

**PUBLIC ACCOUNTS COMMITTEE  
1958-59**

**SEVENTEENTH REPORT**

(SECOND LOK SABHA)

[Appropriation Accounts (Defence Services) 1955-56  
and Audit Report, 1957]

***VOL. I-REPORT***



**LOK SABHA SECRETARIAT**

**NEW DELHI**

***April, 1959***

***Vaisakha, 1881 (Saka)***

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## CORRIGENDA

*Seventeenth Report of the Public Accounts Committee, 1958-59 (Second Lok Sabha) on the Appropriation Accounts (Defence Services), 1955-56, and Audit Report, 1957—Vol. I. Report.*

Page 9, para 14, line 8, after "against" insert "8".

Page 15, para 22, line 4 from bottom, for "retreated" read "retreaded".

Page 27, heading of para 38, delete 'comma' after "18".

Page 59, para 104, line 2, for "in" read "is".

### PART II

Page 66, line 8, for "Shanker" read "Shankar".

Page 68, line 2, for "remidial" read "remedial".

Page 69, para 116, line 1, for "C.G.D.A.s" read "C.G.D.A.'s".

Page 69, para 117, line 2, after "which" insert "was".

Page 70, para 120, line 2 from bottom, for "Plantoon" read "Platoon".

Page 79, para 136, line 13, for "area" read "Area".

Page 80, footnote, for "Not received" read "Note received".

Page 82, para 143, against No. 9, for "N. C. Dasappa" read "H. C. Dasappa".

Page 90, line 4, for "17 sheets" read "17-12 sheets".

Page 91, last line, for "Chawala" read "Chawla".

Page 95, para 165, line 2, for "on" read "an".

Page 97, (1) line 6, for "amount" read "amounting".

(2) para 170, line 13, for "up" read "by";  
for "for" read "far".

(3) para 171, line 5, for "of" read "or";  
line 11, insert "," after "ledger-posting".

Page 115, heading of para 204, insert ")" after "pages 17-18".

### PART III

Page 125, para 7, line 7, insert "," after "Live-stock";  
line 11, for "brought" read "bought".

Page 127, para 11, line 9, for "deprived" read "derived".

Page 132, para 21, line 3, for "their" read "the".

Page 135, para 30, line 21, after "Government" insert "against".

- Page 136, para 31, line 7, for "Exxplaining" read "Explaining".
- Page 140, para 39. (i) against S. No. 6, for "Venkatraman" read "Venkataraman";
- (ii) line 4 from bottom, for "considerations" read "consideration".
- Page 146, para 49, line 7, for "availalbe" read "available".
- para 50, line 3, for "accidental" read "accidential".
- Page 149, para 58, after S. No. 6, insert "Shri".
- Page 155, heading of para 72, (i) line 1, for "Rs. 9.158" read "Rs. 9,158";
- (ii) line 3, for "Mechanical" read "Mechanical".
- Page 156, heading of para 76, line 1, for "Rs. 6.187" read "Rs. 6,187".
- Page 158, para 79, line 4, for "comulative" read "cumulative".
- Page 160, line 16, delete "to" after "1950" and insert "; for "they" read "They".
- line 20, for "vouches" read "vouchers".
- Page 164, heading of para 102, line 1, for "in" read "to".
- Para 102, line 2, for "U.P." read "U.K."

#### APPENDIX

- Page 179, line 9 from bottom, in column 1, insert "16".
- Page 189, line 16 from bottom, col. 4, for "a" read "and".
- Page 201, line 12, col. 4, for "at" read "a".
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\*Appendices referred to in the body of the Report have been included in Vol. II the Report.

# PUBLIC ACCOUNTS COMMITTEE

1958-59

## CHAIRMAN

\*Prof. N. G. Ranga

## MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri T. Sanganna
8. Shri Upendranath Barman
9. Shri Prabhat Kar
10. †Shri Raghubar Dayal Misra
11. Shri H. C. Dasappa
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13. Shri N. Siva Raj
14. Shri Aurobindo Ghosal
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16. Rajkumari Amrit Kaur
17. Shri Amolakh Chand
18. Shri T. R. Deogirikar
19. Shri S. Venkataraman
20. Shri M. Govinda Reddy
21. Shri Rohit Manushankar Dave
22. Shri M. Basavapunnaiiah.

## SECRETARIAT

Shri S. L. Shakhder—*Joint Secretary.*  
Shri V. Subramanian—*Deputy Secretary.*  
Shri M. C. Chawla—*Under Secretary.*  
Shri K. Rangunadham—*Under Secretary.*

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\*Prof. N. G. Ranga was appointed as Chairman of the Committee on the 11th September, 1958 for the unexpired portion of the term of the Committee ending on the 30th April, 1959 *vice* Shri T. N. Singh resigned from Lok Sabha.

†Elected on the 23rd September, 1958 *vice* Shri T. N. Singh resigned from Lok Sabha.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Seventeenth Report on the Appropriation Accounts (Defence Services), 1955-56 and Commercial Appendix thereto and Audit Report (Defence Services), 1957.

2. The Appropriation Accounts (Defence Services), 1955-56 and Commercial Appendix thereto and Audit Report, 1957 were laid on the Table of the House on the 4th September, 1958.

3. The Committee examined these Accounts and Audit Report thereon at their sittings held on the 27th to 31st October, 1958 and 1st November, 1958.

4. The Committee appointed a sub-Committee to consider *inter alia* the Statement of losses of cash, overpayments, irrecoverable claims etc. due to theft, fraud and neglect or other causes pertaining to the post-partition period, finally dealt with during the year 1955-56, as contained in Appendices A, B & C to the Appropriation Accounts, 1955-56 a start in respect of which was made by the Committee of 1955-56. The sub-Committee selected a number of important typical cases from these statements and examined the representatives of the Ministries of Defence and Finance (Defence) and Service Headquarters, in this connection at their sittings held on the 25th, 27th and 28th November, 1958 and 1st to 4th December, 1958. The observations of the sub-Committee on a few cases of losses have been embodied in Chapter VI of the Report. *Although these losses represent only an infinitesimal proportion of the total outlay on the Defence Services, the Committee have been mainly guided in their examination by the nature of losses of cash, overpayments etc. which characterised each case. They trust that the Ministry of Defence will tighten the existing checks to make them fool-proof.*

The sub-Committee also considered the statement showing action taken or proposed to be taken pursuant to the recommendations made in the earlier Reports of the Committee on the Defence Services Accounts, viz., 9th, 14th and 19th Reports (1st Lok Sabha) and 6th Report (2nd Lok Sabha) at their sittings held on the 18th and 22nd December, 1958. The observations of the sub-Committee in this behalf have been set forth in Chapter VIII of the Report.

Another matter relating to the Defence Accounts under report which was entrusted to the sub-Committee was the examination of profit/loss made by the individual Military Farms and the consolidated profit/loss account of the Military Farms for the year 1955-56. The sub-Committee examined the representatives of the Ministries of Defence and Finance (Defence) and the Quarter Master General's Branch in this connection at their sitting held on the 24th November, 1958. Their observations on the working of some of the Military Farms are contained in Chapter VII of the Report.

5. A brief record of the proceedings of each of the above-mentioned sittings of the Committee and the sub-Committee has been maintained and forms parts II and III respectively of this Report.

6. *The facts outlined in Chapters I, V and VI of the Report show that serious shortcomings in administration and in store-keeping and store-accounting still persist in all the Services despite the comments of the successive Public Accounts Committees from 1953-54 onwards.*

*The Committee would reiterate that store accounts showing accurately the quantity and location of stocks are essential to the economical and efficient administration of the Services. The Committee are disturbed to find that this essential requirement was lacking as would be evident from the Audit certificate of the Controller General of Defence Accounts on the Accounts under report.*

7. *The working of the Ordnance Factories continued to be far from satisfactory during the year under report. Procurement of raw materials in excess of the actual requirements resulting in losses in disposal of the surplus materials, and lack of administrative control of and co-ordination between the various factories leading to accumulation of huge quantities of unwanted/surplus manufactured components were some of the recurring features during this year also. In two cases, the value of such components was about Rs. 90 lakhs. The Committee are concerned about such a large accumulation of stores. They were assured that with the introduction of the proposed "mechanised scheme of material control" for centralisation of provisioning and control over orders at the Headquarters of the Director General of Ordnance Factories, such defects in the working of Ordnance Factories would not recur. The Committee would like to watch the results of this new scheme of control.*

8. *The Committee feel that substantial economies could be effected without loss of efficiency, if a sense of financial responsibility could be inculcated throughout the ranks of the Services. Encouragement of cost-consciousness in the Armed Forces seems essential in the present context of the large outlay on Defence.*

9. The Committee note that in as many as 40 cases, the information asked for has not been supplied to them by the Ministry of Defence though it is more than 4 months since the Committee examined the representatives of the Ministry. They have, therefore, not been able to come to any conclusions in regard to these matters concerned.

10. The Committee considered and approved this Report at their sitting held on the 23rd April, 1959.

11. A statement showing the summary of the principal recommendations/observations of the Committee is also appended to the Report (Appendix).

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

N. G. RANGA,  
Chairman,  
Public Accounts Committee.

NEW DELHI;  
The 24th April, 1959  
Vaisakha 4, 1881 (Saka).



## I

### FINANCIAL WORKING OF THE GRANTS RELATING TO THE DEFENCE SERVICES, 1955-56

The following table compares the original and final grants and appropriations with the actual expenditure for the year 1955-56:

(In lakhs of rupees)

Particulars	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure
<b>Total expenditure met from Revenue—</b>			
(Voted)	2,20,43	2,20,43	1,93,82
(Charged)	.05	.05	..
<b>Total expenditure met from Capital—</b>			
(Voted)	24,64	24,64	20,69
<b>Grand Total (Voted)</b>	2,45,07	2,45,07	2,14,51
(Charged)	.05	.05	..

There was thus a saving of Rs. 30.56 crores or about 12.47 per cent. over the final grant during the year 1955-56 as against 10.25 per cent. in 1954-55.

2. The following table shows at a glance the savings in voted grants over a period of 6 years.

(In lakhs of rupees)

Year	Final Grant	Savings	Percentage of savings
1950-51	2,03,10	17,08	8.4
1951-52	2,17,28	20,83	9.6
1952-53	2,33,66	25,51	10.9
1953-54	2,37,97	24,99	10.5
1954-55	2,43,52	24,97	10.25
1955-56	2,45,07	30,56	12.47

#### *Savings over Voted grants and non-surrender of savings*

3. Savings occurred mostly under Army, Air Force, Non-effective and Defence Capital Outlay during the year under report; the saving under Capital amounted to 16 per cent. of the Grant. Savings in the voted grants were on the increase. As against an increase of about Rs. 42 crores in the final grant during 1955-56 as compared to 1950-51, the savings have increased by about Rs. 13.5 crores.

Surrender of savings was inadequate under four grants [Nos. 12 (sub-heads F and G), 13 (sub-head D), 14 (sub-head D), and 111 (sub-head A.3)]

### *Control over expenditure*

4. The increase in savings and non-surrender of savings indicate that during the year under report both the budgeting and control over expenditure had been defective. The Committee were informed that among other things, reduction in demand for stores, non-receipt of anticipated debits, delay in the starting of works, slow progress of works accounted for the bulk of the savings. *The Committee would like to point out that 1955-56 was the last year of the First Plan and as such the Ministry should have taken all steps to make up for the initial shortfalls in the earlier years of the Plan and fulfil the Plan targets. It is regrettable that the performance of the Ministry has been much below their own expectations. There is considerable scope for improvement.*

5. As desired by the Committee in para 7 of their Sixth Report (Second Lok Sabha), the Ministry submitted to them a Statement showing details of expenditure etc. in respect of major construction works (Appendix II) in order to enable them to examine the question of rush of expenditure in the last month of the financial year. From a study of a few cases in the statement, the Committee observe that rush of expenditure in March was mainly due to large 'on account' payments in that month, late completion of works due to non-availability of stores, etc. in the earlier period, late receipt of bills, delayed payment due to dispute with contractors, etc. *The Committee were informed that instructions have been issued by the Ministry to avoid heavy rush of expenditure in the closing months of the year. Apart from general instructions of this nature, it is necessary that the Ministry should devise specific remedies to remove the bottlenecks cited above so as to ensure that the expenditure during the year is evenly spread out. In expenditure, haste would invariably result in waste.*

**Controller General of Defence Accounts' Certificate, 1955-56—  
pp. 5-6—Appropriation Accounts**

*Delay in finalisation of Appropriation Accounts*

6. The Committee's attention was drawn to the time-lag of more than 1½ years between the date of signature of the C.G.D.A.'s Audit Certificate (3rd December, 1956) and that of the Review by the Financial Adviser, Defence Services (1st August, 1958) in respect of the Accounts under examination. The Committee understand from a note (Appendix III) furnished to them by the Ministry of Finance (Defence), at their instance, that the date of signature of the Review represented the date on which the Appropriation Accounts were finalised in all respects except for the signature of the Comptroller

and Auditor General, while the date of the C.G.D.A.'s Audit certificate merely represented the date on which the draft is signed by him, which has to be scrutinised by the Financial Adviser, Defence Services, and Statutory Audit and observations raised by them have to be settled as far as possible before the certificate can be finalised. Even after the certificate was finalised a certain amount of time-lag was inevitable before other parts of the Accounts could be finalised.

*The Committee feel that the date of C.G.D.A.'s audit Certificate should be that on which the certificate is finalised. This would indicate the exact time-lag between the date of C.G.D.A.'s Certificate and the date of Financial Adviser's Review.*

*The Committee also note that according to the existing regulations, the C.G.D.A.'s certificate is required to be furnished by the 30th September while the printed copies of the Appropriation Accounts are required to be sent to the Comptroller and Auditor General by the 15th January following. The Committee are not convinced of the reasons for delay in finalising the Appropriation Accounts. They see no reason why the dates specified in the regulations should not be adhered to by the C.G.D.A. and the Financial Adviser. If in actual practice, it has not been found possible to adhere to the various dates prescribed for the finalization and submission to Audit of the Appropriation Accounts (Defence Services), the Committee suggest that a revised time schedule should be drawn up in this behalf in consultation with Audit which should be strictly adhered to.*

#### *Irregularities in Store Accounts*

7. The C.G.D.A.'s certificate disclosed the following irregularities in the Store Accounts in general terms, as usual:

- (i) Cases in which the store Accounts and/or connected documents were either incomplete or not maintained at all or were not produced for check continued to occur, the number being slightly larger than in the previous year.
- (ii) The number of army units and formations in which stock verification was either incomplete or not conducted at all during the year was larger than in the earlier year. Surpluses and deficiencies of considerable magnitude persisted in the Ordnance Depots.
- (iii) Cases continued to occur more or less to the same extent as in the previous year in which certain Army Depots, Naval Establishments, Equipment Depots of the Air Force and some units and formations could not link vouchers

on which the stores were actually brought on charge by them with particular issue vouchers, packing accounts in which consignments were notified as having been issued to them. It was not, therefore, possible in a number of cases to verify with reference to the available copies of consignors' issue vouchers/invoices that the stores indicated therein had been fully brought to account in the books of the respective consignees. There were also a few cases in which stores stated to have been issued had not been brought to account at all by consignees. In a large number of cases, vouchers have also not been produced to audit.

