitrator is required to give a reasoned award. The Committee recommend that reasoned awards should be given in cases where the claim mostly exceeds Rs. 50,000. The Committee further recommend that in-depth analysis of these reasoned awards should invariably be done by some expert agency and in the light of their analysis, suitable effective remedial steps should be taken urgently to safeguard financial interest of the Government.

158. The Committee are deeply concerned over the most inefficient execution of the contract for the construction of an overhead tank 'C' of 6.81 lakh litres capacity. Contract for this work was concluded in July 1980 with firm 'CX'. Due to inadequate supervision by the Engineers the tank collapsed during test trials. The case at this stage was investigated both by a departmental Court of Inquiry and Central Bureau of Investigation. Both these investigations revealed complete lack of supervision by the concerned engineers. In their report, the CBI had specially named 2 officers, the then Chief Engineer (P) and the Assistant Executive Engineer, responsible for the lapses. The

Chief Engineer filed a writ petition in Central Administrative Tribunal, which decided the case in his favour on 29.1.87, but their judgement is awaited. The case against the Assistant Executive Engineer is under progress. The CBI had also suggested that action against the officers found guilty by a Departmental Court of Enquiry should be initiated. Action is stated to have been initiated against them. The Government should take urgent steps to finalise these outstanding cases.

159. The contractor rebuilt the tank at his own cost but surprisingly the tank collapsed again during test trials. Despite the fact that lack of supervision was earlier established due to which the tank collapsed on first testing, remedial steps were not taken to ensure proper supervision even thereafter. The matter about the second collapse was investigated only departmentally. As a result of this investigation, complete lack of supervision and negligence of duty was again established. According to the Ministry, disciplinary action for major penalty has been initiated against officers/staff found guilty. Charge-sheets to 3 officers of the rank of Superintending Engineers, 6 officers of the rank of AE/AEE and 3 subordinate staff have been issued. Issue of charge-sheet under Pension Rules against an officer already retired is under consideration. The Committee strongly recommend that conclusive action on the basis of both the investigations should be taken immediately so that the persons found guilty are brought to book without any further delay. They also recommend that stern and prompt action should be invariably initiated in all such cases involving Government officials found to be callous and negligent in performance of their duties. The matter should also be thoroughly examined with a view to take suitable remedial steps to obviate the chances of such recurrence in future.

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

161. The audit paragraph also reveals a very unsatisfactory position about furnishing replies to the Audit objections or irregularities included in Local Test Audit Reports. For instance, out of 23 Part I items and 1862 Part II items contained in 1020 LTARs which were issued between 1981-82 and 1983-84, 20 Part I items and 1138 Part II

items remained outstanding as on 30 September 1984. The Defence Secretary assured the Committee during evidence "I think we ought to be doing something about that". The Committee recommend that immediate steps should be taken to devise suitable modalities to monitor these irregularities so that timely replies thereto are sent to Audit. In this connection reference is made to para 1.8 of Report of Sub-Committee constituted by Conference of Chairman of PACs held in September 1986 which reads as under:

"Normally one would expect the departmental reaction to the Audit paras to be instantaneous. The departmental head must initiate immediate action and call for the explanation, if necessary, of all the officers connected with the transaction or transactions reported by the Audit. But unfortunately this is rarely done. The departmental reaction to the Audit paras generally start after the PAC takes up those paras for examination. This delayed reaction on the part of the department is responsible for the constant and repeated failure to enforce accountability. This is just as serious as not taking up immediate investigation after the lodging of the First Information Report in a crime. The delayed reaction results in the concerned officials and others getting away from being made answerable. We do not see any reason as to why the departmental head cannot obtain the explanations or reactions or answers from the officers concerned by circulating the Audit para to such of those officers connected with the transaction(s) reported by Audit. Many a time in the proceedings before the PAC we find the departmental head giving some explanations without any record to support such explanations."

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

162. The very fact that expenditure on Defence Budget is increasing year to year casts an added responsibility on Defence authorities to ensure that there is optimum utilisation of funds and extravagant and infructuous expenditure is avoided. The Committee hope that with the introduction of Defence Works Procedure, 1986, finalised.

on the basis of the report of the Works Procedure Review Committee, the working of the MES will improve. The Committee recommend that working of the new procedure should be periodically reviewed so as to effect necessary modifications on the basis of actual working. The Committee hope that the Ministry of Defence will examine the various suggestions made in the foregoing paragraphs to further suitably improve the working of the MES.

NEW DELHI;
April 23, 1987

Vaisakha 3, 1909 (S)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

APPENDIX I

Paragraph 20 of the Report of Comptroller and Auditor General of India for the year 1984-85, Union Government (Defence Services)

Military Engineer Services

INTRODUCTORY

1. Role of MES

1.1 The Military Engineer Services (MES) are responsible for carrying out all engineer services for the Defence Forces such as construction and maintenance of all types of accommodation, roads, airfields and ordnance factories, hiring and payment of rent, rates and taxes of buildings, assessment of rent for quarters, furniture, electricity and water.

2. A study of the working of MES in general and a test check of constructional activities in 25 MES divisions in 5 Commands was carried out by Audit in 1984-85. In what follows, the comments pertain not only to the activities of the MES but also, in some cases, to roles played by the user departments and the Ministry of Defence (Ministry).

This Review was issued to the Ministry in June 1985. However, in its reply (November 1985) the Ministry has sent no comments on the observations relating to the Air Force, Navy, Defence Research and Development Organisation and Department of Defence Production.

3. Rush of Expenditure

According to Rules, allotments are to be economically spent and expenditure has to be spread evenly during work in progress to avoid rush of expenditure at the end of the year. This was emphasised by the Public Accounts Committee (PAC) also in their 17th Report (Second Lok Sabha). In their 29th Report (Second Lok Sabha) the PAC again observed that the Ministry should devise specific remedies to remove the bottlenecks resulting in uneven flow of expenditure during the year.

A scrutiny of the flow of expenditure during the years 1979-80 to 1983-84 revealed that the expenditure incurred during the closing month (March) of the financial years was invariably two to three times the average monthly expenditure incurred during the first eleven months. Details are given in Appendix-A.

The Ministry has repeatedly been attributing this to payment of final bills, "on account" payments and accelerated progress of work during March.

In reply to an audit observation as to how there could be more payment of final bills in March when 75/90 per cent "on account" payments would have invariably been made during various stages of progress of works relating to these final bills, the Ministry stated (April 1984) that, besides final bills, payment of final Running Account Receipts (RARs) "just before a short spell of the submission of final bills in March" was also being made "with a view to avoiding lapse of funds at the end of the financial year".

The Ministry stated (November 1983) that "some degree of unevenness in the spread of expenditure takes place on account of pending bills for clearance and large budget provisions at Revised Estimates stage i.e. in February/March. However, instructions have been issued (August 1984) to lower formations to speed out the expenditure as far as possible."

4. Administrative Approvals to Works

4.1 Commencement of Works without Administrative Approval

Rules provide that no works services shall be executed without administrative approval and technical sanction having first been obtained from the appropriate authority.

Works, other than those referred to in paragraphs 4.2 below, of a total value of Rs. 4.70 crores were taken up for execution without prior sanction of the competent authority during the years 1979-80 to 1983-84.

4.2 Commencement of Works under Paras 10 and 11 of the Revised Works Procedure (RWP).

In the following exceptional circumstances works can be executed without waiting for administrative approval:

- (i) Urgent military reasons (Para 10).

- (ii) Operational military necessity or urgent medical grounds (Para 11).

However, even these works are required to be regularised by formal sanction expeditiously.

4.2.1 Para 10 Works

Works of a total value of Rs. 1.39 crores executed upto 1978-79 under para 10 of RWP were awaiting formal sanction on 31st March 1981. The same position continued till 31st March 1984.

4.2.2 Para 11 Works

The outstanding amount of expenditure on works executed under Para 11 of RWP awaiting formal sanctions, for the years 1978-79 to 1983-84 was as under:—

Year	Opening Balance	Value of cases which arose during the year	Value of cases regularised during the year		Closing Balance
			Pertaining to the previous year	Pertaining to the year	
			(Rupees in crores)		
1	2	3	4(a)	4(b)	5
1978-79	3.50	0.64	1.14	..	3.00
1979-80	3.00	1.47	0.99	0.11	3.37
1980-81	3.37	1.03	0.48	0.04	3.88
1981-82	3.88	2.56	1.61	..	4.83
1982-83	4.83	4.71	1.10	2.35	6.11
1983-84	6.11	0.58	3.47	..	3.22

In two cases mentioned below in paragraphs 4.23 and 4.24 pertaining to works executed under Para 11 of RWP, it was observed that taking recourse to Para 11 of RWP was not justified.

Case—A

4.2.3. In September 1980, Local Naval Authorities (LNA) accorded sanction for augmentation of class rooms and allied facilities

(not falling within the purview of operational works) at Station 'A'. A contract for the work was concluded only in March 1981 and the work could be commenced only in November 1981 and completed at a cost of Rs. 34.99 lakhs in September 1982. The formal sanction was issued in May 1985.

In the reply received from the Ministry (November 1985) no remarks were offered on this observation.

Case—B

4.2.4 Based on the assessment of the concerned Garrison Engineer (GE3 that only 13.5 lakh gallons of water per day (IGPD) were available at Station 'B' against the Key Location Plan (KLP) requirement of 22.15 LGPD, a Sub-Area Commander sanctioned (December 1981) execution of trial bore tube wells.

In January 1984, the General Officer Commanding-in-Chief of the Command issued sanction of Rs. 48.64 lakhs for the provision of 2 trial bore tube wells and one dug well and one diesel generating set for the dug well. Two more diesel generating sets for two tube wells were sanctioned by the Sub-Area Commander in February 1984 for Rs. 8.12 lakhs, later revised to one set for Rs. 4.79 lakhs.

In February 1983, the GE concluded contract 'X' for Rs. 5.53 lakhs for one dug well and in June 1983 another contract 'Y' for Rs. 14.30 lakhs for two trial bore-wells. The latter work was completed in March 1985. The generating sets for the tube wells/dug well had not been procured so far (March 1985).