8. In examination the Committee enquired the measures taken by the Ministry of Defence to improve the store accounts in the army depots/formations. The Committee were informed that the existing instructions were quite comprehensive. Irregularities occurred when some of them were not followed. With a view to ensuring strict compliance with the instructions, the Ministry of Defence had been issuing circulars periodically impressing upon the administrative officers, the need to follow the rules and procedure. The Committee understand from a note (Appendix IV) submitted at their instance that training in accounts is imparted to the service officers responsible for maintenance of accounts which includes unit accounting, stock taking, store accounting, etc. Officers are adequately tested at the retention and promotion examinations in subjects like accounting, provisioning and stock taking procedure, store accounting, etc. *The Committee, however, suggest that refresher courses in accounting for the officers and others handling the stores should be introduced by the three Services.*

*The Committee are concerned to find these conditions persisting year after year and, therefore, urge the Ministry of Defence, the three Services and the Ministry of Finance (Defence) to take all possible steps to see that sufficient staff in both quality and numbers are provided for store-keeping and store-accounting work, on the proper performance of which depend both the administrative efficiency of the Services and the safeguarding of public funds.*

*The Committee also observe that the Audit certificate of the C.G.D.A. is at present couched in general terms and does not draw attention to specific cases in support of the statements or conclusions therein. The Committee feel that if this certificate is to serve any purpose at all, it should be revised in consultation with the Ministry of Finance (Defence) and the C.&A.G. and detail some of the specific*

*cases involving financial, procedural irregularities etc. disclosed in audit by the C.G.D.A.*

*Statement showing cases of non-maintenance of Accounts condoned by Government of India during 1955-56—Appendix I, Pages 120-130 of Appropriation Accounts, 1955-56.*

9. The Committee's attention was drawn to a number of cases of non-maintenance or irregular maintenance of accounts condoned by the Government of India during 1955-56. The Committee were surprised how Government satisfied themselves in the absence of regular accounts that the cash or stores involved in the transactions referred to in this statement were properly utilised. The Committee desired to be furnished with the following information in this connection:—

- (a) What are the rules for condonation of the various types of irregularities disclosed in this Appendix of the Appropriation Accounts and the various levels at which such condonation is sanctioned?
- (b) In what cases the Ministry proposed to take disciplinary action? (The details of disciplinary action taken in the cases mentioned at S. Nos. 10 to 13, 16, 17, 27, 29, 31, 33, 35, 36 and any other items relating to the year 1950 and thereafter which may be considered as important for being brought to the Committee's notice to be furnished)

*The Committee regret that the information has not yet been furnished to them and they have, therefore, to postpone further consideration of the matter.*

*Pension payments—page 6—sub-para 9 of the C.G.D.A's certificate*

10. According to the C.G.D.A's. certificate no proper or complete check of pension payments made during the year in respect of certain Indian Military Pensioners (including Indian State Forces personnel) could be conducted during the year 1955-56 due to the non-receipt of pension payment accounts from the pension disbursing officers and for certain other reasons. The irregularities reported in the previous years in the accounts of one Pension Paymaster were still under investigation. Certain irregularities noticed during 1954-55 in a Treasury Office in regard to the pension payments made on behalf of the Defence Services were also being investigated.

In evidence, the Committee were informed by the C.G.D.A. that pension payment accounts for 1955-56 were not received from the various disbursing officers by the prescribed date. These were re-

ceived subsequently and audited except for six from Gangtok Treasury which the C.G.D.A. had not yet been able to obtain. 276 accounts for 1955-56 which were not audited then, had subsequently been audited, he added. *The Committee were assured that the position in this respect had thus improved since then.*

*The Committee understand that the existing pension rules and regulations are so complicated that it is almost impossible to sanction payments of pension in time. The Committee suggest that Government should review the rules and regulations relating to the sanction of pensions on the Defence side. They understand that on the civil side, a Committee has since been constituted by Government to review the rules relating to sanction of pensions to civilians. The Committee consider that it might be advisable for the Ministry of Defence to be associated with that Committee in relation to the rules and regulations applicable to the Defence Services Personnel.*

The Committee desired to have the following information in this behalf:

- (i) A note stating the number of persons who had retired during the last two years but had not received their pensions so far and the usual time-lag between the retirement and the sanction of the pension, the reasons for the delay, and the steps proposed to be taken by the Ministry to eliminate them.
- (ii) A note stating the nature of irregularities detected in the Accounts of the Pensions Paymasters, Treasury Offices, the time when these were detected, the present position regarding their investigation, settlement and steps taken to remedy them.

*The Committee regret to observe that in this case too, the requisite information has not been furnished to them so far.*

#### **Section V—Appropriation Accounts 1955-56.**

*Review of Military Engineer Services Expenditure—pp. 32—34,  
Recoveries of Rent—Para 23*

11. The amount of outstanding rents at the end of the years 1953-54 and 1954-55 was Rs. 1·98 crores and Rs. 2·20 crores respectively and the amount outstanding at the end of the year 1955-56 was Rs. 2·41 crores.

It was stated in evidence that action had been taken to recover as much as possible the amounts outstanding against the Central Ministries, State Governments and private parties. As a result of the measures taken, the outstandings had come down to Rs. 1·95

crores from Rs. 2.79 crores on the 30th September, 1957. It was further stated that a Special Officer had been appointed to watch the recovery of such outstandings.

*The Committee desire that the measures shall be strengthened and recoveries pursued vigorously. They trust that as a result of the measures adopted, considerable improvement would be effected in the recoveries before long.*

*Execution of works without technical sanctions—para 24*

12. It has been stated in this para that the Controllers of Defence Accounts continue to report a number of cases in which technical sanctions are not accorded prior to issue of tender documents and of delay in submission of contract documents, deviation orders and completion reports for scrutiny in internal audit.

The Committee understand from a note (Appendix V) that in 11 cases technical sanctions were not accorded prior to the issue of tender documents during the year 1955-56.

*The Committee have already stressed in para 15 of their 14th Report and paras 13—17 of their 19th Report (1st Lok Sabha) the need for fulfilling the codal requirements of obtaining technical sanctions before issue of tender documents. They desire that action should be taken against the officers responsible for non-observance of the instructions laid down in this behalf.*

*In the case of Review of M.E.S. Expenditure also, the Committee suggest that instead of mentioning the number of cases involving irregularities of different kinds disclosed in the Reports of the Controllers of Defence Accounts, the broad features of specific cases should be set forth in the Review so as to make it more explicit.*

*Establishment charges of Military Engineer Services—Para 28*

13. The total expenditure on establishment during the year amounted to Rs. 2.54 crores against a total work load of Rs. 19.9 crores. This works out to 13.03% as against 12.09% for the year 1954-55 and 11.59% for the year 1953-54. *The Committee note that there has been a gradual increase in the expenditure on establishment without corresponding increase in the work load.*

It was stated in evidence by the Engineer-in-Chief that one of the reasons for increase in the expenditure on establishment was the increase of planning work undertaken with a view to housing the Armed Forces, quickly. *The Committee desired to have detailed*

*information with regard to the reasons for the increase in expenditure, the amount of expenditure on staff employed on planning work and a comparative statement for three years from 1954-55 onwards.*

*The Committee are distressed to observe that this information is yet to be supplied by the Ministry of Defence. They are, therefore, obliged to defer consideration of this important aspect of M.E.S. Expenditure till they next examine the Defence Services Accounts.*



**II**  
**WORKS EXPENDITURE**  
**Engineer-in-Chief's Branch**

*Execution of work below specification—para 8 of Audit Report*

14. A technical examination in January, 1951 of a road construction work completed in August, 1949 in Western Command revealed that overpayments estimated at Rs. 55,770/- had been made to the contractor on two counts:

- (i) the thickness of road metal as spread was 3·5" instead of 4·5" as per specification (Amount of overpayment Rs. 28,727).
- (ii) the thickness of boulder soling was 4·78" against specified (Amount of overpayment Rs. 27,043).

In the final bill in respect of this work which was paid in March 1950, a certificate that the work was executed according to specifications was recorded by a responsible officer. The Contractor accepted the payment of the final bill under protest pending settlement of certain claims preferred by him against the Government. These claims and the Government's counter-claim of Rs. 55,770/- were referred to an arbitrator in 1952, who, in September, 1953 awarded Rs. 5,000 only in favour of the Government against their claim for Rs. 55,770/- and Rs. 25,000 in favour of the contractor for failure of the Military Engineer Services to discharge their contractual liabilities. Thus, on the whole, there had been a net loss of Rs. 75,770/- to Government out of which a sum of Rs. 16,000/- was regularised by Government in April, 1957. According to Audit, the regularisation of the balance was awaited.

15. In evidence, the Committee were informed that check-measurements were taken before payments were made to the contractor but the use of under-sized materials and work being below specifications were not brought to the notice of the higher authorities. In extenuation it was stated that the work was a rush job to be completed in three months.

*The Committee considered this plea unacceptable as they were given to understand that the work was actually completed in nine months. An extension of six months was given to the contractor*

*as the emergency had disappeared, because of the cease-fire order. Further, even if it was rush job the Committee find it difficult to understand how specifications could be relaxed or overlooked. Had there been no cease-fire, the army would have taken unnecessary risks in using this road. In their opinion, it is necessary that even in rush jobs specifications should be laid down consistent with the requirements of safety and practicability and those specifications should be adhered to.*

The Committee enquired as to how in respect of such a defective work, a certificate was recorded by an officer to the effect that it had been executed according to specifications and why no disciplinary action was taken against him. They were informed that disciplinary action was not initiated by the Engineer-in-Chief as soon as the defects were pointed out by the Chief Technical Engineer, as the matter was referred to arbitration. Later, when the arbitrator gave an award of only Rs. 5,000 against the contractor, it was considered that the amount was rather small and as it had been recovered from the contractor, the disciplinary aspect of the case was dropped. This matter came to the notice of the Ministry after a lapse of 5 years and the Ministry felt it was rather late then to pursue the case.

16. *The Committee were surprised at the manner in which the Ministry tried to explain away an omission, which the Committee consider deserved more serious attention. The examination by the C.T.E. disclosed defective execution of the work and pointed out over-payments to the contractor. The M.E.S. conceded the over-payments. It is, therefore, obvious that the officer who gave the certificate had acted in an irresponsible manner. The Committee cannot help observing that the Engineer-in-Chief had failed in his duty in not taking disciplinary action against the officer. They deplore the manner in which it was conveniently postponed and ultimately dropped. The Committee desire that the matter should be reviewed by the Ministry. Pending this review, the loss reported in this case should not be written off.*

*As regards the award of the arbitrator, the Committee desired to have further information on certain points before they could consider it. The Committee regret to observe that the information is still awaited.*

### III

#### PURCHASE OF STORES

##### Director General, Ordnance Factories

##### *Excessive purchases of materials—Para 9(a) of Audit Report*

17. Out of a total quantity of 240 tons of a certain material (required in the manufacture of an ammunition item) purchased in 1952 and 1953, only 8 tons had been utilised upto February, 1956. After reserving a quantity of 83·5 tons for possible use in future, the balance of 148·5 tons, valued at about Rs. 8 lakhs had been declared surplus.

The estimate of requirement of this material was originally made by the Director-General, Ordnance Factories in March, 1950 at 260 tons on the basis of a forecast of demand for 6500 units of the ammunition intimated to him by the Service Headquarters earlier. However, the Service Headquarters placed a firm demand on the D.G.O.F. only for 3,000 units in March, 1951 and the latter indented in December, 1951 for 260 tons of the material (for manufacturing 6,500 units) without making a *pro-rata* reduction in the indent for this ingredient. An *ad hoc* reduction of 20 tons in the indent was ordered by him in August, 1952 and the balance of 240 tons was purchased.

Eight tons of this material were used in the manufacture of 190 units of the ammunition. Another batch of 1133 units of the ammunition was also manufactured during the same period without using this particular ingredient as a different process not involving the use of this ingredient had to be adopted for want of other materials necessary for manufacturing under the older process.

The Committee wanted to know the reasons why the indent for stores based on the estimated requirements of 6,500 units was not reduced in the light of the reduced firm demand. According to a note submitted to them by the Ministry of Defence, the Service Headquarters intimated the D.G.O.F. while indicating priority of manufacture that their annual requirements of this ammunition would be 6,500 units; so, when the firm indent for 3,000 units was received by the D.G.O.F., he assumed that further demand for the remaining 3,500 units would follow. On the basis of this assumption, the D.G.O.F., placed an indent on 22nd March, 1950 on the D.G.I.S.D.,

London for 260 tons of this material. The latter could not procure the material and so the indent was cancelled. In December, 1951, the D.G.S.&D., New Delhi was asked to procure the material from indigenous sources. In August, 1952, delay was anticipated in the supply from the U.K. of another ingredient for the manufacture of this ammunition and the D.G.O.F. reduced the quantity from 260 to 240 tons. As the prospects of receipt of the other ingredient from the U.K. did not improve in December, 1952, the D.G.O.F. requested the D.G.S. & D. to defer delivery of the material till the middle of 1953. As the firm on whom the orders were placed had already manufactured 220 tons by that time, the order could not be cancelled.

*The Committee regret to observe that this case is typical of the defective working of the Directorate General of Ordnance Factories during that period. The previous Committee had occasion to draw attention to this distressing feature in paras 13 to 15 of their Sixth Report (Second Lok Sabha).*

*The Committee understand that the firm requirements for entire quantity of the material had since arisen and 43 tons had already been used upto the 30th April, 1958. The Committee would like to know in due course the progress made in the utilisation of the remaining quantity of the material.*

*Excessive purchase of varnish—Para 9(b) of the Audit Report*

18. 11,250 gallons of varnish valued at Rs. 1,72,134 which formed the major part of 15,250 gallons procured by the Director-General of Ordnance Factories during the years 1950 and 1951 had to be disposed of as surplus material in March, 1956 at a loss of Rs. 1,61,634. The varnish was required for the manufacture of a certain store and the quantity that was purchased had been calculated on the basis that 25 gallons were needed for manufacturing 1,000 units of the stores against 6 gallons actually required. The Committee understand that the original demand was based in this case on a 'Guesstimate' for want of experienced personnel and adequate data.

In evidence, the Director-General of Ordnance Factories admitted that the manufacturing factory concerned had not checked properly the estimate of the quantity of varnish required before procuring it; nor had it taken care to see that a part provision was only made in view of the fact that the store had not been manufactured by it earlier. The estimate had been obtained by this factory from another factory in that area which also had no experience in this line. The store had, however, been manufactured by another factory but the latter factory was not consulted in the matter earlier. No disciplinary action was, however, taken against the officers responsible for

over-provisioning in this case, one of whom had left the country in 1951 and the other two in 1955. The Committee could not get any explanation as to why no action was taken against the officers who continued to be in service till 1955. The Defence Secretary informed the Committee that instructions had since been issued to the D.G.O.F. in March, 1958 that "In future wherever a loss occurs in Ordnance Factories due to over-provisioning of stores, the reasons for over-provisioning should be investigated and remedial measures should be taken promptly."

*The Committee suggested that in order to avoid any lacuna in the implementation of these instructions the words 'remedial measures should be taken promptly' should be substituted by 'commencement of proceedings for disciplinary action and other remedial measures should be taken.' The Defence Secretary agreed to accept this suggestion. The Committee trust that the Ministry of Defence would have by this time issued further instructions in the matter.*

19. Explaining the reasons for delay of five years in disposal of the surplus stock of varnish, the Defence Secretary stated that the varnish was declared surplus by the Factory in June, 1953 when the production programme of the ammunition for which it was intended had been suspended. Thereafter, the requirements of other factories and user services for the varnish had to be ascertained. The D.G.O.F. finally decided to dispose of the surplus through the D.G.S. & D. in March, 1955, after the report of the Committee which had been appointed by the Government to examine stocks of surplus items, was made available to him. The varnish was actually disposed of in March, 1956. The D.G.O.F. admitted that the varnish would have fetched a better price had it been disposed of in August, 1951, immediately after it was found surplus.

*The Committee are concerned to find that the D.G.O.F. had rushed to procure 15,250 gallons of varnish, a commodity which is subject to rapid deterioration, before he had worked out precisely the quantity required. They trust that no such mistake will be made again.*

#### Para 9(c) of the Audit Report

20. 10,400 sq. ft. of wire gauge valued at Rs. 40,135 (which formed the major part of a quantity of 11,260 sq. ft. purchased locally by an ordnance factory during 1950-51) had to be disposed of as surplus in September, 1955 at a loss of Rs. 27,371. It was found that only 100 sq. ft. thereof had been used in the particular production for which it had been purchased.

In evidence, the representative of the Ministry of Defence stated that according to the findings of the Board of Enquiry constituted to investigate this case in 1956, the Estimates Section of the Factory had correctly prepared an estimate of the requirements as 17-1/12 sheets of the material, but the staff in the store section while placing the indent had changed it to 2,005 sheets of 34" length each. The store holder who failed to check whether the indent had been correctly prepared had been dismissed from service but on some other charge. Of the two Assistant Works Managers involved, one had retired and the other was serving in the Ministry of Labour. The checker and the U. D. C. concerned were, however, still in service in the factory. The Ministry of Defence as also the Board of Enquiry suspected the motives of the provisioning staff in placing the indent for more quantity than required.

The Committee learn from a note (Appendix VI) submitted by the Ministry of Defence that the fact that surplus quantity of the material had been provisioned by the factory was noticed by the D.G.O.F. in 1954 and the circumstances in which the excess provisioning had been made were investigated by him. It was explained by the factory at that time that the provision of the store was made to cover the known liabilities as well as anticipated requirements on the basis of past consumption. In view of this explanation, the D.G.O.F. did not consider it necessary to constitute a Board of Enquiry at that stage. It was only on receipt of an audit objection in February, 1956, that the D.G.O.F. constituted a Board of Enquiry in August, 1956 to investigate into the case.

*The Committee see no reason to differ from the findings of the Board of Enquiry that the over-provisioning was not due to any error in the estimates, but due to acts of omission and commission by the factory staff. They desire that action should be taken against the officers responsible for not giving the correct position to the D.G.O.F. in 1954. The Committee also suggest that in future as soon as a case of over-provisioning is brought to notice, the reasons therefor should be investigated expeditiously so that the officers responsible do not escape punishment with the lapse of time. The Committee should be informed of the disciplinary action taken by the Ministry of Defence in this case.*

21. The Committee also examined the Secretary, Ministry of Works, Housing and Supply and Director-General of Supplies and Disposals with a view to finding out the reasons for the heavy loss in the disposal of the material. The D.G.S. & D. stated that the material was auctioned in September, 1955. The market\* value of

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\* See also Appendix VII.

the material as ascertained from three firms was assessed at Rs. 16,900 (@Rs. 1|10|- per sq. ft.), and the guiding price was fixed at 80% of the assessed market value for the purpose of auction according to the prescribed practice. The condition of the material as indicated in the surplus report was stated to be good. The Committee, however, could not get any information about the market price of the material prevailing at the time of its purchase by the factory locally in 1950-51 (for Rs. 40,135) as no purchases of the material had been made by the D.G.S. & D. during that period.

*The Committee desire that the entire procedure regarding local purchase of stores by Ordnance Factories should be reviewed in consultation with the D.G.S. & D. with a view to providing sufficient checks against such possible risks.*

### Master-General of Ordnance

#### *Purchase of a plant—Para 10 of the Audit Report*

22. A vulcanising plant purchased in 1949 at a cost of Rs. 51,690 from the American Surplus Store, Calcutta was sold unused in February, 1956 at a loss of Rs. 38,768. In addition, a sum of Rs. 6,006 had been spent on freight from Calcutta to Delhi. The cost of maintaining the plant for about 7 years could not be ascertained by Audit.

The plant which was purchased by the Master-General of Ordnance after obtaining financial approval, was originally intended to be installed in an existing workshop at Panagarh. But it was later decided to erect it in a workshop at Delhi. Owing to objection from the Fire Adviser at Delhi it was decided to house the plant in a separate building of its own. Estimates showed that the cost of the building and other ancillary services for operating the plant would come to about Rs. 15.79 lakhs and the annual running cost would be Rs. 5.16 lakhs. The plant had a capacity of treating 9,000 to 12,000 tyres per year. As the total number of tyres to be retreaded was expected to be of the order of 1,200 only and as only Rs. 2 lakhs per year were being spent on getting the tyres retreaded by private firms, it was considered uneconomical to instal this plant. This deal resulted in Government sustaining a loss of about Rs. 45,000.

Explaining the reasons for not using the plant, the Master-General of Ordnance stated that from 1951 to 1954, 1,950 tyres were got retreated at a cost of Rs. 3,93,000 and 1,860 tyres were awaiting to be retreaded in 1955, the annual average being approximately 1,000 tyres only; it was, therefore considered uneconomical to instal the plant. *In the light of these facts, it is obvious that the decision*

*to purchase the plant was hasty and not well-considered. It is surprising how financial approval was accorded to such an ill-conceived proposal.*

*The Committee desired to be furnished with a statement showing the number of tyres discarded, retreaded and replaced and the cost involved in replacement and retreading for the last three years. They regret that the information has not been made available to them so far. In the meantime, the Committee would suggest that the procedure for condemnation and replacement of tyres of the vehicles used by the Army units should be reviewed with a view to investigating whether discarding of tyres could be further reduced by retreading them, where it is economical to do so.*

*Purchase of Mustard Oil—Para 11 of the Audit Report*

23. As a result of a provision review carried out in July, 1950, a demand for 43,900 gallons of mustard oil for use as a diluent for oil creosote was placed by a Central Ordnance Depot in August 1950 to meet the requirements for 1951-52. Due to the abnormal increase in the price of mustard oil intimated by the purchase organisation in April, 1951, the requirement was specially reviewed in May, 1951 on the same basis as in July, 1950 and the demand on the Purchase Organisation was reduced to 20,000 gallons in June, 1951. A further review carried out a few months later during July to September, 1951 on the basis of reduced maintenance requirements revealed that only 8,300 gallons were required. Action was taken in November, 1951, by the depot authorities to reduce the demand accordingly. The reduction could not, however, be effected without financial liabilities as the contract for the supply of 20,000 gallons had already been placed by the Purchase Organisation in July and August, 1951. The entire quantity of 20,000 gallons was received by the depot in May/June, 1952. The provision review carried out in July, 1953, revealed a surplus of approximately, 17,000 gallons. A ban had already been imposed in June, 1952 on the use of mustard oil as a diluent due to its high cost, and used engine oil, a cheaper alternative store, was available in large quantities with the Army. The depot authorities suggested, therefore, in July, 1953 the use of the surplus oil as a diluent for oil creosote as its disposal through the Disposal Organisation was considered less advantageous. By November, 1954, however, the depot authorities themselves declared that the attempt to utilise the total surplus as a diluent would fail and 12,000 gallons were still available as surplus after meeting the requirements upto 1956-57. After taking into consideration the requirements of other depots for the purpose of using the oil as a diluent, a quantity of 9,281 gallons valued at Rs. 97,000 approximately was finally released



to the Disposal Organisation in July, 1956 which was disposed of in 1957 by auction for a total sum of Rs. 66,017 resulting in a loss of about Rs. 31,000.

24. Explaining the circumstances leading to over-provisioning in this case, the Director of Ordnance Services stated that when the Purchase Organisation intimated the increase in the price of mustard oil in April, 1951, the provisioning officer reduced the original requirement of 43,900 gallons to 20,000 gallons. But while working out the revised requirements he did not take into account the stocks held in other depots besides the Central Ordnance Depot. It was only at the time of the annual review carried out three months later, when the stock holdings of all the depots were available that it was detected that the demand could be reduced further to 8,300 gallons. But it was too late at that stage to do so without financial repercussions. No disciplinary action was taken against the officer concerned for over-provisioning, as he was inexperienced.

*The Committee could not get any convincing explanation for not disposing of the surplus oil after November, 1951 when the indent could not be cancelled, or in June, 1952 when a ban had been imposed on the use of mustard oil as diluent. They were surprised at the statement by the Director of Ordnance Services that the officer concerned decided to proceed with the purchase of the full quantity indented for in consideration of the rise in prices and the possible need for the oil in future, because of its indefinite life from the technical point of view. As regards the non-disposal of the oil after the imposition of the ban upon its use as diluent, the representative of the Ministry of Defence stated that besides its use as diluent for preservation, there were two other uses on which there was no ban imposed.*

Although the price of the oil had gone up when the surplus stock was auctioned in 1957, Government got only a sum of Rs. 66,017 in disposal against the purchase price of Rs. 97,000. According to the representative of the Ministry of W.H. & S. the loss in disposal was due to the oil being five years old at the time of auction. *The Committee are unable to reconcile this statement with the view expressed earlier by the Director of Ordnance Services. It is, however, obvious that had the surplus stock been declared to the Disposal Organisation soon after the ban was imposed in June, 1952, the auction would have fetched a better price than in 1957. The Committee regret to observe that this case is indicative of lack of proper planning and foresight both in provisioning and in taking action to dispose of the oil. They would like to know the action*

*proposed to be taken against the officers concerned and remedial measures taken to prevent such losses, due to over-provisioning.*

25. To a question asked by the Committee about the time-limit for keeping the commodity in stock without loss of its efficacy in quality no reply could be given by the Director of Ordnance Services. *The Committee are distressed to notice that although a period of more than 4 months has elapsed, the Ministry of Defence have not been able to furnish this information to them. The Committee would like to draw attention to the imperative necessity for fixing the time-limit upto which consumable store like oil should be kept in stock. They would urge the Ministry of Defence to fix the time-limit in the case of such consumable stores and see that the Depots take timely action to dispose of surplus stocks.*

*Avoidable purchase of telescopes—Para 12 of the Audit Report*

26. In August 1950 an indent for 180 telescopes was placed with the I.S.D., London. Subsequently, a provision review of this item carried out by the M.G.O. in April, 1951 revealed a surplus of 467 numbers due to reduction in the scale of issue to the units. The indent earlier placed with the I.S.D. London, was, however, allowed to stand on the ground that there was no indigenous manufacture of telescopes, the instruments were of a non-perishable nature and their procurement in future might be difficult.

Another provision review was made in April, 1952 which revealed an increased surplus of 861 telescopes due to the same cause. An attempt was, therefore, made in 1953 to cancel the indent placed in August, 1950 by addressing the Military Adviser attached to the High Commissioner in London. According to the Military Adviser, he took up the matter with the I.S.D., London orally and he was informed that cancellation of the indent was not possible at that stage; on the other hand, the I.S.D., London stated that there was nothing in writing to support this and it was only in June 1954 that they were informed in writing about the desire of the indenter to cancel the indent.

The contract was placed by the I.S.D. in July, 1951 and the first lot of 36 telescopes was offered for inspection in September, 1951. They were found to be different from the type ordered. As the telescopes were to be according to the specifications and drawings of the U.K. Government the inspecting officer suggested that a reference might be made to that Government before accepting the goods. Instead of following this advice, the I.S.D., London asked the supplying firm to certify that the telescopes were according to speci-

fication and on the basis of that certificate, the telescopes were accepted in January, 1952. However, for want of leather cases the material could not be shipped to India and a separate contract for 180 leather cases was placed with another firm in May, 1952. A second lot of 25 telescopes was similarly accepted in June, 1953 on the basis of the assurance given by the supplying firm. A third lot was inspected in February, 1954. On noticing certain optical differences, the matter was referred to the U.K. Government. It was then revealed that the 61 telescopes already supplied by the firm were also materially different from the type indented and should not have been accepted. Thereupon, the order for the balance of 119 telescopes was cancelled as the indenter had in June 1954 notified his desire to cancel the indent. The 61 telescopes already supplied could not be returned to the firm in view of the delay in intimating the unacceptability of the telescopes. This resulted in an avoidable expenditure of Rs. 14,909 on the purchase of 61 telescopes and 180 leather cases.

27. In evidence the Director of Ordnance Services stated that the question of cancellation of indent was first taken up with the Military Adviser to the High Commissioner in October, 1951 but subsequently in April, 1952 it was decided by the General Staff to allow the order to stand in consideration of emergency conditions then prevailing and non-availability of the store from the indigenous sources. By March, 1953 the conditions had improved and it was decided to cancel the order. As regards the question whether an attempt was made by the Military Adviser to the High Commissioner to cancel the order, the representative of the Ministry of Defence stated that in those days because of a number of orders placed on the D.G.I.S.D., it was usual for the Military Adviser to discuss such matters orally with the D.G.I.S.D. in order to expedite action. It was admitted that it was a mistake on the part of the Military Adviser in not having recorded his discussion in writing in accordance with the normal practice. No disciplinary action had been taken against him. He has since left service.

*The Committee feel that in the absence of any record, it would be difficult to prove whether any effort was made by the Military Adviser to cancel the indent. The Committee would in this connection draw the attention of the Ministry of Defence to the observations made by them while commenting upon the irregularities connected with the first contract for the purchase of Defence stores [cf. para 31 of their Ninth Report (First Lok Sabha)] that contemporaneous record of the discussions held between the various officers on matters*

*where Government have got a financial stake should invariably be maintained for future guidance. The Committee regret to observe that such cases are frequent. They suggest that Government should give serious attention to this matter and issue instructions for the guidance of all Ministries/Departments.*

28. The Committee enquired the justification for the acceptance of 61 telescopes by the D.G.I.S.D. merely on a certificate from the supplier that these were according to the specifications, disregarding the advice of the inspecting officer that the opinion of the U.K. Government might be obtained before acceptance. The representative of the Ministry of Works, Housing and Supply stated that in a large number of cases where defence stores were purchased from well-established manufactureres the stores were accepted by the D.G.I.S.D. on the basis of the manufacturers' certificates. *He, however, admitted that in the present case since the inspection had already revealed certain defects, the proper course was to consult the Government of U.K.*

As regards the replacement of the 61 defective telescopes by the firm the Committee were informed that the firm had agreed to replace the stores provided the order for the balance quantity was not cancelled. No legal action against the firm was possible as the Legal Adviser attached to the Indian High Commission, London, had advised that such an action was not possible either under the Sale of Goods Act, 1893 or for any breach of contract, as the buyer would be deemed to have accepted the goods if after a reasonable time of delivery (in this case it was more than a year) he retained them without raising any objection.

The Committee were informed by the representative of the Ministry of Defence that it took one year to detect that the stores supplied by the firm were not according to their requirements, as the consignee depot in India had failed to notice that the telescopes were of a different type although they were inspected at the time of their receipt for ascertaining their condition i.e. whether they had been received in serviceable condition without any damage in transit. Since the item in question was similar to the one indented for, the question of identification did not arise at all. Even the units to whom the store was issued, did not point out any difference in the store. *The Committee are rather surprised at this explanation. They desire that in all cases of purchases of stores from abroad, the stores should also be carefully inspected on their arrival in the depots with a view to satisfying that they conform to the requirements of the users. Any*

defects found as a result of this inspection should be immediately taken up with the suppliers through the D.G.I.S.D., London.

As regards the acceptance of stores from the reputed firms on the basis of the certificates, the Committee desire that Government might do well to review the existing instructions for accepting supplies in the light of this case and see that they are not saddled with unwanted stores to be declared as surplus to the D.G.S. & D for disposal with consequential losses.

## IV

### DEFENCE FACTORIES AND INSTALLATIONS

#### I. Director-General, Ordnance Factories

##### *Establishment of a fully equipped modern plant for manufacture of certain latest types of ammunition—Para 15 of the Audit Report*

29. A reference was made in para 34 of the 14th Report of the Public Accounts Committee for 1954-55 regarding the agreement entered into by the Government of India with a foreign company for the establishment of a fully equipped and up-to-date plant for the manufacture of certain types of ammunition of two calibres. The audit para referred to above discloses the subsequent developments of this case as indicated below:

(i) So far the production of two types of the smaller calibre ammunition only has been established and their regular production undertaken from 1954-55 and 1955-56. In regard to the third type of the smaller calibre its manufacture could not be started owing to extensive failure in proof. The factory was asked in January, 1958 to suspend production pending finalisation of the new design of this ammunition, which was under consideration of the User Service.

(ii) The manufacture of the ammunition of the higher calibre was discontinued in 1954 as the User Service preferred the British design to the company's design. Although it has been stated that the plant provided by the company was capable of manufacturing the ammunition of the British design also, plant and machinery of the value of Rs. 17·91 lakhs is at present lying idle as the matter is still in the planning and experimental stage.

(iii) The ceiling limit fixed in the contract agreement with the Company for the cost of services, machinery, equipment, etc. was Rs. 125·27 lakhs. Although full production of all the types of ammunition contemplated in the agreement has yet to be achieved and payments should, according to the terms of the agreement, have been restricted to a figure lower than the ceiling till full production was attained, an expenditure of Rs. 164 lakhs (approx.) had already been incurred, thus exceeding the ceiling. Further, an advance payment of Rs. 8·17 lakhs had also been made against the sum of Rs. 2·72 lakhs, payable in terms of clause 11 of the contract agreement. It has been estimated that materials and machinery worth Rs. 1·38 lakhs

have yet to be supplied by the company. Government of India have withheld a sum of Rs. 7·8 lakhs (approx.) due to the company and further payments would only be made after all the plant, machinery, materials and 'know how' as stipulated in the contract agreement were supplied.