The work under contract 'X' was commenced in February 1983, but excavation became difficult as the site was at the foot of a hillock. Protective works valuing Rs. 1.14 lakhs were executed through a separate contract. As slippage continued, the matter was referred in March 1984 to the University of Roorkee who advised in November 1984 that the site was unsuitable. Further work was stopped during November 1984.

The yield of one of the tube wells constructed under contract 'Y' at a cost of Rs. 5.50 lakhs was very low and in April 1985 Central Ground Water Board recommended abandonment of the well. The expenditure of Rs. 5.31 lakhs (including Rs. 1.14 lakhs on protective works) incurred on the dug well thus proved to be entirely infructuous.

The Ministry stated (November 1985) that the work was taken up on trial basis.

4.3 Commencement of works under Emergency Works Procedure

A special works procedure called Emergency Works Procedure was introduced in 1962 to meet emergency requirements. This procedure was withdrawn with effect from 1st April 1969.

The total value of such works which were awaiting regularisation even after 10 years of withdrawal of the procedure was Rs. 389.61 lakhs as on 31st March 1979 and after 15 years it was Rs. 18.04 lakhs on 31st March 1984.

The Ministry stated (November 1985) that the progress in regularisation of these cases was being regularly watched by the E-in-C's Branch.

5. Delay in issue of acceptance of necessity/administrative approval to works and consequences thereof

5.1 Administrative control in respect of original works is exercised in two stages *viz.*

(a) Acceptance of necessity.

(b) Administrative approval.

In 17 Projects included in the "Works Plan Programmes" for the years 1977-78 to 1982-83 and sanctioned between November 1978 and March 1983, delay in accepting the necessity and according administrative approval ranged between 1 and 4 years due to late submission of estimates by MES, changes in the scope of work by users and delay in issuing sanction by the Ministry as detailed below:—

Extent of delay	No. of cases
Over 1 year	12
Over 2 years	4
Over 4 years	1
	17

Some illustrative cases are mentioned in paragraphs 5.11 to 5.14.

The Ministry stated (November 1985) that acceptance of necessity of works was guided by *inter-se* priorities, availability of funds and consideration of time and situation prevailing at a particular point of time.

Case—C

5.11 An Ordnance Factory was proposed to be set up during June 1976 at Station 'C' on a very high priority basis in two Phases—Phase I intended to transfer production of some of the items of ammunition from an existing factory to the proposed factory and Phase II to productionise new items of ammunition under development.

A Board of Officers recommended in June 1976 that the project be so planned as to commence production by January 1979. Phase I of the Project was sanctioned in July 1977 at Rs. 2.94 crores but Phase II could not be sanctioned due to non-availability of technical details of imported equipments and processes.

The proposal for Phase II was submitted to the Ministry in December 1978 after considering certain changes in the scope of the project. The estimate of the project amounting to Rs. 9.35 crores could be finalised only in September 1980 due to the users seeking relocation of the buildings in June 1980 so as to retain certain assets existing at the site. The estimate was revised in January 1981 at the instance of users to Rs. 6.29 crores by eliminating such items as could be deferred. Phase II of the project was sanctioned in April 1981 at Rs. 6.28 crores. The project was eventually completed in May 1984 at a cost of Rs. 7.83 crores.

Thus, Phase II of the project, planned to productionise new items of ammunition by January 1979, accepted in July 1980, took another nine months for issue of sanction in April 1981 and was completed in May 1984.

In the reply received from the Ministry (November 1985) no remarks were offered on this observation.

Case—D

5.12 Based on the recommendations of a Board, the LNA sanctioned in March 1978 provision of an Intensive Care Unit (ICU) and a Radio Isotope Centre (RIC) in a Hospital at Station 'D' at a cost of Rs. 19.80 lakhs (including provisional amount of Rs. 1.5 lakhs for air-conditioners). As a result of the recommendations, *inter alia*, for central air-conditioning by another Board, the LNA sanctioned

In October 1978 extension of the existing operation theatre and laboratories but without airconditioning at Rs. 12.38 lakhs. The sanction of March 1978 and October 1978, were revised in October 1979 and July 1979 to Rs. 35.27 lakhs and Rs. 32.26 lakhs respectively by also providing items like airconditioning, electric supply and gas pipe connections. While submitting the revised estimates the Zonal Chief Engineer (CE), however, had pointed out that airconditioning and gas pipe connections were special items of works and required sanction of the Government. The Government sanction covering both the works sanctioned by the INA in 1978 was issued in December 1981 for Rs. 96.90 lakhs. The work was not commenced till January 1985. The users stated in January 1985 that though window type airconditioning was provided, in the absence of central airconditioning and controlled Ventilations, there were breakdowns of sophisticated electronic equipments which gave rise to fallacious results/readings which was detrimental to the patients recovery besides exposing them to the risk of hospital cross infection.

In the reply received from the Ministry (November 1985) no remarks were offered on this observation.

Case—E

5.13 A Board of Officers recommended in April 1979 the augmentation of technical accommodation and allied facilities for a Research and Development (R&D) establishment (users) at Station 'E'. The users gave their approval in June 1979. Due to frequent changes made by the users, the engineers submitted the estimates after 11 months in April 1980. As the estimates included certain items of work that had not been recommended by the Master Plan Board in 1972, a revised estimate was prepared in April 1981 and administrative approval was accorded in October 1981 i.e., after a lapse of thirty months from the date when the work was recommended by the Board. The work had progressed only upto 75 per cent till July, 1985.

In the reply, the Ministry (November 1985) offered no remarks on this observation.

Case—F

5.14 A Board of officers recommended in March 1979 works for augmenting certain technical accommodation at station 'E'. The estimate (i.e. for Rs. 82.09 lakhs) of the project was finalised by the engineers in January 1981 after a delay of 22 months due to inade-

quate information regarding requirement of power points and air-conditioning of certain buildings recommended by the Board. Thereafter, it took another year to resolve certain issues raised by the Finance as to the justification for the floor area, etc. of the accommodation required for the project; administrative approval for the project was accorded by the Ministry in April 1982 for Rs. 82.82 lakhs, more than three years after the recommendation of the Board.

In the reply received from the Ministry (November 1985) no remarks were offered on this observation.

6. Delay in execution of works

6.1 In 15 projects pertaining to 3 commands, sanctioned by the Government between December 1971 and April 1982, delay in executing works ranged from over 1 year to over 5 years as detailed below:—

Extent of delay	No. of Project
Over one year	3
Over 2 years	1
Over 3 years	6*
Over 4 years	1
Over 6 to 9 years	4*

*2 out of 6 and 1 out of 4 were yet to be taken up for execution as on March 1985.

6.2 Illustrative cases are given below:

Case—I

Due to increase in the fleet strength at the Naval Base at Station 'G' a Board of Officers recommended in December 1970 the construction of a 1,200 ft. wharf. In April 1972 the cost of this work was estimated at Rs. 798.55 lakhs by the Zonal CE. The CE, Dry Dock entrusted with the execution of the work, however, opined (16th January 1974) that construction of the wharf at the site was neither technically feasible nor economical. Later on in July 1976, he considered 4 alternatives—3 for construction of wharf with different specifications/designs and one for construction of jetty in lieu and recommended construction of a wharf at an estimated cost of Rs. 746.58 lakhs in preference to a jetty estimated at Rs. 755.90

lakhs. In December 1976, the CE (Project) informed the Naval Area Authorities that construction of a jetty in lieu of a wharf was considered by the Naval Headquarters (HQ)/E-in-C's Branch.

Administrative approval for the construction of a 1,200 ft. jetty at Rs. 761.31 lakhs, inclusive of Rs. 15.68 lakhs for the preliminary works sanctioned in November 1975, as amended, was issued by the Government in February 1978. As per the sanction the work (excluding "Capital dredging") was to be completed within 36 months from the issue of sanction i.e. by February 1981.

The main contract was concluded in February 1979 with firm 'AX' for a lump-sum of Rs. 3 crores for completion of work by 21st February, 1981. By 1st February 1982 when the progress registered was assessed to be worth Rs. 1 crore, the work came to a stop due to labour problems in the firm resulting in cancellation of the contract in October 1982. However, the firm challenged the cancellation in a Court of Law in November 1982 resulting in withdrawal of cancellation in February 1983 but the work was not resumed. The contract was again cancelled on 2nd September, 1983.

A fresh contract (except for supply of rubber Fenders) for the remaining work was concluded in March 1984 with firm 'BX' at the risk and cost of the defaulting firm for Rs. 2.98 crores for completion by 6th September, 1985.

Due to the delay in completion of the main work, contracts for allied services totalling Rs. 144.31 lakhs, concluded in 1979-80 also got extended and were still in progress in March 1985. Delay in completion also led to an additional expenditure of Rs. 2.01 lakhs (February 1981 to March 1983) by way of hiring commercial berths.

In reply received from the Ministry (November 1985) no remarks were offered on this observation.

Case—L

6.3: A siting-cum-costing Board convened in February 1965 to plan accommodation for a Central Base Post Office at Station 'H' recommended the construction on land requisitioned for this purpose in 1965. The work could not, however, be commenced and was abandoned as the land owners offered resistance and brought an embargo through the State Government.

In July 1967, the State Government suggested to the Ministry that suitability of alternative site could be examined by holding a

Joint inspection. The alternative site was recommended by a fresh siting Board in December 1968 and its acquisition was sanctioned in 1969 at a cost of Rs. 11.52 lakhs. Sanction for the provision of the accommodation at the new site was accorded by the Government in February, 1971 at Rs. 68.39 lakhs. The work was released for execution in 1971-72 with specific instructions for completion by January, 1974.

The Zonal CE concluded the main contract in August 1972 for Rs. 60.96 lakhs. In view of financial stringency, Army HQ ordered in March 1974 foreclosure of the work once plinth level was completed.

The work was again released for execution during 1975-76. After financial concurrence of the Government in September 1976, the Zonal CE concluded a new contract in September 1976 for Rs. 67.33 lakhs for execution of works above the plinth level. The work was completed in September 1980 at a total cost of Rs. 128.16 lakhs. Ex-post-factor sanction of the Government was issued in March 1981.