It has been explained by Government that had the payments been withheld, the company would have suspended manufacture. The payment in excess of the ceiling was made after addition of a clause in the sanction that this was "..... without prejudice to any of the rights which may be available to the President of India under the memorandum of agreement....", on the advice of the Ministry of Law who stated that this reservation would safeguard Government interests 'to some extent' but observed that there were no clauses in the contract providing for arbitration and/or specifying whether any legal rights in relation to the contract (which was signed in a foreign country) were to be in accordance with Indian Law or Law of the Foreign country. The agreement does not also contain any penalty clause nor any provision for security in the shape of bankers' guarantee etc.

(iv) The overall cost of the project including payments to the company, expenditure on building plant and machinery etc. was revised in 1955 from Rs. 370 lakhs to Rs. 470 lakhs.

It would appear from the above that the production has, so far, failed partially in respect of the lower calibre ammunition and wholly in respect of the higher calibre ammunition.

30. In evidence, the Committee were informed that the foreign company with whom Government had entered into an agreement, was manufacturing the lower calibre ammunition in its factory in the foreign country. It had a steel case whereas the type used by the services in India had a brass case. *The ammunition with steel case was tried out successfully in the foreign country in the presence of Indian officers, but it transpired later that the gun used at the demonstration was different from the type in use in India. The Committee were also informed that as a result of further experiments carried out, a new design has been developed eliminating the earlier defects. But the manufacture had not yet been resumed. The total expenditure on this unsuccessful production was approximately Rs. 37·52 lakhs.*

In regard to the ammunition of the higher calibre, manufacture of which was discontinued in 1954 as the User Service did not accept the company's design, it was stated that the original agreement was in

respect of lower calibre ammunition only. Later on, the company stated that it could produce the ammunition of higher calibre also with certain additions and alterations to the plant, which was agreed to by the Government. *The User Service was not consulted about this at that time.*

31. The Committee had called for a detailed note from the Ministry of Defence regarding the circumstances leading to the agreement; the various defects and drawbacks therein; the officers connected with the deal as well as the financial aspects of the project *viz.* the total investment; loss due to purchase of unwanted stores; non-utilisation of plant and machinery; over-payments made to the foreign company and the claims of Government outstanding against the company and the action proposed to be taken to settle them.

*The Committee decided to refer the matter for consideration by a sub-Committee on receipt of the requisite information. But they regret to observe that the complete information duly vetted by Audit has not so far been furnished by the Ministry of Defence, although a period of more than 5 months has elapsed. The sub-Committee were thus precluded from examining this case further.*

*In the meantime, the Committee understand that the Government have since constituted a departmental Committee under the Chairmanship of the Deputy Minister to enquire into certain matters associated with the agreement with the foreign firm in this case. Pending receipt of the information called for by them in this case, the Committee are obliged to defer further examination of the various aspects of this deal.*

*Un-co-ordinated manufacture in excess of firm demands—Para 16 of the Audit Report*

32. Two Ordnance Factories were entrusted by the Director-General, Ordnance Factories during the years 1947 to 1953 with the manufacture of an ammunition to meet the requirements of the Master General of Ordnance Branch. The filling of the ammunition and packing in cylinders was undertaken by these two factories while manufacture of components and other items were carried out partly by those two factories and partly by various feeder factories on the basis of Inter-Factory Demands placed by the filling factories. While the filling of ammunition was restricted to the extent of firm demands, the manufacture of components and other items was subjected to no restriction but was continued with reference to the target programmes of the Services. The firm demands for the ammunition ceased after September, 1950 but the Director-General,



Ordnance Factories did not issue instructions to the filling factories to suspend manufacture until the 18th June, 1953.

According to Audit, as a result of continuance of manufacture of components and other items with reference to the target programmes instead of the firm demands, surpluses of components and other items totalling about Rs. 83·44 lakhs in all had accumulated in the filling factories and the various feeder factories.

33. In examination, the Committee enquired why the D.G.O.F. did not issue instructions to the factories in September, 1950 to restrict the manufacture of components to the firm demands already placed. The D.G.O.F. admitted that the over-production of components and other items in this case was due to defective planning and provisioning procedure obtaining at that time. Explaining the reasons for not issuing instructions to the filling factories to suspend manufacture until June, 1953, although the firm demand had ceased after September, 1950, he stated that the practice until 1952 was to produce components and provision for raw materials on the basis of the provisional target indicated by the Master General of Ordnance. The procedure had since been revised and instructions issued to the effect that the provisioning of raw materials and manufacture of components should be restricted to the firm demands only.

As regards the disposal of surplus components worth about Rs. 83·44 lakhs, the Director-General, Ordnance Factories stated that a Demand for the ammunition had since been received from the user service and as a result thereof the surplus components and other items to the extent of about Rs. 50 lakhs would be utilised leaving a surplus stock of the order of Rs. 33 lakhs. A further demand for the ammunition was also expected as a result of the next provision review.

To a question why the manufacture of components was not restricted to the extent of the firm demand while the filling of ammunition was so restricted, it was explained by the D.G.O.F. that the firm demand was communicated to the filling factories by his office and it was for the filling factories to communicate the information to the various feeder factories manufacturing components. Under the existing procedure governing Inter-Factory Demands, he admitted, there was difficulty in linking up the original order with the various extracts relating thereto placed on the factories. This resulted in delays in effecting modifications in the whole of the order and suspension of production of the various components. The Committee were assured that the defect would be remedied by the introduction of the proposed scheme for centralising the provisioning

and control over production at the Headquarters of the Director-General of Ordnance Factories.

34. *The Committee are concerned over the unsatisfactory state of working of the Ordnance Factories and the complete lack of co-ordination between them. They are surprised to learn that the office of the D.G.O.F. could not be of any real assistance in stopping the manufacture of such unwanted stores. In their opinion, there appears to be a sense of complacency that these manufactured stores could be put to use at a future date. The Committee would like to observe that this is not in the best financial interests of Government as locking up of funds in stores not required for immediate use would stand in the way of timely implementation of other deserving schemes because of paucity of funds.*

*Avoidable expenditure due to non-cancellation of an inter-factory demand—Para 17 of the Audit Report*

35. In February, 1953, an Ordnance Factory placed a demand for the manufacture of 1,70,000 numbers of a certain store on another Ordnance Factory. This demand was cancelled by the Director-General, Ordnance Factories in September, 1953 and both the factories were intimated accordingly. The feeder factory, however, continued to manufacture the store till June, 1955, when manufacture was stopped as a result of a reference from the indenting factory in March, 1955, drawing attention to the cancellation of order. Between September, 1953 and June, 1955, 98,528 numbers had been manufactured by the feeder factory at a cost of Rs. 7,82,689. It has been stated that the original cancellation order did not reach the feeder factory. The expenditure could have been avoided had normal business like precautions been observed by calling for an acknowledgement of the orders of cancellation. The indenting factory had also an opportunity in November, 1953, to set right the matter when the feeder factory intimated that supplies against this demand had already commenced and 5,000 numbers would be regularly supplied per month; instead, the indenting factory accepted this programme. The Director General, Ordnance Factories, who was kept informed of this programme also failed to notice that this order of September, 1953 instructing the feeder factory to suspend manufacture was not being implemented.

In evidence, the representative of the Ministry of Defence stated that after the irregularity was brought to notice by Audit, action was initiated to enquire into the matter. As the explanation of the factory concerned was not found satisfactory, a Board of Enquiry

was constituted in June, 1958 to investigate the lapses on the part of the Planning and Progressing staff at the Ordnance Factory concerned and fix the responsibility of the officers at fault and the findings of this Board were awaited. In a note (Appendix VIII) submitted subsequently, the Ministry have stated that the disciplinary aspect of the case and remedial measures would be considered when the findings of the Board were received.

As regards the responsibility for the lapse on the part of the officers in the Directorate General of Ordnance Factories it was stated that under the system of placing inter-factory demands as it then existed, the D.G.O.F.'s office did not exercise any watch or control over the manufacture of components in the various factories against inter-factory orders and the responsibility lay entirely with the factories concerned.

36. To a question whether the Accounts Officer attached to the feeder factory was informed of the cancellation of the order, the representative of the Ministry of Finance (Defence) stated that the Accounts Officer concerned did not get a copy of the cancellation order. *The Committee understand from a note (Appendix IX) submitted by the Ministry of Finance (Defence) at their instance, that in order to remedy the defects disclosed in the working of the system for the processing of inter-factory demands a new procedure had been evolved in 1956 under which the Accounts officers of the indenting and feeder factories were also required to exercise the necessary checks on the progress of work on inter-factory demands.*

37. *The Committee regret to observe that this is yet another case where lack of proper co-ordination between the indenting and feeder factories resulted in over-production of components valued at about Rs. 8 lakhs. Their observations on the earlier case apply equally to this case as well. They trust that with the introduction of the new scheme for centralised planning and provisioning, wherein the provisioning of components and materials will be mechanically controlled by the D.G.O.F.'s Headquarters, the position will improve.*

*Accumulation of work-in-progress—Para 18, of the Audit Report*

38. In an Ordnance Factory, the value of work-in-progress had been progressively increasing for the past few years, while the total

work done has been generally decreasing. The percentage of work-in-progress to the total production increased as shown below:

<i>Year</i>	<i>Percentage</i>
1950-51	37
1951-52	53
1952-53	61
1953-54	83
1954-55	89
1955-56	85
1956-57	76

The Committee also understand that similar accumulations have been noticed in another Factory during 1956-57 where such percentage was 78.

A comparative analysis of a few series of work orders executed in the factory carried out by Audit indicated that in many cases semifinished articles were being manufactured and carried forward from year to year without any plan for their utilisation in manufacturing finished articles.

39. In evidence, the Director General of Ordnance Factories informed the Committee that at times production of certain items was undertaken by the factories without receiving complete drawings and materials either in order to develop their own designs or to meet emergent demands, which resulted in accumulation of semi-finished articles. He, however, pleaded that it was not possible to restrict the production of work-in-progress on a financial year basis, as the manufacturing process was continuous and certain items had to be carried forward to subsequent years. He assured the Committee that a review of all the outstanding orders since 1947 was being conducted with a view to determining whether there was a continuing necessity for production against all such orders.

40. *The Committee have in the past urged the need for better planning and periodical review of the outstanding orders in the Ordnance Factories in para 6 (Introduction) and para 26 of their 6th Report (Second Lok Sabha). The Committee fully endorse the views of Audit that accumulation of semi-finished articles over a number of years tends to show that these are being manufactured in an unplanned and uncoordinated manner. There is every risk of their being rendered obsolete and surplus involving Government in heavy losses.*

*The Committee would like to know in due course the value of semi-finished articles found surplus in the various factories as a result of the review undertaken in this behalf and action taken to dispose them of. They would stress the prompt closure of the warrants.*

### *General*

41. A reference has been made in the preceding paragraphs to the proposed re-organisation scheme which has been formulated by the D.G.O.F. with a view to centralising control over orders and provisioning of raw materials in his office. The Committee were informed by the D.G.O.F. that the present system entailed a time-lag of at least 6-8 months from the issue of the necessary extracts by him till the final inter-factory demand is placed by the component producing factory. The system of placing inter-factory demands for the manufacture of various components in respect of the same indent needed revision as it resulted in lack of co-ordination and delay in provisioning. The proposed reorganisation scheme would ensure coordinated production, speedier procurement of raw materials and economic utilisation of idle capacity existing in the various factories. *The Committee understand that with the centralised material control, considerable economies can be exercised since material surpluses in one factory can be diverted or taken into account in future provisioning by the D.G.O.F. The committee, therefore, trust that the introduction of "mechanised system of material control" at the D.G.O.F.'s Headquarters will not only avoid the pitfalls in over-provisioning which had become a chronic feature in the working of the Ordnance Factories in the past but will also facilitate the speedy execution of the orders placed on the Ordnance Factories.*

42. The Committee discussed at some length the functions of the Controller General of Defence Production, the Director General of Ordnance Factories and Master General of Ordnance with special reference to coordination amongst them in the matter of production of defence stores etc. The Committee understand that the post of the Controller General of Defence Production was created in September, 1957 on the recommendation of the Ordnance Factories Reorganisation Committee (also known as Baldev Singh Committee). Prior to that, a Joint Secretary in the Ministry of Defence functioned as Joint Secretary-cum-C.G.D.P. The functions of the C.G.D.P. are to coordinate development and research in Ordnance Factories as also private sector, while the D.G.O.F. is responsible for production in the Ordnance Factories. The Committee had asked for information on certain points relating to the working of the two organisations headed by the D.G.O.F. and C.G.D.P. and the

extent of co-ordination between them in the matter of requirements, research, development, production and inspection of defence stores. *The Committee regret that this information has not so far been made available to them. They are, therefore, not in a position to make any comments on the working of the existing set-up.*

43. In para 30 of their 14th Report (1st Lok Sabha) the Committee recommended that some formula should be evolved by the Ministry of Defence in consultation with the Financial Adviser (Defence Services) under which the Ordnance Factories should make supplies not only to the Defence but to other Civil Organisations as well at competitive rates. Further, in para 74 of their 19th Report (First Lok Sabha) the Committee emphasised the need for stimulating the manufacturing efficiency of these factories so that they could seek commercial orders.

In the course of their on-the-spot study of the working of some of the Ordnance Factories, the Committee, however, found that the cost of production of many articles in these Factories was higher than the prevailing market prices. The Committee understand that the costing system in force in the Ordnance Factories was complicated and outmoded and was being examined. *The Committee consider this review as overdue and would urge that the whole system should be streamlined at an early date. The Committee would also like to be apprised of the various measures that had been taken by the Ministry of Defence to bring down the cost of production of articles manufactured by the Ordnance Factories for civilian use.*

## II. Bharat Electronics (P) Limited

### *Capitalisation of Revenue Expenditure—Para 14 of Audit Report*

44. The Bharat Electronics Limited suffered losses (excess of working expenses over receipts) of Rs. 6,65,597 during 1954-55 and Rs. 16,29,165 during 1955-56. It started production on the 1st January, 1956. An amount of Rs. 18,87,472 being the estimated loss upto the date of commencement of production had been capitalised and added to the value of various assets as shown below:—

	Rs.
Buildings	12·22 lakhs
Plant and Machinery	6·05 lakhs
Electrical Equipment	·18 lakhs
Vehicles	·18 lakhs
Factory and Office Equipment	·08 lakhs
Furniture	·16 lakhs
	<hr/>
	18·87 lakhs
	<hr/>

In examination, the Committee enquired the justification for capitalising the above loss suffered by the Company and adding it to the value of assets. The representative of the Ministry of Defence stated that the losses actually represented the pre-production expenses of the Company and were of a capital nature. Of the three methods suggested by the Company's auditors for adjustment of these expenses, the Board of Directors adopted the one involving their capitalisation and allocation to the various assets. The representative of the Ministry of Finance (Defence) contended that this action was taken not to camouflage the loss by absorbing it in assets, but to charge off a part of it to the revenue in the form of depreciation. He, however, conceded that capitalisation of these expenses and allocating the same over different assets, while actually there had been no real addition to those assets, was wrong in principle. *The Committee understand that the whole question is now under re-examination. They are surprised that the Comptroller and Auditor General who conducts a supplementary test audit of the Accounts of this Company under Section 619 of the Companies Act, 1956 was not consulted before action was taken as above on the advice of the Company's auditors. The Committee trust that before a final decision is taken in the matter, the Comptroller and Auditor General will be consulted by the B.E.L.*

*Production—pp. 176-177 of Appropriation Accounts, 1955-56*

45. The Committee's attention was drawn to the set-back in the production programme of the Company because of the Users asking for modification in the receiver and transmitter sets selected for manufacture. The representative of the B.E.L. informed the Committee that the Company selected for production the equipment manufactured by their French collaborators which came closer to the specifications of the users and made certain modifications to suit the users' operational requirements. The intrinsic value of the equipment had increased as a result of the modifications

46. In para 43 of their 6th Report (Second Lok Sabha) the Committee recommended that "the capacity of the factory should be put to the best possible use and to this end the Government, the user services and the B.E.L. should address themselves earnestly". The Committee understand that a number of items of electronic equipment required by the Army and Air Force had been selected for manufacture in the B.E.L. to enable the Company to plan their future production. Accordingly, the Board of Directors of the B.E.L. approved a revised general production programme of the Company upto the year 1961-62 based on a rough indication of requirements

given by the user departments. According to this production programme—assuming that firm indents would not differ widely from the rough indication of requirements—the total value of the production estimates by the B.E.L. would be as follows:—

Year	Total value of Production (Rs. in lakhs)
1959-60	171·8
1960-61	471·6
1961-62	617·0

The Committee are concerned that nearly half the capacity of the factory (as estimated by the representative of the B.E.L.) still remained unutilised. Further, the percentage of capacity that is being utilised at present for production of Defence requirements is very small. The Committee desire that the production programme now prepared by the B.E.L. as a result of assessment of the requirements of the Defence Services and other Departments is adhered to. They would also urge that the Defence Services should continue to assess periodically their requirements of all electronic equipments and examine how far the B.E.L. would be able to manufacture them. They are firmly of the opinion that with sufficient notice and technical know-how, it should be possible for the B.E.L. to establish manufacture of these equipments and they trust that the Ministry of Defence would assist the B.E.L. in fulfilling this role.

**Manufacture of Valves—**Para 47 of the Sixth Report (Second Lok Sabha)

47. In para 47 of their Sixth Report (Second Lok Sabha) the Public Accounts Committee had urged that having spent Rs. 20 lakhs on plant and buildings on the project for manufacture of valves, the B.E.L. should finalise the negotiations then in progress with a foreign firm for technical assistance in this behalf.

In evidence, the Committee were informed by the representatives of the Ministry of Defence that negotiations with the foreign collaborators had reached an advanced stage and the B.E.L. had applied to the Ministry of Commerce and Industry for a licence for manufacture of valves. It was added that applications had also been received from the private sector for this purpose and the matter was under consideration of the Ministry of Commerce and Industry.

In reply to a question, the representative of the B.E.L. informed the Committee that the built-in capacity of the factory would be able to meet in full the present domestic demand (approximately 1·8 million) and the demand for a few more years to come.



The Committee were concerned at this development inasmuch as until satisfactory arrangements had been made by Government for utilising the capacity already built up in the public sector, it was premature to entertain proposals from the private sector for creating additional capacity. They are glad to learn that the grant of a licence to the B.E.L. for manufacturing valves has since been approved by the Ministry of Commerce and Industry and a Committee consisting inter-alia of the representatives of the Defence and Information and Broadcasting Ministries and Planning Commission was at present examining the question of future demand for valves in the country with a view to creating the necessary potential for manufacture in the country.

The Committee trust that the B.E.L. will take steps to start production of valves without any more delay.

#### *Cost control and Sales Organisation*

48. In the course of their on-the-spot study of the working of this Factory in October, 1958, the Committee enquired the reasons for continued losses in the sales made by the Company and steps taken to set up a Sales Department, as recommended by them in para 46 of their Sixth Report (Second Lok Sabha). The representative of the B.E.L. stated that a Sales Department had been set up and that Department had been able to arrange several demonstrations of equipments, discuss their technical details and specifications and book firm orders from the users. An indication of future requirements had also been obtained.

The Committee consider that a well-organised Sales Organisation will go a long way in promoting the sale of equipments manufactured by the B.E.L. and steps should, therefore, be taken to organise it on efficient lines. In this connection the Committee would also like to caution the B.E.L. against extravagance in their working. Already the overheads are rather high to which attention has been drawn in para 49 of their 6th Report (Second Lok Sabha). Too much overheads will tend to inflate the price of the manufactured products. The Committee would, therefore, urge that the overheads are kept under constant review, to see that costs of indigenous equipments are comparable, if not competitive, with the imported ones.

The Committee trust that by utilising their full capacity and reducing the overheads the B.E.L. will soon become an economic and efficient production unit.

### III. Hindustan Aircraft Limited Bangalore

#### *Drawal of Funds in advance of requirements*

49. It was brought to the notice of the Committee by Audit that the Hindustan Aircraft Limited, had a cash balance of Rs. 270 lakhs in their bank account as on the 31st March, 1957 and Rs. 123 lakhs as on the 31st March, 1958. *The Committee are concerned at the drawal of such huge funds by H.A.L. in excess of their requirements and thus locking them up. They feel that the scrutiny exercised by the Ministries of Defence and Finance (Defence) at present over the ways and means statements of H.A.L. before sanction of expenditure is not adequate and the matter should be reviewed.*

*Sundry Debtors—Page 171 of Appropriation Accounts, 1955-56 and Annual Report, 1956-57*

50. The sundry debts outstanding during the year 1956-57 were Rs. 185.41 lakhs as against Rs. 167.64 lakhs in 1955-56, Rs. 159.7 lakhs in 1954-55 and Rs. 130.11 lakhs in 1953-54. Out of the outstandings at the end of 1955-56 debts amounting to Rs. 10.78 lakhs which were due from certain old Air Lines Companies which had gone into liquidation, were considered doubtful.

The Committee enquired the steps taken by H.A.L. to avoid accumulation of the outstanding dues, as recommended by them in para 37 of their 6th Report (Second Lok Sabha). The representative of the H.A.L. stated that under the existing system of "cost plus" contracts followed by the Company, it took about three months to work out the cost of production from relevant data. Accordingly at the close of the year the value of about three months production would be outstanding. The Financial Adviser of the H.A.L. observed that out of the figure of Rs. 185.41 lakhs outstanding on 31st March, 1957, a sum of Rs. 150 lakhs represented the three months old production which was inevitable under the present system of 'cost plus' contract. The Comptroller and Auditor-General, however, brought to the notice of the Committee that on 31st March, 1958 the outstandings were of the order of Rs. 229 lakhs of which Rs. 92 lakhs pertained to the period ending 31st March, 1957 and Rs. 137 lakhs related to the period 1st April 1957 to 31st March 1958.

51. *The Committee had desired to be furnished with the break-up of the outstanding debts for the years 1956-57 and 1957-58 under the amounts relating to the three month old period and more than three month old period. The Committee regret to observe that this information has not so far been made available to them.*

The Committee are concerned at the increase in the accumulation of outstandings year after year. They would reiterate the recommendation made in para 37 of their 6th Report (Second Lok Sabha) that a procedure should be evolved for the timely realisation of outstandings. The Committee understand that the Ministry of Defence have constituted a Committee in October, 1958, to go into the question of expeditious recovery of outstandings. The Committee would suggest that in order to reduce the outstandings because of the "inevitable" time-lag of three months in costing under the 'cost plus contract' system, dues be realised on provisional prices fixed subject to final adjustment being made later on.

*Production of Aircraft and Engines—Para 38 of Sixth Report (Second Lok Sabha)*

52. The Committee were given to understand that in pursuance of a suggestion made by them, the programme of manufacture of fighter aircraft at H.A.L. during the next few years has been planned with reference to estimated requirements of the Indian Air Force during these years. The production of the H.T. 2 aircraft has also been planned taking into account the requirements of both the IAF and Civil Aviation Department. Further the manufacture of a cheaper aircraft to cater to the growing need of flying clubs in the country is also under experimentation of the H.A.L. The Committee would like to know the progress made in this direction.

*Standardisation of the type of aircraft—Para 40 of Sixth Report (Second Lok Sabha)*

53. The Committee were informed that the question of the standardisation of types and designs of aircraft required for internal services, was still under consideration. A Transport Aircraft Development Committee which had been set up to consider the feasibility of the type of transport aircraft which would be suitable for the Indian Air Force and the Civil Airlines has made certain recommendations in this behalf. The Committee would like to know in due course the action taken by Government in this matter.

## V

### STOCK VERIFICATION

*Stock verification in Army Units and Formations (other than factories)—para 19 of Audit Report.*

54. During 1955-56 stock verification had not been carried out at all in sixteen formations (most of which were small). It was carried out only partially in twenty-two other formations. The result of stock verification carried out in three Central Ordnance Depots after the completion of the reorganisation scheme disclosed very large discrepancies. Considerable discrepancies were also disclosed in the case of three other Ordnance formations and one Engineer Stores Depot.

In evidence, the representative of the Ministry of Defence stated that the discrepancies were mainly due to two factors and they were being brought down progressively since 1950. Firstly, the reorganisation scheme was applicable to the large stocks and quantities of stores received during the war and did not cover the entire stock with the Defence Services but only those packages whose contents were in doubt. Secondly, under the present system of 5 per cent. check of packages of stores received in depots, discrepancies were bound to arise due to short packing, loss in transit etc. At the instance of the Committee, the Ministry furnished a note (Appendix X) detailing the checks exercised by the ordnance depots, units etc., on the receipt and issue of various categories of stores and the steps that were being taken to prevent losses in transit, pilferages etc., and the steps taken to train the staff in store keeping, stock verification etc.

55. *The Committee regret to observe that stock verification which is an essential adjunct of efficient administration of stores has not been carried out fully in a number of cases. Failure to verify the stock physically at periodic intervals detracts from the value of the ledgers and also causes delay in bringing to light discrepancies which may call for early preventive and corrective action. They trust the Ministry would ensure that the authorities concerned attend to this important task continuously in accordance with the time schedule laid down.*

*The Committee are distressed to note that considerable discrepancies continue to be a feature of the result of stock verification in*

the depots. While they appreciate that discrepancies cannot be entirely ruled out, they would sound a note of warning against the authorities taking up a complacent attitude towards discrepancies which were substantial and which would call for further investigations. It is needless to point out that stores are cash in another form.

56. The Committee are concerned to find that a considerable quantity of valuable Defence Stores were lying in the open exposed to the inclemencies of weather. In evidence, the Committee were informed that the main difficulty in providing covered accommodation was lack of funds. The Committee are unable to accept this as there were large savings in the sums provided for works expenditure. They urge, therefore, that effective measures should be initiated urgently to provide covered accommodation for valuable stores to save them from deterioration.

*Stock verification in Ordnance and Clothing Factories—para 20 of Audit Report*

57. The stock verification conducted in five factories during 1955-56 was not complete as it did not cover materials worth Rs. 77.38 lakhs (scraps Rs. 29.28 lakhs, steel blooms and billets Rs. 35.78 lakhs and timber Rs. 12.32 lakhs) which have remained unverified for the past few years. The non-verification was condoned by Government in November, 1956. The result of stock verification in all factories taken as a whole disclosed several discrepancies.

In evidence, the representative of the Ministry stated that the non-verification was due to the bulk and wide dispersal of stores and difficulties in handling and weighing of scraps and billets and that most of the items left over were since verified.

58. The Committee regret to observe that the verification of stock did not receive the attention it deserved. They once again stress the need for prompt verification of stores so that unfinished items of work pertaining to a year carried over do not adversely affect the programme of verification of future years.

*Stock verification in the Navy—para 21 of the Audit Report*

59. In a principal Naval Store Depot, stock verification during 1955-56 revealed discrepancies in 2,337 items out of 67,443 in stock. In a majority of the cases, the surpluses and deficiencies were attributable to difficulties in identifying certain items from others bearing a common pattern number or other close resemblance.

Hundred per cent. verification of consumable stores conducted in a ship during 1955-56 disclosed surpluses and deficiencies to the extent of Rs. 12,905 and 56,567 respectively. It was stated that the

deficiencies appeared to have accumulated over a period of years due to non-completion of ledger posting, inexperienced staff and defective methods, although in each of these years a certificate of stock verification had actually been furnished.

60. In evidence, it was stated by the representative of the Ministry of Defence that the Audit para referred to the flagship 'L.N.S. Delhi' which carried a large number of items of Naval stores. Because of the conditions under which such large ships operate, it was not possible to carry out stock verification every year and for this reason Government had ordered that stock on such ships might be verified every 18 months. The stock taking was now being done continuously. The deficiencies pointed out in the Audit para had since been regularised and remedial measures had been taken to ensure proper stock verification in future.

*The Committee are surprised to note that certificates of stock verification had been furnished for a number of years without actual stock verification. The Officers concerned not only neglected their duties but were also guilty of furnishing incorrect certificates. In the opinion of the Committee, the action of the officers concerned merits deterrent disciplinary action. They would like to know the action taken.*

## VI

### LOSSES OF CASH, OVERPAYMENTS, ETC. PERTAINING TO THE POST-PARTITION PERIOD, FINALLY DEALT WITH DURING THE YEAR 1955-56

61. A statement of losses of cash, overpayments etc. pertaining to post-partition period finally dealt with during 1955-56 has been incorporated in the Appropriation Accounts of the Defence Services for the year 1955-56. The total losses etc. amounted to nearly Rs. 2·40 crores excluding the losses whose monetary value could not be assessed.

The Committee viewed with great concern the huge losses, overpayments etc. disclosed in the Accounts and appointed a sub-Committee to go into the details of these cases and to take evidence of the officers of the Ministry thereon. A study of some of these cases and the evidence given go to show that these losses etc. resulted mainly from defects in contracts, shortcomings of personnel, defective storage, or failure of safety devices like fire fighting units. *The Committee have no doubt that these losses could have been considerably reduced if not altogether eliminated, had those concerned adhered to the normal rules and procedure laid down. They also notice that even cases involving misappropriation and grave irregularities leading to loss, which called for prompt disciplinary action, were dealt with in a halting manner.*

*The Committee trust that Government would review the existing procedure, codal formalities etc. in the light of these cases and take action to streamline them. The Committee would now proceed to deal with a few cases of losses, overpayments etc. to indicate the nature of these cases in the hope that the Ministry would take suitable remedial steps to avoid their repetition.*

#### **Defects in Contracts**

(1) S. No. 10—Page 39 of the statement

62. An extra expenditure of Rs. 14,007 had been incurred in rectifying departmentally the defects noticed in 1949 in the work for laying certain water mains completed in November, 1948 by a contractor at a cost of Rs. 17,800.

In reply to a question, the representative of the Ministry stated that normally a provision was made in the contract that defects noticed within twelve months of execution of the contract were to be rectified by the contractor at his own expense. It was stated, however, that although the work in this case was faulty and not executed according to the standards laid down, the rectification of the defects could not be done at the cost of the contractor inasmuch as the contract was defective and the specifications stipulated therein were imperfect. The Garrison Engineer and the Assistant Garrison Engineer were punished and name of the contractor was removed from the list of approved contractors of Military Engineer Service for a period of 5½ years for not executing the work according to the specifications.

63. *The Committee regret to note that the officers concerned had grievously erred in not ensuring that the specifications in the contract were free from defects and its terms adequately safeguarded the interests of Government. The Committee would suggest that the provisions in the standard form of contracts at present in use may be scrutinised by the Ministry in consultation with the Ministry of Law to see if they are adequate and afford necessary protection to the interests of Government.*

*The Committee desired to have information regarding cases where contractors rectified the defects and where such defects were rectified departmentally during 1956-57 and 1957-58, and the cost debited to the contractor. The information is still awaited.*

(2) Serial No. 10—Page 43

64. A loss of Rs. 19,818 was caused in this case by overdrawal of costlier varieties of fruits. The contractor failed to supply certain cheaper varieties of fruits provided for in the contract and costlier varieties were purchased from the market. It was admitted by the representative of the Ministry in evidence that there was no justification for not placing the contract at the risk and expense of the contractor.

*Apart from the fact that while placing the contract, care was not taken to see that the contract was not defective, the Committee feel unhappy over the delay in taking disciplinary action against the guilty officials. They are surprised to note that the matter was reviewed six years after the case had occurred but no particular action was suggested by the Committee reviewing the case. This, in the opinion of the Committee, is regrettable. They have from*



time to time stressed that disciplinary action to be effective and to be a deterrent should be prompt and they trust that steps would be taken by the Ministry to ensure quicker action in such cases.