Due to non-establishment of clear title on the first site and the need for selection and acquisition of a second site as also due to non-completion of the works by January 1974 stipulated at the time of release of work, the project as planned could not be completed before enforcement of financial stringency by Army HQ in March 1974. This resulted in increase in the cost to the tune of Rs. 59.77 lakhs which could have been avoided.

The Ministry stated (November 1985) that the Financial stringency and difficult situation prevailing between 1965 and 1971 contributed to the delay and resultant excess cost to a large extent.

However, the foreclosure of the work due to financial stringency was ordered in March 1974 only, and the foreclosure could, therefore, have been avoided if the work had been completed within the stipulated time of January 1974.

Case—M

6.4 In January 1971, a Board of Officers recommended construction of domestic accommodation on Defence land for civilian Staff of an establishment at Station 'J'. The land was handed over to the MES in November 1971 and sanction for the work was accorded by the Government in September 1972 at Rs. 59.80 lakhs indicating the time required for completion of the work as 3½ years from the date of release of work. The work was released for execution only in

February 1976 due to imposition of general ban on construction of non-functional buildings during the years 1972-73 to 1974-75. In December 1976, the sanctioned amount was revised to Rs. 60.50 lakhs. The work was commenced in June 1980 after a lapse of over 4 years due to revision in the authorisation/entitlement of the officers, change of approach road to the site and invitation of tenders thrice due to high tendered cost and obtaining financial concurrence from the Government. The project was completed in March 1983. The State Electricity Board supplied electricity to the accommodation in January 1984. The final cost of the project was Rs. 87.93 lakhs.

Thus, the work that was released for execution in February 1976 could be completed only in March 1983 and made ready for occupation in January 1984.

7. Schedule of Rates

7.1 The Standard Scheduled of Rates (SSR) is the basis for pricing most forms of contract (Lump sum, item rate, term) and for determining the reasonableness of contractors' quotations. In the MES, there are six sets of rates applicable to six different geographical zones of the country.

During 1962 to 1985, the CPWD revised their Schedules eight times, the last occasion being in 1983, in order to be abreast of the market trends. The MES, however, could during this period revise their Schedules only four times in 1962, 1970, 1975 and 1980. The SSR for 1970 published by the MES in 1972 was made operative from 1st November, 1972 and the SSR 1975 from 15th November, 1975. The SSR 1980 was introduced from December 1983 but contracts continued to be executed based on the SSR 1975 even in 1983-84.

7.2 An examination of the working of SSR 1975, with reference to contracts concluded during 1979-80 to 1983-84 in five commands revealed that out of a total of 5,911 contracts of Rs. 1 lakh and above priced on the basis of SSR 1975, in 2,266 (38 per cent) cases the lowest rates quoted by contractors were 21 to 50 per cent above the SSR, in 1,579 (27 per cent) cases 51 to 100 per cent above the SSR, and in 420 (7 per cent) cases more than 100 per cent above the SSR. Commandwise position is given in Appendix B.

The Ministry stated (November 1985) that efforts were being made to reduce the periodicity of publishing SSR to 3 years and that delay in implementation of SSR did not materially affect the overall pricing of contracts as SSR formed only a guide.

Adoption of outdated Schedule of Rates did not form an effective guide either for estimates or for accepting tendered rates.

8. Administration/Execution of contracts.

8.1 Non submission of contract agreements to Controllers of Defence Accounts for scrutiny before payment.

As per E-in-C's instruction of May 1978 comparative statement of tenders, notice of tenders and the original documents are to be forwarded to the Controllers of Defence Accounts (CsDA) within 4 weeks in respect of normal works and weeks in respect of specialist works.

6,719 contract agreements concluded during the years 1980-81 to 1983-84 in 5 commands were not submitted within the stipulated period to the CsDA for scrutiny. As a result, advance payments were made to contractors without scrutiny. The year-wise details are as under:—

Year	COMMAND					Total
	SC	NC	WC	EC	CC	
	(No. of contract agreements)					
1980-81	818	213	261	109	498	1,899
1981-82	616	200	204	108	486	1,614
1982-83	598	360	163	76	318	1,515
1983-84	779	269	258	95	290	1,691
	2,811	1,042	886	388	1,592	6,719

Reasons for not submitting the contract agreements within the stipulated period to the CsDA and the number of cases in which advances so paid to contractors resulted in irrecoverable over-payments were called for from the Ministry in November 1984.

Ministry stated (November 1985) that delay in submitting the contract documents was generally due to delay in signing contract documents by contractors and suitable instructions in this regard were issued by the E-in-C's Branch. The Ministry also stated that there was no possibility of overpayments of advances as these were adjustable in the final bills.

8.2 Non-observance of prescribed period to be given to contractors for quoting their rates

Contractors are allowed 4 to 5 weeks time to quote their rates. In 3,362 cases, in respect of five commands, the prescribed period was not allowed to contractors during the year 1980-81 to 1983-84. Details are as under:

Year	Command					Total
	SC	NC	WC	EC	CC	
	(No. of contract agreements)					
1980-81	664	30	16	154	273	1,137
1981-82	458	17	5	86	213	779
1982-83	523	20	16	95	220	874
1983-84	382	23	12	34	121	572
	2,027	90	49	369	827	3,362

The Ministry stated (November 1985) that cases where prescribed period had not been allowed to contractors were on decline and such cases had occurred in "simple contracts" as also "urgent works".

8.3 Extension of time granted to contractors

Contract agreements specifically state the time allowed for completion of works. The accepting authority can, however, grant extension of time on account of bad weather, break out of fire, civil commotion and non-availability of stores to be supplied by the department.

In 3,178 cases pertaining to 5 commands, extension of time were granted to contractors during the year 1983-84. Out of these, in 2,143 cases (67 per cent) the periods of extensions granted were disproportionately large as compared to the periods originally fixed for completion. In 1,226 cases (39 per cent), the extensions of time granted were more than the original period and in 917 cases (28 per cent) half or more than half of the original period. The position in the years 1980-81 to 1983-84 was as under:—

Year	Total No. of cases	More than the original period	Percentage	Half or more than half of the original period	Percentage
1980-81	3,010	1,201	40	840	28
1981-82	3,144	1,079	34	853	27
1982-83	3,124	1,142	37	913	29
1983-84	3,178	1,226	39	917	29

The reasons adduced for granting extensions year after year were non-availability of stores, non-availability of site/buildings, bad weather and change in the scope of works.

The Ministry stated (November 1985) that in many cases extensions of time granted to contractors were unavoidable but a Committee was formed to look into the time over-run and package of measures required to ensure timely completion of the projects.

9. Overpayments to contractors

9.1 According to the Rules, before making payment of advances to contractors, the GEs have to personally assess the cost of work done and materials collected by the contractors with a view to verifying the reasonableness of the items. If the final account of a contractor shows a debit balance, recovery is made either in cash or from other bills of the contractor or from his security deposits.

Notwithstanding these safeguards, the total amount outstanding in 5 commands on account of overpayments to contractors or short recoveries from them was Rs. 2.59 crores at the end of March 1984. The amounts outstanding in the preceding three years i.e. 1980-81, 1981-82 and 1982-83 were Rs. 2.15 crores, Rs. 2.03 crores and Rs. 2.15 crores. The Commandwise position at the end of 31st March 1984 was as under:

Command	Outstand- ing as on 1st April 1983	Over payments short recoveries pointed out during the year	Settled during the Year		Outstand- ings as on 31st March, 1984
			Pertaining to previous years	Pertaining to the year	
(Rupees in lakhs)					
Central	42.34	10.53	2.52	—	50.35
Western	55.89	3.80	2.55	0.34	56.80
Northern	14.77	1.95	0.66	0.14	15.92
Eastern	43.53	8.92	1.18	1.57	49.70
Southern	58.86	29.32	0.64	1.02	86.52
	215.39	54.52	7.55	3.07	259.29

Of Rs. 2.59 crores outstanding at the end of 1983-84, overpayments of Rs. 54.52 lakhs were detected that year by the Chief Technical Examiner (CTE) of works (Defence) as a result of site examination and technical examination of final bills of the value of Rs. 253.54 crores representing 48 per cent of the total work load i.e. Rs. 526.30 crores. The expenditure on his establishment during the year was Rs. 19.89 lakhs.

9.2 The CTE is required to carry out technical examination during the currency of the work or after the work has been completed. After technical examination of 4 completed works, the CTE pointed out recoveries totalling Rs. 49.59 lakhs on account of defective workmanship during the period February 1976 to September 1976.

9.3 In two contracts 'AB' and 'AC' concluded by a CE in respect of two works with firms 'AD' and 'AE', Government claimed on 8th May, 1979 in arbitration Rs. 25.13 lakhs and Rs. 21.02 lakhs respectively from the firms on account of replacement of defective concrete slabs as pointed out in the post-technical examination by Technical Examiner (TE) on 6th September 1976 and 13th February, 1976. The claims were rejected by the Arbitrator in a non-speaking award.

9.4 In respect of two other contracts pertaining to two works, the Arbitrators rejected in September 1980 the claims of the Government for recovery of amounts totalling Rs. 3.44 lakhs representing cost of defects in works pointed out in the post-technical examination by TE.

The Ministry stated (November 1985) that the awards were "non-speaking" and were accepted based on the legal opinion obtained from the Ministry of Law.

10. *Loss of stores and cash*

10.1 In 5 Commands, cases of stores and cash losses totalling

Rs. 7.00 crores awaited regularisation as on 31st March 1984. Details are given below:—

Year	Outstanding at the beginning of the year	Losses occurring during the year	Total	Losses regularised during the year		Total	Outstanding at the end of the year
				Pertaining to the previous year	Pertaining to the year		
1	2	3	4	5	6	7	8
			(2+3)		(5+6)		(4-7)
					(Rupees in crores)		
1980-81 .	5 28	1 58	6 86	0 63	0 07	0 70	6 16
1981-82 .	6 16	0 89	7 05	0 99	0 02	1 01	6 04
1982-83 .	6 04	1 32	7 36	0 87	0 02	0 89	6 47
1983-84 .	6 47	1 43	7 90	0 88	0 02	0 90	7 00

The Ministry attributed (November 1985) delay in regularisation of losses to examination of the losses by different Defence authorities as also by Police Judiciary and Vigilance.