**Inefficiency and shortcomings of staff**

(1) *Serial No. 4—Page 50*

65. A loss of Rs. 6,052 resulted due to short receipt of 8 tons and 2,025 lbs. of rice out of a total quantity of 287 tons received by a Supply Depot during September, 1951.

It was stated in evidence by the representative of the Ministry that the officer on the spot noticed the short deliveries when the wagons containing rice came in but failed to take further action. Disciplinary action was taken against two officers but by the time the action to proceed against the third officer was completed, after three years, he had been released from service. *The delay of three years was, in the Committee's view, not justified.*

(2) *Serial No. 6—Page 51*

Leakage of certain hygiene chemicals transported from Calcutta to Ramgarh in containers put inside wooden cases involving a loss of Rs. 18,514 was noticed two and a half years after their receipt. A Court of Enquiry held in the matter came to the conclusion that the chemicals must have leaked out because of the wooden cases. *It was admitted that hundred per cent. check of the stock required to be carried out physically once a year was not done in this case.*

*This is obviously a case of neglect of duty which the Committee feel, deserved serious notice.*

**Failure to carry out stock-taking and defective store-accounting**

(1) *Serial No. 5—Page 50*

66. Deficiencies of stores amounting to Rs. 13,881 occurred in a Station Supply Depot. It was disclosed in evidence that the officers commanding the depot had not carried out stock taking of ground balances of stores and as a result of a Court of Enquiry held in the matter severe displeasure of the General Officer Commanding the Area was communicated to the officers.

(2) *Serial No. 62—Page 65*

Stores worth Rs. 1,54,027 were found deficient on physical check during 1951-52.

It was stated in evidence that the Depot concerned in this case which had been built during the War held at that time 30,000 tons of stores of 70,000 types valuing Rs. 12 crores. There was no proper

stock-taking and stores were being received by the Depot from the U.K. towards the end of the War. The stores in the packages did not agree in many cases with the markings outside or invoices.

*In this connection, the Committee invite the attention of the Ministry to their remarks with regard to Store Accounting in Chapters I and V of this report. They trust, by the time they examine the accounts of the next financial year, there would be substantial improvement in store-accounting in military depots and formations.*

### **Failure to follow normal and prescribed rules**

#### *Serial No. 16—Page 44*

67. A loss of Rs. 28,746 owing to deficiencies of furniture in a division was revealed during stock verification. The deficiencies were attributed to barrack damages by the units to whom they were issued and for which recoveries were to be effected. The non-recovery of cost of damages from the individuals resulted in the loss.

It was stated in evidence that the recoveries could not be made, as the Units concerned had been disbanded. *The Committee understand from Audit that according to normal procedure, these things were to be settled before the Units were disbanded. They are unable to understand why this procedure was not adhered to in this case. They recommend that steps should be taken to ensure that all rules and procedures laid down are strictly followed by the authorities concerned.*

### **Defective Storage of articles**

#### *(1) Serial No. 66—Page 66*

68. There was a loss amounting to Rs. 1,17,570 due to storage of 36 pontoons in the open. It was stated by the representative of the Ministry of Defence that the pontoons were rendered unserviceable due to bad storage. Further, the pontoons were already in a bad condition and after three years' storage in the open they became unserviceable.

#### *(2) Serial No. 89—Page 70*

This case revealed that a loss amounting to Rs. 32,570 occurred due to change in the condition of 608 cylinders in an Equipment Depot. It was stated in evidence that the stores were left behind by the R.A.F. after the War which were found to have deteriorated on maintenance inspection. Their deterioration could be attributed to either storage in the open or expiry of life span.

The Committee were given to understand that in some cases, owing to dearth of covered accommodation, articles could not be stored properly. While appreciating the difficulty in providing covered accommodation for all stores, the Committee suggest that in order to make the best possible use of the covered accommodation available, pending further construction, the Defence authorities should issue instructions to ensure that all key items of stores the deterioration of which is likely to prejudice the operational efficiency of the Defence Forces should be stored under covered accommodation. Also the stores which are liable to damage or deterioration under inclement weather conditions should be given regular preservative treatment and stored under proper conditions.

### **Defective administrative arrangement**

*Serial No. 83—Page 69*

69. A tug sank in October, 1952 while being towed from one port to another resulting in a loss amounting to Rs. 1,90,500. It was stated in evidence that a Senior Board of Enquiry had been appointed in this case and the Chief of the Naval Staff, after reviewing the findings of the Board, came to the conclusion that a combination of unforeseen circumstances had culminated in the ship being lost. The tug had been left without a Senior Officer in-charge owing to sickness of the Naval Officer-in-Charge of the port as also of the officers put in command of towing and transfer of a senior officer.

It was admitted by the representative of the Ministry that the loss could have been avoided had sufficiently experienced officers been put in charge of the tug. He added that detailed instructions had been laid down for the towing of ships in the Indian Naval Fleet Order issued in 1953, which enjoined that it was desirable that an officer should be in the towed vessel. In the light of this case, the Committee suggest that the Order may be suitably amended to make the presence of an officer compulsory in the towed vessel.

### **Failure of Fire-Fighting Machinery**

*(1) Serial No. 20—Page 53*

70. A loss of Rs. 83,272 occurred owing to destruction of a shed in a Signal Training Centre as a result of fire on 12th March, 1953. It was stated by the representative of the Ministry of Defence in evidence that according to the findings of the Court of Enquiry, while the fire was accidental, the Unit did not react to the situation satisfactorily. The Commanding Officer was found negligent in his

duties inasmuch as he did not hold fire-fighting practices regularly and did not make the Unit sufficiently fire-protection minded. He was temporarily reduced in rank for 8 months from Lt/Col. to Captain.

(2) *Serial No. 31—Page 55*

Damage to rifles and small arms caused by fire in an Ordnance Depot in May, 1953 resulted in a loss amounting to Rs. 30,586. The representative of the Ministry stated in evidence that due to carelessness, some of the oily rags used for maintenance and cleaning of small arms were left behind at the time of closing of the Depot. Then there had been spontaneous combustion. It was also admitted by the representative of the Ministry that they were not fully satisfied with the existing fire-fighting machinery.

*The Committee observe from a Note submitted by the Ministry (Appendix XI) that it took 25 minutes to raise the general fire alarm by the sounding of hooters etc.*

*The Committee feel that the fire-fighting machinery which is of vital importance in depots containing large quantities of valuable stores is not receiving the attention required. They would urge that the Commanding Officers of depots etc. should be instructed to hold regular fire-fighting exercises periodically.*

**Fraud or Neglect**

(1) *Serial No. 27—Page 54*

71. Deficiency of stores in an Ordnance Factory disclosed on physical verification of stock in May, 1953 amounted to a loss of Rs. 58,844. The deficiencies were attributed to theft, fraud or neglect. Three individuals were warned and further disciplinary action was not possible as the responsibilities could not be fixed. Further in the case of issue of large stores which are disposed of by weighment a small element of over-issue or under-issue had to be reckoned with in each issue.

*The Committee suggest that in order to avoid the variations in the issue of stores, costly materials should not be issued on the basis of wagon weighment or lorry weigh-bridge readings. For non-ferrous metals, accurate beam scales or platform weighing machines should be used.*

(2) *Serial No. 7—Page 51*

72. A loss of Rs. 11,568 occurred due to misappropriation of stores in an Army Service Corps Company detected in March, 1951. It was stated in evidence that departmental action was taken against two officers adjudged guilty but the action in court initiated was not

pursued against one on legal advice and the court dismissed the case against the other. From a note furnished by the Ministry (Appendix XII) the Committee find that the requisite sanction of Government for the prosecution of the officer applied for by the Police was actually accorded after the case had been dismissed by the court for want of the sanction.

The Committee are unhappy at such instances of failure on the part of the Administration to take prompt action against officials found guilty. The above case discloses that even when criminal proceedings were initiated, they were nullified because of inexplicable delays in administration in according sanction for prosecution. The Committee would like to know why responsibility was not fixed for the failure. They would impress upon the Defence Authorities the need for taking prompt action in disciplinary cases against delinquent officials if the administration is to be toned up.

## VII

### MISCELLANEOUS IRREGULARITIES

#### *Injudicious purchase of a building—Para 22 of Audit Report*

73. In June 1949, the owner of a building in Bombay which was under mortgage from 1944 to a private party for a sum of about Rs. 4 lakhs wrote to the Army Headquarters that he wished to sell it to the Army for any fair and reasonable price that might be offered by the Government engineers after examination. A Board of Officers who inspected the building in July, 1949 recommended its purchase for Rs. 5½ lakhs only if vacant possession was guaranteed. In August, 1949, the army authorities informed the owner that they were interested and wished to purchase the building. In October, 1949, the owner informed Army Headquarters that he had placed their letter of August, 1949, before the court in support of his application for the stay of the proposed sale of the property in connection with the mortgage suit that was pending in the High Court and required Government to indicate clearly their willingness to negotiate for the purchase of property and the approximate price thereof to enable him to satisfy the court that, there were *bonafide* negotiations between the Government and himself. The owner quoted a price of Rs. 7,95,000 on the 17th November, 1950, but eventually agreed to sell the property to Government for Rs. 5,50,000 free of all encumbrances. The building was, however, sold in a Court auction on the 20th November, 1950 for Rs. 3½ lakhs to the mortgagee who happened to be the highest bidder. On the 20th December, 1950, the last date for setting aside the auction sale, an officer of the Ministry of Defence arrived at Bombay and deposited in the court a sum of Rs. 5,10,000 to the credit of the suit through the Government solicitor. The auction sale was thus set aside. No action was, however, taken by the Government to establish a charge on the property till 30th April, 1952, when a suit was filed against the owner with the consequence that between 20th December, 1950, the date on which the Government had paid a sum of Rs. 5,10,000 and 30th April, 1952, the owner was allowed to collect and retain the rent of the flats. He did not also deliberately pay the municipal taxes etc. for this period. The legal ownership of the building came to be vested in the Government only in August, 1954 after an *ex-parte* decree was obtained from the Court against the owner.

Notices to the tenants to vacate the building could be served only after August, 1954, when the Government came into legal ownership of the building. Out of the ten flats, only two have been got vacated so far but they were still not being utilised. Ejectment suits against the remaining tenants were filed only in 1958. In the meanwhile, large amounts have been spent on maintenance and in paying arrears of municipal dues and other charges (as mentioned in para 76 *et seq*).

74. In examination, the Committee enquired the reasons why Government did not bid for the property in the court auction if they were interested in the property. The representative of the Ministry of Defence stated that there was no record to indicate whether the question of purchasing the property through auction was considered by Government and added in extenuation that it was the policy of Government not to participate in the auction in such cases. The Committee were surprised at this explanation. The Comptroller and Auditor General, however, informed the Committee that it appeared from a copy of the note recorded in the file of Ministry of Defence sometime in June, 1950, that the Ministry decided to purchase the building through direct negotiations with the owner and not through auction. The Committee's attention was also drawn by the Financial Adviser, Defence Services to a note recorded by the Director of Movement and Quartering on the 28th October, 1949:

"It will be seen that inability of any private individual to obtain the vacant possession of this property means that at an auction the bid is likely to be low and this explains the owner's eagerness to sell it to the Ministry of Defence who, he hopes, will pay a fair price for it".

*It is, therefore, obvious that the decision of Government to negotiate direct with the owner without participating in the auction was deliberate and imprudent.*

75. The Committee were further informed by the representative of the Ministry of Defence that after the property had been provisionally auctioned to the mortgagee for Rs. 3½ lakhs on 20th November, 1950, it was decided at a meeting held on the 14th December, 1950 by the Defence Secretary with the Additional Financial Adviser that the owner might be offered Rs. 5½ lakhs for the building and necessary legal formalities gone through to enable him to apply for setting aside the auction sale before the 20th December, 1950, the last date fixed for doing so. The Government Solicitor at Delhi thought that his counterpart at Bombay being on the spot

could handle this case more satisfactorily. A Deputy Secretary in the Ministry of Defence was, therefore, deputed on the night of 19th December, 1950 to fly to Bombay. After a prolonged discussion between the Government Solicitor at Bombay and the solicitors of the owner, a sum of Rs. 5.1 lakhs was deposited in the High Court on the 20th December, 1950 towards the decretal amount of the suit with a view to setting aside the auction. An agreement was hurriedly drafted by the solicitors on the 21st December, 1950, which happened to be the last working day of the year for the High Court and it was actually signed on 29th December, 1950. To a question why no action was taken till April, 1952 to establish a charge on the property, the Defence Secretary stated that after signing the agreement, the seller started using dilatory tactics in the matter of implementing the agreement and Government had to institute legal proceedings against him.

76. The Committee were also given to understand that this agreement for sale did not provide for possession being taken by Government though the bulk of the consideration amount provided for in the agreement had been paid. The agreement also did not specify the party who should collect the rent etc. from the date of sale and whether all municipal taxes etc. till that date had been paid by the seller. On a rough estimate, Government have spent over Rs. 7 lakhs on this deal, Rs. 5.1 lakhs as the price of the property, Rs. 0.5 lakh each by way of municipal tax, Rs. 0.61 lakh on unrealised rent till the date of sale, Rs. 1 lakh on repairs, in addition to the loss of rent for the two flats lying vacant for more than three years.

77. The Committee are distressed at the manner in which this deal which involved the Government into protracted litigation and infructuous expenditure has been handled at all stages right from the commencement. *It passes comprehension how the owner of this building at Bombay came to know that Government would need this building and what prompted him to address the Quarter Master General at Defence Headquarters, New Delhi in June, 1949 direct instead of to any other authority. As already observed in para 74 the decision taken in 1949 to negotiate direct with the owner without bidding at the auction was imprudent. The decision to pay Rs. 5½ lakhs to the owner for the property taken on 14th December, 1950 despite the fact that the property was knocked down for Rs. 3½ lakhs at the auction on 20th November, 1950 was, to say the least, questionable. It was urged in evidence that the Ministry did not know the actual price at which the auction was closed although they were aware of the auction. The Committee cannot but dismiss this as unbelievable.*

78. *The unseemly haste displayed in December, 1950 in the week before the last date fixed for setting aside the auction, in finalising*



*the deal and the subsequent course of events cannot but leave an impression in the mind of the Committee that there had been a calculated attempt to drag Government into the purchase of this property with encumbrances which could have been foiled had the Ministry cared to do. The Committee desire that a detailed enquiry be made into this case.*

79. As for the reasons for not filing ejection suits against the tenants till 1958 though the legal ownership of the building was vested in Government from August, 1954, the Committee were informed that Government could not do so on legal advice. With the enactment of the amendment to the Government Premises Eviction Act, 1950, action could only now be taken to get vacant occupation of this building.

*The Committee would like to know the progress made in evicting the tenants by Government and utilisation of the building.*

*Delay in the investigation of losses—Para 24 of Audit Report*

80. A cent per cent verification of stores in a Military Engineer Service Division carried out in 1951-52 revealed a deficiency of stores valued at Rs. 86,530. A Departmental Court of Enquiry was convened on the 16th September, 1952 to investigate the loss. Subsequently a Staff Court of Inquiry was held on 6th May, 1953.

The Committee were informed by the representative of the Defence Ministry that the findings of the Staff Court of Inquiry were submitted to the sub-Area Commander who took three years to come to conclusions which were then considered by the Area Commander. The two officers who held the post of sub-Area Commander during that period had retired. The Area Commander had held a temporary Store-keeper responsible for some of the losses and recommended recovery thereof from his security deposit and undisbursed pay and allowances and his prosecution. But he had been absconding. The whereabouts of the Store-keeper were known in October, 1957 when he served the Government with a notice demanding his re-instatement. He had since been served with a charge-sheet. The Garrison Engineer concerned and three other officials were recommended by the Area Commander for Departmental action for lack of supervision. Final action against the Garrison Engineer and the Store-keeper was stated to be still under consideration of the Ministry of Defence. The three officers who were appointed for stock-taking had been warned for not conducting cent per cent stock-taking in this case. The Committee understand from a note that these individuals are still looking after the stores verification, though they are not specifically detailed for stock verification duties.