11. Revenue

11.1 Outstanding rent and allied charges

The occupation returns as prepared by units/formations form the basis of recovery of rent and allied charges by the MES. When no occupation return is received, the rent bill is prepared by the MES on the basis of the corresponding entries for the previous months.

Rent bills in respect of Defence and Civil officers are prepared by the Unit Accountants attached to the GEs and sent to the Accounts Officers i.e. CsDA or Civil Authorities, as the case may be with copies to the formation/office for recovery. Rent bills in respect of persons other than Defence Personnel are sent through the concerned MES office, either to the allotting authority or to the individuals, and in the case of pensioners and private individuals rent is recoverable every month in advance. Monthly review of recoveries is required to be conducted by the MES in conjunction with the Unit Accountant, and, arrears on account of rent and allied charges are then brought to the notice of the Station Commander for further action.

In addition to the above procedure, various instructions were issued by the Ministry and the Army HQ from time to time to contain arrears of rent and allied charges. Despite these safeguards, the outstanding rent and allied charges showed an increasing trend and the total outstanding as on 30th June 1983 in respect of 5 commands (excluding accommodation under the Ordnance Factories) was Rs. 2.88 crores as per details given in Appendix C.

The Appendix reveals that:

Dues outstanding against private parties (category 7) represented 25 per cent of the total outstanding.

10 per cent of the total outstanding represented the dues against retired/released officers (category 4).

Dues outstanding against the other Union Ministries and State Governments (Categories 2 and 3) represented 42 per cent of the total outstanding.

Dues outstanding for more than 10 years amounted to 21 per cent of all outstanding.

The total outstanding of rent and allied charges as on 30th June 1984 stood at Rs. 3.38 crores registering an overall increase of Rs. 0.50 crore over the outstanding of the previous year.

The Ministry stated (November 1985) that, it was decided in July 1985 to accord top priority to realise rent and allied charges due from private parties, and, to continue efforts to persuade the concerned Ministries and State Governments to settle the dues from them urgently.

11.12 Some of the interesting cases are given in succeeding paragraphs.

11.2 Certain Service Officers were in continued occupation of Government accommodation in Western Command even after their release/retirement. A sum of Rs. 5.81 lakhs was recoverable from those officers. The reasons for outstanding dues were attributed to non-recovery from pensions payable to them by the CDA (Pensions).

11.3 A sum of Rs. 12.56 lakhs towards rent and allied charges was due against certain private parties (including MES contractors) in Western Command. The dues could not be recovered as the whereabouts of some of them were not known. The remaining cases were pending in a Court.

11.4 A private firm in Eastern Command occupied Defence land from 1956 to 1983. A sum of Rs. 5.86 lakhs towards rent of the land was recoverable from the firm. The case was pending in a Court.

11.5 A private firm was in occupation of certain Defence buildings at a station in Eastern Command during 1974-75. A sum of Rs. 3.29 lakhs towards rent and allied charges was recoverable from the firm. Recovery could not be effected as handling/taking over of the buildings was not done through the MES and no occupation/vacation returns in respect of the buildings were rendered by the Army Authorities to the MES.

11.6 A Central School was in occupation of certain Defence buildings at a station in Western Command from September 1970 to February 1982. A sum of Rs. 7.85 lakhs towards rent and allied charges was recoverable from the school. The matter was pending with the Station HQ.

The Ministry stated (November 1985) that the information was being collected for issuing specific instructions and general guidelines to contain the problem.

11.7 Outstanding Barrack Damages

Damages to buildings, fittings, fixtures and furniture caused wilfully or by negligence are called Barrack Damages.

Barrack damages do not form part of the rent bill. Separate vouchers are prepared for the charges and sent to the units/formations concerned for payment.

The total amount outstanding on account of non-recovery of barrack damages at the end of 1983-84 stood at Rs. 29.14 lakhs. The table below indicates an increasing trend in barrack damages.

Command	Outstanding at the end of the financial year (Rupees in lakhs)			
	1980-81	1981-82	1982-83	1983-84
Western	3.92	4.08	5.51	5.90
Central	7.76	8.73	8.76	7.60
Northern	1.70	2.55	3.10	3.22
Southern	6.11	8.09	8.30	7.06
Eastern	4.61	4.36	4.60	5.36
	24.10	27.81	30.27	29.14

The Ministry stated (November 1985) that instructions were being issued to Service Headquarters to take immediate measures to liquidate barrack damages.

12. Stores Management

12.1 Regulations provide that the provision of stores for projects should be realistic and as per actual requirements. The E-in-C clarified (1971) that procurement of steel and cement should be on the basis of quarterly requirements. Excess procurement results in avoidable expenditure in transferring surpluses to other projects or places.

12.2 A review of the pattern of procurement of cement and steel for 8 projects (details given in Appendix D) executed by 5 GEs revealed that:

In 8 projects for every 75 tonnes of cement and 54 tonnes of steel used, 100 tonnes of each were procured resulting in total surplus procurement of 6,732 tonnes of cement (cost: Rs. 50.51 lakhs) and 2,635 tonnes of steel (cost: Rs. 92.85 lakhs).

In projects 'C' and 'F' the quantity of steel planned was 775 MT (138+637 MT respectively), whereas the quantity actually utilised was 778 MT (112+666 MT) being almost equal. However, the quantity procured was 1,344 MT (426+918 MT). The excess quantity of steel procured was 566 MT i.e. 73 per cent above the planned requirement, and costing Rs. 14.38 lakhs.

The Ministry stated (November 1985) that "Steel and Cement are scarce stores in spite of statutory control and are not available for even Government works..... procurement takes long to materialise" and "at zonal levels there are always deficiencies."

12.3 Procurement of Steel for a project

Based on the recommendations of a Board of Officers for re-erection of two "Igloo type" hangars at Station 'K' Government issued in March 1979 "Go-ahead" sanction pending issue of regular administrative approval, for Rs. 7.50 lakhs for procurement of stores. Due to non-availability of the designs and drawing of "Igloo type" hangars, the engineers assessed in November 1979 that 1,097 MT of steel would be required for construction of alternative ONGC type hangars.

Though the Ministry approved ONGC type hangars in March 1980, indents for supply of only 201 MT of steel, as against 1097 MT required, were placed in March 1980 as the amount sanctioned in the Go-ahead sanction was Rs. 7.50 lakhs as against Rs. 30 lakhs (approximately) required.

Government accorded administrative approach to the work in January 1981 and 201 MT of steel were received in batches between September 1980 and April 1981.

In April, 1981, tenders for the work, inclusive of supply of steel, were issued. In June 1981, the engineers attributed the reasons for deviating from the normal practice of supply of steel by the department to the likely delay of 8—12 months in procurement which was not acceptable to the users in view of the urgency of the work.

In July 1981, a contract was concluded with firm 'DX' for Rs. 1.31 crores. The department was to assist the firm in getting steel from the Steel Authority of India Limited (SAIL) on priority basis. The price analysis of the tender indicated that the cost of steel to be procured by the contractor for the work was Rs. 73.07 lakhs inclusive of profit and overhead.

In November 1981, the GE concerned requested SAIL; the balance 224 MT of certain other sections for procured 873 MT of certain sections of steel from SAIL; the balance 224 MT of certain other sections of steel were procured by him from the market. The work was completed in December 1982.

201 MT of steel procured earlier by the department was not issued to the contractor and was utilised on other works.

In August 1984, the Ministry stated that the total cost of procurement of steel for the two hangars, if procured by the department, would have been Rs. 42.90 lakhs against Rs. 73.07 lakhs paid to the contractor.

The Ministry further stated (November 1985) that since the users wanted the entire work to be completed in 52 weeks, the department had no choice but to make the contractor responsible for supply of steel and procurement and issue by the department would have involved delay.

The question of procurement of steel by the contractor would not have arisen if the department had arranged in March 1980 itself to obtain funds required for the procurement of entire quantity

(1,097 MT) of steel for the project, especially so when cost of stores for construction of ONGC type hangars mainly consisted of steel.

12.4 Excess Procurement of Bitumen

According to Rules, prior approval of the authority competent to accord administrative approval has to be obtained if it becomes necessary to collect materials in advance of the issue of administrative approval.

Between September 1979 and May 1981 a Zonal CE and a Commander Works Engineer (CWE) placed, without obtaining prior approval, 7 supply orders for a total quantity of 2,100 MT of bitumen for a project.

In July 1981, the GE assessed that 925 MT of bitumen were required for the work and requested the CWE to divert the excess quantity to other MES formations. The CWE instead, ordered transfer of 129.95 MT of bitumen to the work from another station. In August 1981 and September 1981, the CE placed two more supply orders for a total quantity of 600 MT of bitumen for Rs. 16.67 lakhs.

2,806.06 MT of bitumen valuing Rs. 80.71 lakhs materialised between July 1981 and December 1981, against the above 9 supply orders including 129.95 MT transferred from the other station. Of this, 1,648 MT bitumen was transported by road instead of normal practice of transportation by rail at an additional expenditure of Rs. 1.67 lakhs.

Only 1,175.89 MT of bitumen were utilised during November 1981—May 1982 on the project. Out of the utilised balance of 1,630.17 MT valuing Rs. 46.89 lakhs, 1,342.803 MT valuing Rs. 38.62 lakhs were transferred during July 1981—July 1983 to other formulations at a cost of Rs. 4.67 lakhs.

13. Arbitration Awards

13.1 The Arbitration Act 1940 stipulates that awards shall be made within 4 months of entering on the reference. General Conditions of MES contracts, however, provide that an Arbitrator shall give his award within six months from the date of his entering on the reference or within the extended time.

In their 210th Report (5th Lok Sabha) the PAC had, while discussing Paragraph 11 of the Report of the Comptroller and Auditor General of India, Union Government (Defence Services) for the year

1973-74, observed that "adequate steps had certainly not been taken to ensure that the arbitration proceedings were not unnecessarily protracted."

A review of the cases referred to Arbitrators in Western, Eastern, Central and Southern Commands between 1978-79 and 1980-81, (details given in Appendix V) revealed that out of 286 cases referred to Arbitrators, 116 cases were pending with Arbitrators as on 1st January 1982, and, that of 170 cases decided by the Arbitrators between 1978-79 and 1981-82 (upto December 1981), 103 cases went in favour of contractors.

In a large number of cases, the awards went against the department due to lack of proper supervision of works, delay in giving decision by the engineers and defective drafting of contracts. Some illustrative cases are brought out below:

13.2 A contractor after signing the final bill with "no further claim certificate" claimed additional amount of doing certain additional works whereas the department contended those to be non-contractual. The arbitrator awarded Rs. 1.42 lakhs in favour of this contractor in January 1981. Of the amount awarded Rs. 1.32 lakhs was on account of non-availability of site for filling on re-excavation and rehandling of earth.

13.3 In a contract for Central Sewage which *inter alia* provided pumping out of sub-soil water if met with by the contractor, the Arbitrator awarded (February 1981) Rs. 13.10 lakhs in favour of the contractor for pumping out sub-soil water by electrically operated machines. The Ministry of Law advised (March 1981) against contesting the award mainly because the award was "non-speaking."

The provision in the contract was not clear whether the pumping out of sub-soil water was to be done manually or mechanically.

The Ministry stated (November 1985) that the question of speaking *versus* non-speaking awards was under review.

13.4 Rs. 1.75 lakhs was awarded in December 1979 by an Arbitrator in favour of a contractor for his claim on account of suspension of the work for a period, arising due to prevention of work and breach of contract. The Ministry of Law stated (March 1980) that the suspension order did not specify the reasons for suspension.

14. Other Interesting points

Case 'N'

14.1 A sanction accorded in October 1981 by Government, for resurfacing of a runway included provision for MES constructional staff quarters to temporary specifications at Rs. 1.67 lakhs. This was objected to by Audit in March 1982/November 1982 on the ground that resurfacing did not signify a new project to justify construction of these quarters. These quarters were deleted from the sanction in July 1983. Meanwhile, the GE who had issued tenders in September 1982 concluded a contract on 18th January 1983 for the quarters with permanent specification at Rs. 2.92 lakhs after he was ordered telegraphically by the Zonal CE on 17th January 1983. Thus, 7 unauthorised quarters came to be constructed due to lack of co-ordination between the Administrative authorities and the engineers.

In the reply received from the Ministry (November 1985) no remarks were offered on this observation.

Case 'P'

14.2 Regulations provide that where a number of services in a station or area are necessitated by a change of plan or policy or location of units, provisioning thereof will be considered as for one project and all projects beyond the powers of approval of the authorities lower than the Government will be submitted for its acceptance of the necessity. Once the necessity for such project has been accepted by Government, phases of the project can be sanctioned by the lower competent authority separately but no project can be split-up merely to bring it within the powers of sanctioning authority.

Naval HQ accepted the necessity and accorded sanction in parts, during March 1984—June 1984 for provision of married accommodation (30 quarters each) for Naval personnel of six Naval Establishments located at Station 'M' at an estimated cost of Rs. 78.82 lakhs each.

Since these works were similar in nature, and were to be located at one and the same station, the works should have been treated as one work and submitted to the Ministry for acceptance of necessity. Instead, the works services were split-up to bring these within the powers of the Naval HQ.

In the reply received from the Ministry (November 1985), no remarks were offered on this observation.

Case 'O'

14.3 In July 1980, a CE concluded a contract agreement with firm 'CX' for construction of 3 RCC overhead tanks 'A', 'B' and 'C' of 5.67 lakhs, 2.27 lakhs and 6.81 lakhs litres capacity respectively as per design and specifications of the firm.

Tanks 'A' and 'B' were completed in March 1981 but were taken up for testing in February 1984.

Tank 'C' which was completed in June 1981 collapsed on 9th September 1981 when water was being filled in it for preliminary test. A technical Board of Officers instituted under the orders (May 1982) of the E-in-C investigated the case. Their report could not be made available to Audit as it was stated by the CE that it was with the Central Bureau of Investigation (CBI).

In September 1981, the CE concerned asked the firm to construct a new tank at its expense. The work on the new tank was commenced in December 1981 and completed in May 1984 without adequate supervision by the engineers who did not even have authenticated/ approved copies of the Drawings with them. Shuttering of the shaft was removed on 25th January 1983 by the contractor within 24 hours of casting as against 72 hours provided in the contract and the mix of the concrete for cube was kept lower than provided.

The new tank was filled with water in May 1984 and July 1984 for preliminary tests. The re-built tank collapsed on 4th August 1984. The Ministry stated (November 1985) that this case was also likely to be handed over to the CBI.

15. *Statutory Audit Objections*

15.1 Audit observations on financial irregularities and defects in the accounts noticed during local audit of units and formations and not settled on the spot are included in Local Test Audit Reports (LTARs) and are communicated to the CsDA for examination and reply. LTARs are drawn up in two parts. Important objections requiring action on the part of administrative/executive authorities to set right the irregularities immediately are included in Part I; other objections are included in Part II. While replies to Part I LTARs are to be given by the CsDA immediately, replies to Part II LTARs are to be furnished within 2 months.

1,020 LTARs comprising of 23 items of Part I and 1,862 items of Part II were issued between 1981-82 and 1983-84. Of these, 20 Part I

items and 1,138 Part II items remained outstanding as on 30th September 1984; even first reply in respect of 5 Part I items and 451 Part II items were not received by the end of September 1984. The position is shown below:—

Year	No. of LATRs issued up to 31st March of the year	No. of items in LTARs		No. of items of LTARs by end of September 1984		No. of items of LTARs where first reply had not been recd. by end of September 1984	
		Pt. I	Pt. II	Pt. I	Pt. II	Pt. I	Pt. II
1981-82	292	8	577	7	283	2	108
1982-83	358	6	595	6	394	..	112
1983-84	370	9	690	7	461	3	231
Total :	1,020	23	1,852	20	1,138	5	451

The Ministry stated (November 1985) that the E-in-C's Branch was being directed to undertake a special drive for speedy clearance of LTARs with particular reference to the cases where even the first reply to LTARs had not been furnished.

16. To sum up:

1. The Review carried out by Audit covered 25 MES divisions in 5 commands.
2. The review was issued to the Ministry in June 1985. The Ministry in their reply sent in November 1985 offered no comments to observations relating to Air Force, Navy, Defence Research and Development Organisation and Department of Defence Production.
3. Expenditure during the closing month (March) for the period 1979-80 to 1983-84 was 2 to 3 times the average monthly expenditure incurred during the first eleven months.
4. Works valuing Rs. 4.70 crores were taken up for execution during the years 1979-80 to 1983-84 without obtaining prior sanction of the competent authority.

5. Works valuing Rs. 1.39 crores executed upto 1978-79 on urgent Military grounds were awaiting formal sanction till 31st March, 1984.
6. Works valuing Rs. 13.91 crores were executed upto 1982-83 on operational military necessity, of which works valuing Rs. 6.11 crores were awaiting formal sanction till 31st March 1984. In certain cases, taking up of works as operational military necessity was not justified.
7. Works valuing Rs. 3.90 crores commenced prior to 1st April 1969 under Emergency Works Procedure were awaiting regularisation even after 10 years of withdrawal of the procedure and after 15 years the value of works not regularised was Rs. 0.18 crore as on 31st March 1984.
8. In 17 Projects sanctioned by the Ministry between November 1978 and March 1983, the delay in accepting the necessity and according administrative approval ranged between 1 and 4 years.
9. In 15 projects sanctioned by the Ministry between December 1971 and April 1982, delay in execution of works ranged from over 1 year to 5 years; in fact 3 of these works had not been taken for execution till March 1985.
10. While the CPWD revised their Schedules of Rates (SSR) 8 times during the period 1962 to 1985, the MES could revise their SSR only 4 times. Adoption of out-dated Schedules of Rates in MES could not be an effective guide either for preparing estimates or for accepting tendered rates.
11. 6,719 contract agreements concluded in 5 Commands during 1980-81 to 1983-84 were not submitted within the prescribed period to the CsDA thereby resulting in payment of advances to contractors without scrutiny.
12. In 3,362 cases, during 1980-81 to 1983-84, the prescribed period was not allowed to contractors for quoting their rates.
13. Extensions of time granted to contractors during 1980-81 to 1983-84 were more than the original period fixed for completion in 39 per cent of the cases and half or more than half of the original period in 28 per cent of the cases.

14. (a) The total amount outstanding on account of over-payments to and short recoveries from contractors detected by the CTE (Works) was Rs. 2.59 crores at the end of 31st March 1984. Of this, Rs. 54.52 lakhs was detected during 1983 as a result of site and technical examination of final bills valuing Rs. 253.54 crores representing 48 per cent of the total work load of Rs. 526.30 crores.
- (b) Claims for 49.59 lakhs on account of defective workmanship pointed out for recovery by the CTE during the period February 1976-September 1976 in respect of 4 completed works were rejected by the Arbitrators in non-speaking awards.
15. Cases of loss of stores and cash totalling Rs. 7.00 crores were awaiting regularisation as on 31st March, 1984.
- (16) (a) The outstanding rent and allied charges showed an increasing trend over the years and stood at Rs. 3.38 crores as on 30th June 1984. Dues outstanding for more than 10 years amounted to 21 per cent of the total outstanding and dues outstanding against private parties and retired/released officers represented 25 per cent and 10 per cent respectively.
- (b) The total amount outstanding against units/formation as account of non-recovery of barrack damages at the end of 1983-84 stood at Rs. 29.14 lakhs.
- (17) (a) In 8 projects in a Command there was excess procurement of cement valuing Rs. 50.51 lakhs and steel valuing Rs. 92.85 lakhs resulting in surplus. In another project, bitumen procured in excess, valuing Rs. 38.62 lakhs, was transferred to other formations at a cost of Rs. 4.67 lakhs.
- (b) In one project, procurement of steel through contractor, as against normal practice of supply of steel by the department, on grounds of urgency resulted in an additional expenditure of Rs. 30.17 lakhs.
18. In 4 commands, out of 286 cases referred to Arbitrators during 1978-79 to 1980-81, 116 cases were pending with the Arbitrators as on 1st January 1982 and 103 out of 170 cases decided by the Arbitrators between 1978-79 and 1981-82 (upto December 1981) went in favour of contractors. All awards were non-speaking.