81. The Committee deprecate the inordinate delay in finalising the action against the officers responsible in this case. They see no justification for the Sub-Area Commander sitting over the case for three years. The Committee observe that such delays not only result in the distortion of evidence but also enable the delinquents to escape punishment. The Committee, therefore, stress that the existing procedure for holding inquiries into such cases of losses etc. should be reviewed with a view to fixing time-limits for submission of findings at the various levels, so as to ensure that the whole process is simplified and expedited.

The Committee would like to be informed, as soon as possible, of the action taken against the Store-keeper and the Garrison Engineer in the present case.

### Canteen Stores Department

Appropriation Accounts, 1955-56—Page 134—para 19

82. As a first step forward in the policy formulated by the Board of Control to take over the operation of Garrison Cinemas, the Canteen Stores Department took over in its fold the Garrison Cinema at Jullundur with effect from the 15th October, 1955. The working of the Cinema for the first five and a half months resulted in a deficit of Rs. 21,041. The Committee understand from a note (Appendix XIII) that this amount of loss includes the establishment charges of the Administrative Officer, Cinemas, for the year 1955-56 which comes to Rs. 17,266.

The following statement shows at a glance the results of the working of the Cinemas run by the Canteen Stores Department in the subsequent years:

Year	No. of Cinemas	Loss Rs.	Expenses of the Administrative Officer included in the Loss Rs.
1956-57	3	21,335	20,164
1957-58	10	13,139	35,000

The Committee are unhappy at the continuous loss disclosed in the working of the Garrison Cinemas run by the Canteen Stores Department. They feel that the establishment charges of the Administrative Officer, Cinemas, are on the high side. They suggest that the reasons for these losses should be investigated by the Ministry of Defence, and steps taken to reduce the establishment charges and run this enterprise on business principles.

*Future set-up of the Canteen Stores Department—para 40 of 14th Report (1st Lok Sabha) and para 74 of the 6th Report (Second Lok Sabha).*

83. In para 40 of the 14th Report of the Committee (First Lok Sabha), the Committee pointed out that though the Canteen Stores Department was being run as a Government Commercial undertaking, its receipts and expenditure were being kept outside the Consolidated Fund of India in contravention of the provisions of Article 266 of the Constitution. The effect of this irregular procedure was that expenditure incurred on this Organisation and sums appropriated out of its profits for the purpose of welfare and amenities to troops from time to time were not submitted to the Vote of Parliament.

From a note (Appendix XIV) furnished to the Committee, they understand that the proposal for the creation of a Canteen Stores Fund, outside the Consolidated Fund of India but within the Public Account of India is under consideration.

*The Committee agree with the suggestion made by the C. & A. G. that such a Fund may be created with the approval of Parliament, signified either by a token vote or by a resolution, though not necessarily by statute. All expenditure out of the Canteen Stores Fund should be initially treated as expenditure from the Consolidated Fund of India by debiting it to Defence Services Estimates subject to the normal process of voting and appropriation by Parliament and subsequently transferred to the Canteen Stores Fund by a deduct entry. The Committee trust that Government would expedite a decision on the future set-up of the Canteen Stores Department which had been pending their consideration for the last four years.*

#### Military Farms

84. The total capital at charge in the Military Farms, 29 in number, stood at Rs. 3,80,27,964 as on the 31st March, 1958 as against Rs. 3,67,78,210 as on the 31st March, 1955. The following is the break-up of the capital.

	Rs.
Money lent by the Government to Farms for Capital Expenditure Government Account "A"—interest bearing	2,17,75,918
Additions from stock to capital Government Account "B" I —free of interest	1,43,92,354
Capital charges met from other Farms and Departments Government Account "B" (II)—Departments	18,59,692
<b>TOTAL</b>	<b>3,80,27,964</b>

**85. The Committee will now proceed to examine some aspects of the working of the Military Farms:—**

**I. Statement showing profit|loss made by individual military farms during the year 1955-56. (Appendix XV).**

This statement is being furnished to the Committee since 1943-44 in pursuance of the recommendation made in para 32 (proceedings) of the Report of the Military Accounts Committee (now defunct) on the Accounts of 1943-44 to enable the Committee to have an appraisal of the profit|loss made by the individual farms and reasons therefor.

*This statement devised more than a decade ago did not give a correct picture of the financial results of the working of the individual farms. For instance, expenditure on replacement, repairs etc. is met from revenue irrespective of the magnitude with the result that profits in one year are converted into losses in the following year and vice versa. Again one of the reasons given for better results in a military farm is less condemnation of live-stock while the cause for better results in another farm is attributed to condemnation of more animals and more transfer of cattle. The Committee desire that the existing form of the statements showing the profit|loss should be revised in consultation with Audit in order to make a realistic comparison between the financial results of the working of the farms individually and collectively from year to year.*

**VI. Consolidated profit loss account of the military farms during the year 1955-56 Pages 148-49—Appropriation Accounts, 1955-56**

The Consolidated profit loss account for 1955-56 shows depreciation amounting to Rs. 5,85,391 for live-stock. In addition, Rs. 2,15,644 and Rs. 6,47,993, had been written off on account of casualties and condemnation of cattle respectively. The Committee consider the present system of charging depreciation to the live-stock to be defective in as much as it does not adequately provide for these two contingencies viz., casualties and condemnation of cattle. *The Committee, therefore, suggest that the Ministry of Defence should examine the desirability of reviewing the present system of providing for depreciation with a view to avoiding burden on the farms as a result of abnormal casualties and condemnation of the cattle.*

**86. The Committee understand that a Departmental Committee has been appointed by the Government to examine the various matters relating to the working of Military Farms including their financial policy and price structure etc. The Committee would like to**

know in due course the action taken by Government on the findings of this Committee.

The Committee regret that certain information called for by their sub-Committee during the course of examination of the accounts of the military farms and also as a result of their visit to the Military farms at Meerut, Bareilly and Lucknow in November and December, 1958, has not been furnished to them so far. The Committee are, therefore, obliged to defer further consideration of the various aspects of the working of these Farms.

They would refer to the following few instances of waste, mis-management and inefficiency which came to their notice in the course of their visit to the Farms mentioned above.

#### Disposal of animals

87. In the course of their visit to the Military Farms, the Committee enquired about the procedure followed in the condemnation and disposal of cattle. The Committee were informed that this was done after a Departmental Committee examined each and every animal and declared it to be so. The Committee suggested that with a view to ensuring that the Departmental Committee did not err on the wrong side, an outsider, especially an expert from the Indian Agricultural Research Institute, should be associated with it. Further, it might be worthwhile to declare surplus calves and incurable livestock of Military Farms only when a sizeable number thereof was available as in that case the chances of their getting a better deal were more favourable. The Committee trust that these suggestions would be carefully examined by the Ministry of Defence.

#### Utilisation of fallow lands

88. During their visit to the Military Farms at Bareilly and Lucknow, the Committee saw large areas of fallow-land lying unutilised for some years which resulted not only in a huge financial loss but also in the loss of crop and lowering of the cropping intensity of these fertile irrigated lands. The Committee desire that the Ministry of Defence should take stock of such lands lying unutilised in the various Military Farms and formulate proposals for bringing them under cultivation as soon as possible. The Committee would like to know the progress made by the Military Farms in this behalf.

#### Idle capacity of Tractors

89. The Committee were surprised to find at Bareilly Farm that for want of repairs to the tractors for many months no more land could be brought under cultivation. In one plot, an area of 170 acres was lying uncultivated for want of fence posts.

*Pasteurisation Plant at Bareilly*

90. The pasteurisation plant at the Military Farm, Bareilly, was not working upto its capacity. It had the capacity of about 1,500 lbs. while the quantity of milk available for pasteurisation was only 700 lbs. The Committee suggested that with a view to utilising the idle capacity of the plant, the milkmen from the neighbouring villages might be encouraged to form a co-operative society and be given the facility of getting their milk pasteurised and some timings might be fixed for this purpose. It was stated by the local authorities that this matter was discussed by the Dairy Expert Committee but nothing was done thereafter as it was felt that the milkmen were not interested in getting their milk pasteurised.

*The Committee suggest that the Local Commissioner and Co-operative Officials and Community Development authorities might be contacted to help local peasants to organise their Milk-Supply Co-operatives.*

## VIII

### OUTSTANDING RECOMMENDATIONS—ACTION TAKEN ON

91. The Committee will now proceed to deal with some of the important items outstanding from the previous Reports (Appendix I). They recommend that in each case the disposal should be expedited.

*Amounts due to certain Ordnance Factories for services rendered or stores supplied to private individuals—para 64 of the 9th Report (1st Lok Sabha).*

92. The Committee understand from a note (Appendix XVI) that no recoveries have yet been made from certain parties for the stores supplied or services rendered to them by the Ordnance Factories concerned during the period 1944—48 and the amounts due from them have either been written off or are under adjudication by the courts or by arbitrators. The Committee are concerned at the delay in the settlement of recoveries from the parties concerned. The Committee desire that the procedure in this respect should be reviewed with a view to seeing whether a system of advance payments or cash and carry basis can be introduced so as to avoid such outstanding.

*Establishment of Machine Tool Prototype Factory—para 33 of 14th Report and para 105 of 19th Report (1st Lok Sabha)*

93. The Committee were informed that the Machine Tools Committee appointed by the Ministry of Commerce and Industry to consider the development of the Machine Tool Industry, had allocated certain types of Machine Tools for manufacture by the Machine Tool Prototype Factory, Ambarnath and their production had been started by the factory. It was added that during the last four years, the production in the factory was very much below its installed capacity. During the current year the production of machine tools based on the single shift was estimated to be of the order of Rs. 30 lakhs and in the next year it was expected to be Rs. 50 lakhs. The capacity could be further increased if the factory worked on double shift. The Committee's attention was drawn to the shortfalls in the production targets of the factory intimated to the Committee of 1955-56 i.e., Rs. 30 lakhs, 35 lakhs and 39 lakhs in the years 1956-57, 1957-58 and 1958-59 respectively. The Committee were given to understand

that the shortfall in the production targets was due to the time taken in designing and trial of machine tools before starting bulk production as the factory was producing machine tools of their own designs. Another reason was the defection of skilled personnel from the factory because of better terms offered to them by the private sector. The D.G.O.F. was now transferring skilled personnel from other factories to the M.T.P.F., Ambarnath to meet the situation. The Committee were further informed that although the artisans trained in the Artisan School attached to the factory were required to serve in the factory for a certain period, a number of them left after paying back the cost of training.

*The Committee would like to know the measures taken by the Ministry of Defence to check the continued defection of trained personnel from the factory and thus avoid set-backs in the production programmes. The Committee also suggest that the possibility of co-ordinating the training facilities in the machine tools industry available in the Hindustan Machine Tools Ltd. with those for the specialised training in the Machine Tool Prototype Factory, Ambarnath may be examined by the Ministries of Defence and Commerce and Industry.*

94. The Committee were informed that the requirements of the Ordnance Factories for general purpose machines were being met by this factory. The factory had not taken up production of special purpose machine tools since the demand for such machines was relatively small and the work and time involved in their design and development would be disproportionate to the effective load that would be placed on the production shops. The D.G.O.F. had taken in hand a project for production of tractors and trucks in the Ordnance Factories and certain components required would be manufactured in the M.T.P.F., Ambarnath. The Committee are anxious that the idle capacity at Machine Tool Prototype Factory, Ambarnath should be utilised to the maximum extent by exploring constantly the avenues of production which the factory can undertake and thus conserve foreign exchange being spent at present on the import of plant and machinery required by the various ordnance factories. *They suggest that a phased programme of production by the factory should be carefully worked out after assessing the requirements of machines and tools by the various Ordnance Factories and Defence Installations.*

95. During their visit to the Factory in February, 1959, the Committee were informed that the cost of production in this factory was higher than that in the Hindustan Machine Tools Factory, Bangalore



as the M.T.P.F. had to prepare their own designs while the H.M.T. got their designs from their technical consultants. *The Committee suggest that the expenditure on designing should be kept separate from that incurred on production for purposes of comparison.*

*Periodical review of the outstanding orders in the Ordnance Factories—Para 6 (Introduction) of the Sixth Report (Second Lok Sabha).*

96. In para 6 (Introduction) of their Sixth Report, the Committee had drawn attention to the mounting rise in the number of production orders pending with the Ordnance Factories which, besides causing large amount of infructuous expenditure, led to inefficiency and waste. The Committee, therefore, asked the Ministry of Defence to undertake an early review to reduce or cancel unfulfilled orders still pending. The Committee regret to observe that not much headway has been made in this direction by the Ministry of Defence or the D.G.O.F. In the course of their examination, they called for information on the following points which is still awaited:

- (i) A statement showing the present position of the outstanding orders in the Ordnance factories and reasons therefor (The years to which these relate may also be given).
- (ii) How many orders which are over 3 years old, are still uncancelled although no supply could be arranged on them?
- (iii) What is the value of surplus materials and components lying in the factories with regard to these unfulfilled orders?

*The Committee are, therefore, obliged to defer further consideration till they next examine the Accounts of the Defence Services.*

*Acquisition of unwanted stores—para 13 of Sixth Report*

97. The Committee had suggested that greater caution and closer scrutiny was needed in deciding upon the necessity and pace of replacement of obsolescent stores and had urged upon both the Ministry of Defence and the Financial Adviser to exercise vigilance while scrutinizing replacement so that available resources were not frittered away. The Committee understand from a note (Appendix XXII) that the issue of instructions laying down the procedure to be followed for declaring equipments/stores, obsolescent/obsolete was under consideration by Government. *They would like to know in due course the procedure laid down in this behalf.*

**Accumulation of surplus materials due to delay in reduction of demand—para 15—Sixth Report**

98. The Committee of 1957-58 had expressed dissatisfaction with the results of provision reviews, as large deficiencies turned into surpluses in the following review in the course of a period of a year and had urged a thorough examination of the existing system of provision reviews. The Committee understand from a note (Appendix XXIII) that the basis for each annual review is decided by Government in consultation with the Chief of the General Staff and all likely factors are taken into account at that stage. But certain factors cannot be foreseen at that time and to that extent it will be necessary to modify the demands later. While the Committee appreciate that in the case of expendable stores like ammunition, some allowance can be made for certain unforeseen factors, they feel that in case of non-expendable stores, the provision reviews should not normally reflect wide fluctuations. Another factor that the Committee would emphasise is the importance of making an up-to-date and correct assessment of stock at the time of the provision reviews. The Committee, therefore, desire that the system of provisioning should be suitably modified and in all cases of failures to make correct provision reviews with consequential loss to Government, responsibility should be fixed and suitable action taken against the individuals concerned.

**Over-provisioning of stores—paras 18-19 of Sixth Report**

99. The Committee would like to know the present position of the utilisation and disposal of the surplus stock in this case.

**Purchase of unwanted stores at high prices—para 23 of Sixth Report**

100. The Committee understand that as a result of enquiry held into this case in which the name of a particular firm was suggested by the Naval Store Officer to the Purchase Organisation for the purchase of certain stores, disciplinary action had been taken against the Deputy Naval Stores Officer, an Assistant Manager and a Technical Assistant. The Committee would like to know the action taken against the other Deputy Naval Stores Officer and the Store Receiver, responsible in this case.

**Placing of petty orders on the Army Base Workshops—para 28 of the Sixth Report**

101. The Committee would like to know the final outcome of the proposal to increase the extent of manufacture of items of spare parts required in petty quantities for repair of equipment/vehicles by the Army Base Workshops in order to relieve the Ordnance

*Factories from the responsibility for planning and execution of petty orders.*

*Review of surplus Stores in Ordnance Factories and Ordnance Depots  
—para 34 of Sixth Report*

102. The Committee had recommended that with a view to relieving congestion in the Ordnance factories and depots, a procedure should be evolved for carrying out regular reviews of unwanted stock in the ordnance factories and depots.

The Committee note that the D.G.O.F. issued instructions in January, 1957 that the priced stores ledgers in respect of stores held in Ordnance Factories should be reviewed periodically with a view to detecting and disposing of slow moving and non-moving stores. In the ordnance depots, an annual review of the stores held by them is carried out and any surpluses found as a result thereof are dealt with according to the retention policy of the General Staff Branch. In view of the existing financial stringency and foreign exchange difficulty the Defence stock holders were instructed in June, 1958, to exercise meticulous care in the matter of declaring defence stores as surplus for disposal. While the Committee appreciate the anxiety to keep the existing stocks for a longer time, they stress that necessary precautions should also be taken to prevent over-provisioning in the Ordnance Depots and over-production in factories and efforts should be made to ensure overall economic utilisation of capacity and economic production both for maintenance purposes and reserves.