- (19) (a) Sanction for construction of 7 quarters for MES Staff costing Rs. 1.67 lakhs was not justified.
- (b) For a project for residential accommodation for 6 Naval Establishments at Station 'M' (cost: Rs. 472.92 lakhs) sanctions were accorded by the Naval HQ in parts so as to bring these within its powers.
- (c) Due to inadequate supervision by the engineers and in the absence of authenticated copies of drawings an overhead reservoir tank collapsed during test trials. The contractor rebuilt it at his own cost but the tank collapsed again during test trials.
20. Out of 23 Part I items and 1,862 Part II items contained in 1,020 LTARs that were issued between 1981-82 and 1983-84, 20 Part I items and 1,138 Part II items remained outstanding as on 30th September 1984. Even first reply to 5 Part I items and 451 Part II items had not been received by that date.

Appendix A

(Rush of Expenditure in March compared to the first 11 months of the financial years-referred to in the paragraph 3)

Year	Expenditure incurred during 1st 11 months	Average expenditure during 1st 11 months	Expenditure incurred during March	Percentage of expenditure incurred during March over the Average expenditure during 1st 11 months
(Rs. in crores)				
1979-80	182.59	16 60	40 00	289
1980-81	216.27	19 65	50 87	259
1981-82	259.81	23 52	61 45	259
1982-83	321.63	29 24	69 20	237
1983-84	402.61	36 50	80 49	220

Appendix-B

[Details of working of standard schedule of rates (1975) referred to in paragraph 7.2]

Command	Year	Total No. of contra- cts con- cluded during the year	Cases where the lowest rates quoted were					
			21 to 50 % over the SSR		51 to 100% over the SSR		100% or more over the SSR	
			No. of contra- cts	Per- centa- ge to total No. of contracts	No. of contra- acts	Per- centa- ge to total No. of contracts	No. of contra- acts	Per- centage to total No. of contra- cts
1	2	3	4(a)	4(b)	5(a)	5(b)	6(a)	6(b)
SC	1979-80	540	261	..	48	..	1	..
	1980-81	673	354	..	124	..	14	..
	1981-82	607	262	..	217	..	18	..
	1982-83	620	275	..	223	..	83	..
	1983-84	458	103	..	208	..	94	..
NC	1979-80	116	46	..	11	..	3	..
	1980-81	93	47	..	10	..	2	..
	1981-82	108	40	..	48	..	6	..
	1982-83	139	45	..	58	..	18	..
	1983-84	242	70	..	82	..	38	..
WC	1979-80	143	54	..	12	..	2	..
	1980-81	180	99	..	19	..	2	..
	1981-82	177	89	..	35	..	4	..
	1982-83	197	76	..	56	..	8	..
	1983-84	207	64	..	72	..	8	..
EC	1979-80	164	35	..	5
	1980-81	90	37	..	73	..	2	..
	1981-82	161	40	..	64	..	5	..
	1982-83	91	28	..	26	..	19	..
	1983-84	180	42	..	44	..	53	..
CC	1979-80	92	49	..	5	..	1	..
	1980-81	161	89	..	12	..	1	..
	1981-82	139	34	..	56	..	11	..
	1982-83	185	50	..	59	..	10	..
	1983-84	148	42	..	67	..	17	..
	Total	5,911	2,266	33	1,579	27	420	7

Appendix - C

(Details of outstanding rent and allied charges of different categories—referred to in Para 11.1)

		COMMAND					(Rupees in Lakhs)			
Sl. No.	Category	CG	WC	SC	NC	EC	Total			
1	Disposal persons—Ministry of Rehabilitation Deptt. of State Government.	0.85	9.13	9.98			
2	Other State Government Department	48.17	0.94	24.45	..	0.92	74.48			
3	Other Central Government Deptt.	7.57	14.35	9.03	2.99	12.90	46.84			
4	Released/Retired Officers	1.95	5.81	20.32	..	1.50	29.58			
5	Departmental officers in Service	2.48	7.60	13.94	0.22	0.87	25.11			
6	Departmental mess/clubs	1.99	2.61	2.24	2.11	1.86	10.81			
7	Private parties including MES contractors	19.09	12.57	19.54	4.57	14.34	70.11			
8	Cantonment Boards/Municipalities	1.62	..	7.11	6.61	5.85	21.19			
							288.10			
		CATEGORY								
Period over which outstanding	1	2	3	4	5	6	7	8	Total	%age
1-3 years	0.92	27.24	20.62	13.46	20.12	8.68	38.84	13.20	143.08	50
4-6 years	2.08	16.64	3.89	7.48	2.90	1.12	17.11	2.50	53.72	19
7-10 Years	1.75	4.53	9.51	5.45	0.93	0.47	5.90	6.58	29.12	10
Over 10 years.	5.23	26.07	12.82	3.19	1.16	0.54	8.26	4.91	62.18	21
	9.98	74.48	46.84	29.58	25.11	10.81	70.11	21.19	288.10	100

Appendix—D

(Planning/procurement and utilisation of Steel and Cement of 8 Projects— Referred to in Paragraph 12.2).

Quantity in Tonnes

Value in lakhs of Rupees

CEMENT										
Project										
	A	B	C	D	E	F	G	H	Total	
Planned for the project	2,201	2,400	2,350	24,500	2,900	3,473	2,218	615	40,657	
Procured against the project.	2,201	1,864	1,751	13,217	1,678	3,472	2,218	615	27,017	
Value	7.92	6.71	6.30	111.00	15.71	12.85	11.56	3.15	175.20	
Utilised	1,714	1,483	1,634	8,492	1,259	3,338	1,804	561	20,285	
Value	6.17	4.54	5.88	71.70	11.79	12.35	9.39	2.87	124.69	
Excess procurement	487	381	117	4,725	419	135	414	54	6,732	
Value	1.75	2.17	0.42	39.30	3.92	0.50	2.17	0.28	50.51	

	Steel									
	Project									
	A	B	C	D	E	F	G	H	Total	
Planned for the project	748	243	138	1,165	192	637	873	213	4,209	
Procured against the project	748	387	426	1,922	267	918	862	221	5,751	
Value	22.16	10.8	12.62	92.44	13.11	20.08	26.00	6.76	203.25	
Utilised	426	161	112	974	222	666	497	58	3,116	
Value	12.62	4.08	3.47	47.92	10.94	14.85	14.66	1.86	110.40	
Excess procurement	322	226	314	948	45	252	365	163	2,635	
Value	9.54	6.00	9.15	44.52	2.17	5.23	11.34	4.90	92.85	

ANNEXURE

(Cases referred to Arbitration—Referred to in Para 13.1)

Year in which referred to Arbitration	No. of cases referred to Arbitration				Total	No. of cases decided upto 1st Jan., 1982				Total	No. of cases pending with Arbitrator				Total	No. of cases which went in favour of contractor				Total
	WC	SC	EC	CC		WC	SC	EC	CC		WC	SC	EC	CC		WC	SC	EC	CC	
	1978-79	28	23	31		12	94	24	1		23	9	71	4		8	8	3	23	
1979-80	34	14	28	21	97	25	11	19	11	66	9	3	9	10	31	12	7	12	10	41
1980-81	41	7	37	10	95	15	2	15	1	33	26	5	22	9	62	9	—	10	1	20
	103	44	96	43	286	64	28	57	21	170	39	16	39	22	116	33	14	37	19	103

APPENDIX II

Conclusions and Recommendations

Sl. No.	Para No.	Ministry/Department Concerned	Conclusions/Recommendations
1	2	3	4
1	130	Defence	<p>Military Engineer Services (MES) is the largest single construction department in the country. It is responsible for providing works services to army, navy and air force and also for the military farms, ordnance factories, research and development establishment, etc. Its current budget is about Rs. 970 crores and its work programme covers besides conventional buildings and maintenance service, sophisticated complex laboratories and workshops, air-fields, dock yards, slip-ways, etc. Obviously MES, is a very important single Government agency so far as the defence of the country is concerned. This in turn casts a very heavy responsibility on this organisation to achieve utmost efficiency in its working. The Committee's examination has revealed a number of loopholes which need to be plugged.</p>
2	131	-Do-	<p>The Committee note that the expenditure incurred during the closing month of the financial year March is generally two to three times of average monthly expenditure incurred during the first</p>

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

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

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No work can be executed or commenced by engineers without administrative approval or in anticipation of administrative approval for the works other than under paras 10 and 11 of Revised Works Procedure. According to the Audit para, works valuing

Rs. 4.70 crores were taken up for execution during the years 1979-80 to 1983-84 without obtaining prior sanction of the competent authority. According to the Ministry, these data have been taken from Appropriation Accounts for the year 1979-80 to 1983-84 for the works commenced without administrative approval. As a result of regularising these works, the total amount outstanding for want of administrative approval as on 1-4-1984 and 31-3-1985 was Rs. 88 lakhs and Rs. 1.85 crores. Further, 46 works have been identified by CGDA on this account which are under verification for linking their administrative approval in CDA offices.

Works are undertaken under paras 10 and 11 of MES revised works procedure on urgent military and medical grounds without waiting for administrative approval. According to the Audit para works of a total value of Rs. 1.39 crores executed upto 1978-79 under para 10 of RWP were awaiting sanction on 31st March 1981. It is not clear as to why these works could not be regularised till 31-3-1984 and the administrative approval therefore was issued subsequently on 23-7-1984/8-8-1984. It was brought out that in 97 cases analysed in 34 cases, the time-lag between the date of commencement of work and sanction was 15-18 months. Similarly, the closing balances of the outstanding amount of expenditure executed under para 11 awaiting formal sanctions for the years 1981-82, 1982-83, and 1983-84 was Rs. 4.83 crores, Rs. 6.11 crores and

Rs. 3.22 crores respectively. It is obviously unsatisfactory that huge expenditure involving crores of rupees continue to remain unregularised and that there should be delay of over 5 years in regularising such expenditure. It is necessary that the procedure should be streamlined and the Government should take steps to ensure that the works executed in exceptional circumstances are regularised by issue of formal sanctions promptly.

The Committee understand that the Ministry of Railways have a procedure by which urgent works of operational necessities can be undertaken without preparation of estimates but while submitting the proposal for undertaking works an urgency certificate to the competent authority a date has to be specified by which the detailed estimate for the works would be ready. The Committee recommended that such a procedure should be devised *mutatis mutandis* for operation on the M.E.S. also, so as to ensure that the gap between the administrative approval and the commencement of the work is the barest minimum.

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Works relating to the augmentation of class rooms and allied facilities at Station 'A' was undertaken under para 11 of RWP. According to the Ministry, advance action had to be taken to train the crew for the destroyers with new weapon system being acquired at that time. The contract for the work which was mooted in September 1980 was concluded only in March 1981. No operational urgency in the matter even thereafter appears to have been shown as the work thereon was commenced only in November

1981 and completed at a cost of Rs. 34.99 lakhs in September 1982. The Committee do not find any justification for taking recourse to para 11 for execution of the simple work *ibid* whose completion had taken quite a long period of 2 years. Disappointingly formal sanction for the work was issued only in May 1985 after a period of about 3 years of its completion in September 1982. The Committee recommend that selection of works for execution under paras 10 and 11 of Revised Works Procedure should be done scrupulously and only those works which fulfil the prescribed conditions should be executed thereunder.

The Audit paragraph points out that in 17 projects sanctioned between November 1978 and March 1983 the delay in accepting the necessity and according administrative approval ranged between 1 and 4 years. Delay in project implementations have grave financial and economic implication. According to the Ministry of Defence, since no norms were fixed, no definite time dimension can be given to stagewise slippages. This defect is stated to have now been rectified with the issue of revised Defence Works Procedure in April 1986. The Committee expect that with the introduction of the new procedure it would be possible hereafter to ensure timely according of administrative approval and all implications relating to construction of projects would be discussed in advance with users before tender action is initiated.

8 . 137

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Sanction for Phase II of an Ordnance Factory which was proposed to be set up during January 1976 was accorded after an inordinate delay of five years in April 1981 at a cost of Rs. 6.28 crores. Phase II of the project was meant for productinising by January 1979 new item of ammunition under development. As the project was eventually completed in May 1984 at a cost of Rs. 7.83 crores, it not only led to huge delay in productionising the new item of ammunition but also resulted in huge escalation in cost by 24 per cent. The Committee strongly deprecate this inordinate delay.

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

1	2	3	4
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That is where the importance of efficient project management comes in.

10 139 Defence

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

11 140 -Do-

Thereafter, the Chief Engineer, Dry Dock, took more than 2 years to propose 4 alternatives, 3 for construction of wharf and one for construction of jetty in lieu. There was further delay of more than 1½ years in according of the administrative approval for the construction of 1200 ft. jetty at Rs. 761.31 lakhs which was issued in February 1978. The main contract was concluded in February 1979 with firm 'AX' for a lumpsum of Rs. 3 crores. By 1st February 1982 when the progress registered was assessed to be worth Rs. 1 crore, the work came to a stop due to labour problems which eventually resulted in the cancellation of contract with this

firm in October 1982. A fresh contract for the balance work was concluded in March 1984 with firm 'BX' at the risk and cost of defaulting firm for Rs. 2.98 crores. The work was finally completed on 30-4-1986.

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The above facts lead to the inevitable conclusion that there was complete lack of planning and coordinated approach in the construction of a wharf/jetty in question. The work which was initially expected to be completed by February 1981 at a cost of Rs. 3 crores was eventually completed after an inordinate delay of 5 years in 1986 at an increased cost of Rs. 3.98 crores implying percentage increase of 33. Regrettably, even after such a delayed completion the wharf/jetty could not be commissioned on completion for want of power and water supply and non-completion of dredging operation. The Committee have no doubt that all these factors are such which could be monitored and controlled with appropriate interaction between the various agencies involved. The Committee would like to be intimated actual date of commissioning of jetty.

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The delay in the commissioning of the jetty also resulted in the additional avoidable expenditure of about Rs. 11.32 lakhs on account of total berthing charges during the years 1981 to 1984. The Committee strongly deprecate the lack of planning in the execution of the project. They recommend that the whole matter should be examined with a view to fixing responsibility and taking remedial steps for obviating with such recurrence in future. The Com-

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mittee deprecate that total additional expenditure of Rs. 109.32 lakhs has already been incurred due to lack of adequate planning and coordination between various units of the Ministry. The Government should go into the relevant issues and fix responsibility and take further necessary action under intimation to them. The Committee will also like to know the outcome of arbitration on the recovery of additional cost of Rs. 0.98 crore from firm 'AX'.

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143

Defence

Similar lack of planning and foresight was noticed in the case of construction of an accommodation for a Central Base Post Office at Station 'H', which was proposed as early as in February 1965. Due to non-establishment of clear title on the first site and the need for selection and acquisition of a second site for the Post Office, the work could eventually be completed in September 1980. The actual cost on the work was Rs. 128.16 lakhs as against the contract for Rs. 67.33 lakhs concluded in September 1976. There was not only an inordinate delay in the execution of the work but also increase in cost to the tune of about Rs. 60 lakhs, which could have been avoided. The Committee agree with the recommendation of the Works Procedure Review Committee that land acquisition should be completed before issue of administrative approval. It is regrettable that on a proposal which was initiated in 1965 the work was actually completed after 11 years in September 1976,

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4 years after the execution of contract at a cost of Rs. 128.16 lakhs against the original contracted amount of Rs. 67.33 lakhs. Most of the factors leading to time and cost over-run in the implementation of the above construction project were such which could be controlled by the Ministry provided there was adequate planning and foresight.

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

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

cases in as many as 4,648 cases extensions of time granted were more than the original period and further in 3,533 cases the extensions of time granted were half or more than half of the original period. Undoubtedly, such extensions are responsible for time and cost over-runs. Further the possibility of seeking extensions by the contractors purely for the purpose of gaining time cannot be ruled out.

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Defence

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

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The Committee regret to note that as on 31.3.1985, a sum of Rs. 2.57 crores was outstanding against the contractors. According to the Ministry of Defence, these outstandings were on account of extra cost of work got done at the risk and cost of defaulting contractors, compensation levied on contractors for delay in completion of works, etc. Out of these outstandings, the Ministry have so far been able

to recover only Rs. 43.20 lakhs. Further, a sum of Rs. 9.29 lakhs have become irrecoverable since either the concerned contractors in these cases have no tangible assets or their whereabouts were not traceable. It means that an amount of more than Rs. 2 crores is still outstanding. Much of these recoveries could not be effected as contractors have disputed the same and the matters are either before the arbitrators or in the civil courts. There have obviously been further accretions on this account during the years 1985-86 and 1986-87. The Committee deprecate that year-wise position of amount outstanding against contractor is deteriorating from the years 1980-81 to 1984-85 and only indicates that inadequate control was being exercised in this regard. The Committee take a very serious view of this sad state of affairs and urge the Government to take effective steps to accelerate the process of recovery by envisaging periodical review at an appropriately higher level. Effective steps should also be taken to ensure that such large accumulations do not take place in future.

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148. The Chief Technical Examiner is required to carry out technical examination during the currency of the work or after the work has been completed. On scrutinising the works for Rs. 253.54 crores, the CTE Organisation had pointed out overpayments to the tune of Rs. 54.42 lakhs. Further, on technical examination of 4 completed works, this organisation also pointed out recoveries totalling Rs. 49.59 lakhs on account of defective workmanship. The Committee are concerned to note that these defects could not be

detected by the Engineers-in-charge or supervising engineers during annual inspection. The Committee recommend that immediate steps should be taken to ensure that types of recoveries and nature of defects in workmanship pointed out by CTE Organisation do not take place in future and the remedial instructions to avoid such lapses in future are scrupulously observed. Position about the recovery of the outstanding amount of about Rs. 1 crore may also be intimated to the Committee.

The Committee are deeply concerned to note that as on 31.3.1985, losses to the tune of Rs. 7.36 crores were awaiting regularisation. According to the Ministry of Defence, out of this amount, losses due to storm, flood, earthquake and fire were of the order of Rs. 3.40 crores and losses of stores were of the order of Rs. 1.90 crores. The Ministry have indicated an amount of Rs. 1.77 crores on account of miscellaneous losses but have not specified the details of such miscellaneous losses which need elucidation. It is disquieting to find that losses amounting to Rs. 2.19 crores and Rs. 5.39 crores were more than 10 years and 5 years old respectively as on 31.3.86. This unsatisfactory state of affairs needs to be attended to with due promptitude as with the passage of time it would not be worthwhile to investigate such cases and it would not be possible to pinpoint officers responsible for such losses. It is imperative that cases of losses are investigated promptly and responsibility for

losses fixed and action taken against delinquent officers. Further, in 109 cases involving an amount of Rs. 0.21 crore, the losses were found on the basis of enquiries/investigations due to theft, fraud and neglects. The Committee strongly deprecate this deplorable state of affairs in MES. The Committee would like the Ministry to hold an independent and in-depth enquiry into the losses incurred by MES during the last 3 years with a view to fixing responsibility. The Committee also recommend that terms of contract should be suitably modified to discourage pilferage or misappropriation of stores and to effect recoveries and to award adequate punishment for losses due to negligence and fraud. They would also like deterrent action to be taken against the MES staff found guilty in allowing misuse or leakage of construction materials.

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

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According to the Ministry of Defence, regularisation of losses is a time consuming process entailing board proceedings finalisation, enquiry reports, metrological reports, audit reports, etc. The Committee also gather that powers to write off losses of stores were revised in 1985 but these did not take into account the erosion of the value of rupees. The enhancement of powers of various CFAs to write off the losses are reported to be under active consideration in the Ministry in order to take care of erosion of the value of

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

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152

Defence

It is further distressing to note that a sum of Rs. 3.38 crores was outstanding on account of rent and allied charges as on 30.6.1984. 25 per cent of these outstandings were against private parties. In March 1985, a sum of Rs. 35.07 lakhs was outstanding against the retired/released officers. Similarly, at the end of 1983-84, total amount outstanding on account of non-recovery of barrack damages stood at Rs. 29.14 lakhs. The Committee would urge the Ministry to view the matters involving heavy outstanding amounts of rent recoveries and barrack damages, etc. earnestly and take urgent steps to recover these outstanding dues. The Committee would also like the Ministry to take concerted measures to ensure against accumulation of dues against public and private authorities.

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As against the total procurement of 27,221 tonnes of cement costing Rs. 179.24 lakhs for the 8 projects, 24,327 tonnes costing Rs. 129.22 lakhs were utilised for these projects leading to excess pro-

curement of 6,884 tonnes costing Rs.50.02 lakhs. Similarly, against the total procurement of 5,996 tonnes of steel costing Rs. 200.85 lakhs, 3,146 tonnes were actually utilised leading to excess procurement of 3012.66 tonnes of steel costing Rs. 93.66 lakhs. Thus excess procurement of cement and steel for about Rs. 146.14 lakhs was made for only 8 projects. According to the Ministry of Defence, steel and cement are scarce stores and in spite of statutory control are not available even for Government works. Further, procurement takes long to materialise. While the Committee agree that there should be some buffer-stock for materials like cement and steel but such procurements should as far as possible be realistic and proportionate to actual requirement. Obviously the actual procurement of both these commodities for the 8 projects in question was for excessive than the actual requirements. Besides locking up huge amounts, the excess procurement results in avoidable expenditure in transferring surpluses to other projects or places. The Committee recommend that procurement of cement and steel should be judiciously and realistically planned and urge the Government to fix inventory level of important store items on realistic basis which should also be periodically reviewed to ensure that carrying cost of inventory is avoided.

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In another case, despite the fact that the Ministry had approved ONGC type hangers in March 1980, indents for supply of only 201 MT of steel as against 1097 MT tonnes required, were placed in March 1980. The required quantity of 1097 MT was not initially indented as go-ahead sanction for Rs. 7.5 lakhs was issued on

13-3-1979 against Rs. 30 lakhs required. According to the contract concluded with firm 'DX' for construction of these hangers, the firm was required to arrange for the requisite quantity of steel direct but the Department was to assist the firm in obtaining steel from the Steel Authority of India on priority basis. On the recommendation of the Ministry the contractor procured 873 MT of steel from SAIL and the balance 224 MT of steel were procured by him from the market. The question of procurement of steel by the contractor would not have arisen if the Department had arranged itself in March 1980 to obtain funds required for the procurement of entire quantity of 1097 MT of steel especially when cost of stores for construction of ONGC type hangers mainly consisted of steel. Had the steel been procured by the Department, it would have cost Rs. 42.90 lakhs against Rs. 73.07 lakhs paid to the contractor for steel. Surprisingly, even 201 MT of steel procured earlier by the Department was not issued to the contractor. The Committee deplore that failure on the part of the Department to arrange requirement of steel from SAIL has cost the national exchequer an infructuous expenditure of about Rs. 30 lakhs. There has been a total failure of planning and foresight in indenting of store requirement in advance.

It is disquieting to note that in yet another case, out of 2806.06 MT of bitumen valuing Rs. 80.71 lakhs procured for a project, only

1175.89 MT of bitumen were utilised. Due to this largely disproportionate procurement of bitumen further infructuous expenditure to the tune of Rs. 4.67 lakhs had to be incurred on transferring 1,342.802 MT of the unutilised balance of 1,630.17 MT to other formations. Both these cases establish complete lack of planning and foresight on the part of the concerned authorities. The Committee deplore this casual approach of the Department in planning requirement of store items and emphasise that procurement of stores should be very judiciously and realistically planned.

27. 156

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The Arbitration Act, 1940 stipulates that awards shall be made within 4 months of entering on the reference. General conditions of MES contract, however, provide that an arbitrator shall give his award within six months from the date of his entering on the reference. The Committee regret to note that out of 422 cases referred to arbitration during 1978-79 to 1980-81, as many as 191 cases were still outstanding as on 1-1-1982 the progress rate being only 45 per cent which clearly indicates that there is scope for substantial improvement in accelerating the pace of settlement. Out of these cases as many as 57 cases were still outstanding on 31 March 1986. The Arbitration Act had been framed by Parliament with the intention of ensuring that disputes arising out of contracts are resolved expeditiously without having to go through other more time-consuming processes of law. But this slow trend of pendency of arbitration cases indicates that the pur-

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

28. 157

Defence

Out of the 170 arbitration cases decided between 1978-79 and 1981-82, as many as 103 cases went against the Government. Further, out of 134 cases decided upto 31.3.1986, 121 cases were decided against the Government. According to Audit these cases were mostly lost due to lack of proper supervision of works, delay in giving decision by the engineers and defective drafting of contracts. Surprisingly, there is no agency to analyse the causes of cases lost by Government. Earlier one of the reasons was that mostly the awards were non-speaking. The Ministry of Defence have since issued orders providing that wherever the total claims of any party exceeds Rs. 1 lakh, the arbitrator is required to give a reasoned award. The Committee recommend that reasoned awards should be given in cases where the claim mostly exceeds Rs. 50,000.

The Committee further recommend that in-depth analysis of these reasoned awards should invariably be done by some expert agency and in the light of their analysis, suitable effective remedial steps should be taken urgently to safeguard financial interest of the Government.

29. 158

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The Committee are deeply concerned over the most inefficient execution of the contract for the construction of an overhead tank 'C' of 6.81 lakh litres capacity. Contract for this work was concluded July 1980 with firm 'CX'. Due to inadequate supervision by the Engineers the tank collapsed during test trials. The case at this stage was investigated both by a Departmental Court of Inquiry and Central Bureau of Investigation. Both these investigations revealed complete lack of supervision by the concerned engineers. In their report, the CBI had specially named 2 officers, the then Chief Engineer (P) and the Assistant Executive Engineer, responsible for the lapses. The Chief Engineer filed a writ petition in Central Administrative Tribunal, which decided the case in his favour on 29-1-1987, but their judgement is awaited. The case against the Assistant Executive Engineer is under progress. The CBI had also suggested that action against the officers found guilty by a Departmental Court of Enquiry should be initiated. Action is stated to have been initiated against them. The Government should take urgent steps to finalise these outstanding cases.

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30. 159

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The contractor rebuilt the tank at his own cost but surprisingly the tank collapsed again during test trials. Despite the fact that

lack of supervision was earlier established due to which the tank collapsed on first testing, remedial steps were not taken to ensure proper supervision even thereafter. The matter about the second collapse was investigated only departmentally. As a result of this investigation, complete lack of supervision and negligence of duty was again established. According to the Ministry, disciplinary action for major penalty has been initiated against officers/staff found guilty. Charge-sheets to 3 officers of the rank of Superintending Engineers, 6 officers of the rank of AE/AEE and 3 subordinate staff have been issued. Issue of charge-sheet under Pension Rules against an officer already retired is under consideration. The Committee strongly recommend that conclusive action on the basis of both the investigations should be taken immediately so that the persons found guilty are brought to book without any further delay. They also recommend that stern and prompt action should be invariably initiated in all such cases involving Government officials found to be callous and negligent in performance of their duties. The matter should also be thoroughly examined with a view to take suitable remedial steps to obviate the chances of such recurrence in future.

The Committee have been informed that tenders to complete this tank at risk and cost of the contractor have been issued by the Chief Engineer. The Committee note with dismay that the tank, contract for which was concluded as far back as in July 1980, has

not become available for use so far. The Committee recommend that urgent steps should now be taken to have the tank completed satisfactorily.

32. 161

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The audit paragraph also reveals a very unsatisfactory position about furnishing replies to the Audit objections or irregularities included in Local Test Audit Reports. For instance, out of 23 Part I items and 1862 Part II items contained in 1020 LTARs which were issued between 1981-82 and 1983-84, 20 Part I items and 1138 Part II items remained outstanding as on 30 September 1984. The Defence Secretary assured the Committee during evidence "I think we ought to be doing something about that". The Committee recommend that immediate steps should be taken to devise suitable modalities to monitor these irregularities so that timely replies thereto are sent to Audit. In this connection reference is made to para 1.8 of Report of Sub-Committee constituted by Conference of Chairmen of PACs held in September 1986 which reads as under:

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"Normally one would expect the departmental reaction to the Audit paras to be instantaneous. The departmental head must initiate immediate action and call for the explanation, if necessary, of all the officers connected with the transaction or transactions reported by the Audit. But unfortunately this is rarely done. The departmental reaction to the Audit paras generally start after the PAC takes up those paras for examination. This delayed reaction on the part of the department is responsible for the

constant and repeated failure to enforce accountability. This is just as serious as not taking up immediate investigation after the lodging of the First Information Report in a crime. The delayed reaction results in the concerned officials and other getting away from being made answerable. We do not see any reason as to why the departmental head cannot obtain the explanations or reactions or answers from the officers concerned by circulating the Audit para to such of those officers connected with the transaction(s) reported by Audit. Many a time in the proceedings before the PAC we find the departmental head giving some explanations without any record to support such explanations."

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

33. 162

Defence

The very fact that expenditure on Defence Budget is increasing year to year casts an added responsibility on Defence authorities to ensure that there is optimum utilisation of funds and extravagant and infructuous expenditure is avoided. The Committee hope that with the introduction of Defence Works Procedure, 1986, finalised on the basis of the report of the Works Procedure Review Commi-

tee, the working of the MES will improve. The Committee recommend that working of the new procedure should be periodically revised so as to effect necessary modifications on the basis of actual working. The Committee hope that the Ministry of Defence will examine the various suggestions made in the foregoing paragraphs to further suitably improve the working of the MES.