103. The Committee would also like to know the final decision taken in fixing a limit on the financial powers of the D.G.O.F. in incurring expenditure on the manufacture of components for stock purposes as desired in para 34 of their Sixth Report (Second Lok Sabha).

*Planning of Orders in Ordnance Factories—Para 35 of Sixth Report*

104. The Committee would like to know the final outcome of the procedure that is being worked out for carrying out development work separately from regular manufacture of new stores and the economies effected in the implementation of the procedure.

*Short recovery of rent—para 57 of Sixth Report*

105. The Committee are glad to note that as recommended by them, instructions have since been issued to the Command in the case of civilians paid from Defence Estimates that (a) no accommodation of higher type is allotted to Government employees, than is warranted by their status, and (b) in case any higher accommodation is available

and a special request is made for it, it may be allotted to them if they agree to pay full assessed rent thereof. *The Committee desire that the incorporation of a rule similar to that applicable to the Civilian personnel in the Defence regulations should be considered by the Ministry of Defence. They would also like to know whether the scales of accommodation in respect of civilians paid from Defence Estimates have been laid down.*

*Advance payments to U.K. Government—para 115 of 9th Report (First Lok Sabha) and para 71 of Sixth Report (Second Lok Sabha)*

106. As desired by the Committee, the Ministry of Defence furnished to them a statement showing the position of the outstanding advances held by the U.K. Ministry of Supply and War Office against Army indents as on 31st July, 1957 and against the Air and Naval indents as on 30th June, 1957.

The Committee had called for a statement\* showing the up-to-date position of the advances made to the U.K. Government and the supplies received against them. *They would like to have this information when they consider next year's accounts.*

*Procurement of mechanical transport vehicles—paras 37—44 of 19th Report (First Lok Sabha) and para 80 of Sixth Report (Second Lok Sabha)*

107. In examination, the Committee enquired the source from which 4x4 vehicles were procured to meet the requirements of the Army. The Committee were informed that for two years, the Ministry of Defence purchased 4x2 vehicles in lieu of 4x4 vehicles as the Indian firms were not manufacturing 4x4 vehicles. Subsequently, the firms supplied 4x4 vehicles but most of the parts used in them were imported ones. The Ministry of Defence had decided to undertake a project for the manufacture of trucks in the Ordnance Factories as they could not get sufficient number of required types of vehicles from private firms. *The Committee would like to know in due course the progress made in production of trucks in the Ordnance Factories.*

108. The Committee understand that Government had decided to allot Rs. 7 crores annually for purchase of new vehicles with a view to inject the Army with new vehicles irrespective of the holdings so that all the old vehicles may not go off the road at one time.

The Committee enquired the procedure of classification of fit and repairable vehicles under various categories viz., classes I, II, III, IV,

\*Two statements showing the position of the outstanding Army and Air Force indents as on 28th February, 1959 and 31st December, 1958, respectively, since received but not considered by the Committee for want of time.

V and VI. The Committee were informed that the vehicles were down-graded according to the mileage done by them and the magnitude of repairs needed. After repairs the vehicles were upgraded. The vehicles beyond economical repairs were graded as Class VI and disposed of. Before disposal of pre-1948 vehicles, the spare parts were retrieved for being utilised for maintenance and overhaul of other pre-1948 vehicles still in service. There was difficulty in getting spare parts for these vehicles as they had gone out of production in the countries of origin.

*The Committee suggest that in view of the magnitude of the capital outlay, the existing procedure of classification, condemnation and disposal of vehicles should be examined by the Ministry of Defence in consultation with the Financial Adviser with a view to removing any defects and chances of malpractices and achieving economy and preventing avoidable waste.*

**Ex-gratia payment to a private firm—paras 90-100 of the 19th Report (First Lok Sabha) and para 89 of the 6th Report (Second Lok Sabha)**

109. Mention was made in paras 90-100 of 19th Report and para 89 of the Sixth Report of the Committee of a case where an *ex-gratia* payment of Rs. 10,51,084 was sanctioned by Government in May, 1950, towards the reimbursement of sales tax to a supplier on whom two orders had been placed in 1948 for supply of jeeps at a firm price, although there was no stipulation in the contracts regarding payment of sales tax.

The Committee of 1957-58 were given to understand that the Government were taking up the question of refund of the sales tax in respect of the jeeps moved out of Bombay within three months of their purchase. The Committee understand from a note (Appendix XXXVIII) furnished by the Ministry of Works, Housing and Supply that under the Bombay Sales Tax Act, reduction in the rate of sales tax could have been claimed in respect of 394 jeeps only which were delivered on or after the 1st April, 1949 and despatched outside the Bombay State within a period of three months from the date of delivery, provided the necessary documents and particulars had been furnished to the contractor by the consignee within one month from the date of despatch. This was, however, not done by the consignee since at the relevant date the A Ts did not contain a provision for payment of sales tax, which was made only in July, 1959 in respect of two contracts and in April, 1949 in respect of the remaining one, when the right to claim the reduction in the rate of sales tax had already been barred long ago. The Ministry are considering whether

the Government of Bombay should be approached to sanction refund that may be due, as an executive measure. *The Committee would like to know the final outcome of the claim for refund of sales tax in this case.*

110. *The Committee have already questioned the justification for the payment of the sales tax to the firm on the grounds of equity in the absence of any proved loss to the firm in the deal.*

N. G. RANGA,  
Chairman,  
Public Accounts Committee.

NEW DELHI;  
The 24th April, 1959.  

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Vaisakha, 4, 1881 (Saka).

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PART II

Proceedings of the sittings of the Public Accounts Committee held  
on the 27th, 28th, 29th, 30th and 31st October, 1958, 1st November  
1958 and 23rd April, 1959.

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PROCEEDINGS OF THE \*TWENTY-SIXTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE  
27TH OCTOBER, 1958.

111. The Committee sat from 10.00 hours to 13.00 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Pandit Jwala Prasad Jyotishi
5. Shri Rameshwar Sahu
6. Shri Upendranath Barman
7. Shri Prabhat Kar
8. Shri Raghubar Dayal Misra
9. Shri H. C. Dasappa
10. Shri Khushwaqt Rai
11. Shri N. Siva Raj
12. Shri Jaipal Singh
13. Shri Amolakh Chand
14. Shri M. Govinda Reddy
15. Shri M. Basavapunnaiiah.

Shri A. K. Chanda, *Comptroller & Auditor-General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller & Auditor-General of India.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*

Shri M. C. Chawla—*Under Secretary.*

\*Earlier sittings relate to the consideration of the Accounts of Government of Himachal Pradesh and Delhi, Railways, Posts and Telegraphs, D.V.C. etc



## WITNESSES

*Ministry of Defence*

Shri O. Pulla Reddi—*Secretary.*

Shri R. P. Sarathy—*Additional Secretary.*

Shri B. N. Varma—*Joint Secretary.*

Shri L. M. Nadkarni—*Joint Secretary.*

Shri S. D. Nargolwala—*Joint Secretary.*

Rear Admiral D. Shanker, *Director General of Ordnance Factories.*

Major General R. E. Aserappa, *Engineer-in-Chief, Army Headquarters.*

*Ministry of Finance*

Shri S. Jayasankar—*Financial Adviser (Defence).*

Shri Shiv Naubh Singh—*Additional Budget Officer (Department of Economic Affairs).*

Shri M. K. Hariharan, *Additional Financial Adviser (Defence) I.*

Shri D. S. Nakra, *Additional Financial Adviser (Defence) II.*

Shri R. Bhaktavatsalu, *Joint Financial Adviser (Defence).*

Shri Phul Chand—*Controller General of Defence Accounts.*

**Appropriation Accounts (Defence Services) 1955-56**

*Page 4, Foot-note with a single asterisk mark—Regularisation of Expenditure*

112. It had been reported that the excess of Rs. 97,76,505 under charged portion of Grant No. 15 required regularisation.

The representative of the Ministry of Finance (Defence) stated that there had been a technical irregularity in this case and the correct procedure was being followed from the year 1956-57.

*Page 5, para 11, Controller General, Defence Accounts' Certificate, 1955-56*

**Sub-para 3**

113. The Committee wanted to know why cases where the store accounts and/or connected documents were incomplete or not being maintained at all, or not being produced for check continued to occur, the number of such cases being slightly larger than in the previous year.

The representative of the Ministry of Defence stated that with the exception of copies of issue vouchers, in certain cases which could not be released to the audit authorities no other case of irregularities were brought to the Ministry's notice. The reasons for not releasing these documents were time spent in the selection of stores for issue and carrying out the posting in the account cards; preparation of further part vouchers for multi-item issues; inspection of technical stores for serviceability before issue; delay in the selection of stores due to prior verification of part numbers, designation, authorisation and 'in lieu' issues; time lag due to making up a full wagon consignment to the same destination in the interest of economy; time taken to arrange escorts and wagons; non-availability of rates for certain items; non-despatch of stores due to booking restrictions and delay in receipt of treasury receipts and non-payment of tenders.

Explaining the comparative position of outstanding cases as on 1st August, 1958 the representative of the Ministry of Defence told the Committee that there had been considerable improvement in this behalf. When asked about the steps taken to minimise such irregularities in future, the Financial Adviser, Defence Services stated that the existing instructions were complete. When some of them were not followed, these lapses occurred. With a view to ensure strict compliance with them, the Ministry of Defence, he added, had been issuing circulars periodically impressing upon the administrative officers, the need to follow rules and procedure. The Committee, however, desired to be furnished with a note setting-forth the following information:—

- (a) A comparative statement of cases where irregularities of the kind referred to in this sub-para occurred during the last 3 years;
- (b) \*circumstances explaining why it took the Financial Adviser, Ministry of Finance (Defence) more than a year to review the Appropriation Accounts in question submitted by the C.G.D.A.;
- (c) what measures the Ministry have taken and propose to take to tighten the existing checks on store accounting in the units and formations and to ensure the continuous linking of receipt and issue vouchers relating to stores; and

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\*See Appendix III (Vol. II)

- (d) cases where some of the important irregularities referred to in the sub-para had occurred and the remedial action taken to set them right.

*Sub-para 7 of the Certificate ibid.*

114. In many cases, recoveries on account of stores issued on payment to States, Government Departments and private bodies could not be debited to or recovered from them for want of receipted copies of the issue vouchers and/or the issue rates.

To a question, the C.G.D.A. replied that there was some difficulty in the case of States because they had to get a copy of the receipted vouchers before they could raise the debit against them.

*Further, there were certain debits outstanding against the Ministries of the Central Government. The total amount outstanding came to about Rs. 2.23 crores at present.*

The Committee desired to be furnished with a note giving the break-up of amounts in respect of stores issued on payment to States, Central Government Ministries and private bodies (names to be indicated) which could not be debited to or recovered from them for want of receipted copies of the issue vouchers and/or the issue rates.

*Page 6, sub-para 8 ibid*

115. It had been stated in the C.G.D.A.'s certificate that the check of authorised proportions of stores continued to be restricted to important and expensive items. In some cases, this check could not be exercised at all owing to the non-fixation of the quantities of stores authorised to be held and/or the frequent fluctuations in the composition of the units and formations.

The Committee wanted to know whether any action had been taken to fix the quantity of stores authorised to be held by the units/formations wherever it had not been fixed earlier. The C.G.D.A. stated that the I.A.F. had issued instructions fixing the various authorised proportions. In the Army, they had fixed the various authorised proportions in respect of the more important stores.

When asked whether any attempt had been made to fix the quantity of stores to be held by an individual unit etc., after Audit had drawn attention to this omission, the representative of the Ministry of Defence stated that when objection was raised by Audit, necessary instructions were issued to ensure that the establishments were checked periodically and the excess holdings were returned to the equipment-holding-depots concerned. He told the Committee that the instructions were being implemented.

*Page 6, sub-para 9 ibid*

116. It had been recorded in the C.G.D.A.s Certificate that no proper or complete check of pension payments made during the year in respect of certain Indian Military Pensioner (including Indian State Forces personnel) could be conducted due to the non-receipt of pensions payment accounts from the pension disbursing officers and for certain other reasons. The irregularities reported in the previous years in the accounts of one Pension Paymaster were still under investigation. Certain irregularities noticed last year in a Treasury Office in regard to the pension payments made on behalf of the Defence Services were also being investigated.

In extenuation, the C.G.D.A. stated that pension payment accounts for 1955-56 were not received from the various disbursing officers at the appointed time. These were received subsequently and audited except for six from Gangtok Treasury which they had not yet been able to obtain. 276 accounts for 1955-56 which were not audited then, had subsequently been audited, he added. He assured the Committee that the position in that respect had thus improved since then.

The Committee, however, desired to be furnished with a note stating the number of persons who had retired during the last two years but had not received their pensions so far and the usual time lag between the date of retirement and the date of payment of pension, the reasons for the delay and the steps proposed to be taken by the Ministry of Finance (Defence) to eliminate the same.

The Comptroller and Auditor-General informed the Committee that pension rules and regulations were so complicated that it was almost impossible to sanction payment of pension in time. He had, therefore, suggested that Government should review the entire rules and regulations relating thereto and a Committee had since been constituted on the Civil side. He suggested that it might be advisable for the Ministry of Defence to get themselves associated with that Committee in relation to the rules and regulations applicable to the Defence Services personnel.

The representative of the Ministry of Defence agreed that the rules required simplification and that the Defence Ministry were already seized of the matter.

*Pages 76-77, Appendix E—Suspense*

117. In reply to a question regarding the adjustment of the credit of Rs. 20,36,76,000 the bulk of which lying in suspense since 1952-53,

the Committee were apprised of the position by the Financial Adviser, Defence Services.

*Page 120-130, Appendix I—Statement showing cases of non-maintenance or irregular maintenance of accounts condoned by Government.*

118. The irregularities set-forth in this statement were being condoned regularly by Government. The Committee wanted to know how Government satisfied themselves in the absence of regular accounts that the cash or stores involved in the transactions referred to in the statement were properly utilised. After some discussion, the Committee desired to be furnished with the following information:—

- (a) What are the rules for condonation of the various types of irregularities disclosed in the Appendix and the various levels at which such condonation is sanctioned?
- (b) In what cases the Ministry proposed to take disciplinary action? (The details of disciplinary action taken in the cases mentioned at S. Nos. 10 to 13, 16, 17, 27, 29, 31, 33, 35, 36 and any other items relating to the year 1950 and thereafter which may be considered as important for being brought to the Committee's notice to be furnished.)

*S. Nos. 25, 28 & 30 of the statement ibid.*

119. The Committee wanted to know the reasons for non-production of accounts in these cases. The representative of the Ministry of Defence stated that in these cases accounts were not produced during the year but were made available subsequently.

The Committee disapproved of the delay in such cases.

*S. No. 45 ibid—Non-maintenance of ration accounts during December, 1951 by an Army Service Corps Platoon*

120. Explaining the position the F.A., Defence Services stated that it pertained to the non-maintenance of accounts for one month, namely, December, 1951 by a unit. In this case instructions issued by the Army Headquarters, were not complied with by the unit. When the Local Audit Officer pointed out the irregularity, a Court of Enquiry was held to find out the reasons for non-compliance. It was revealed that due to negligence on the part of the staff of the Platoon concerned, the irregularity had occurred. The Commander of the Brigade did not, however agree with the opinion of the Court

of Inquiry. He held that a certain Captain was responsible for non-compliance with orders to whom, he recommended, his reproof should be conveyed. The G.O.C. agreed with this recommendation and accordingly the reproof of the Commander was conveyed to the Captain concerned.

In answer to a question, the witness stated that he thought that *the reproof must have been recorded in the Service Records of the Captain, but that he would check up.*

121. The Committee observed that some of the cases in the Appendix I related to the years 1947 and 1948. The representative of the Ministry of Finance (Defence) stated that an *ad hoc* Committee was appointed by Government in 1952 to clear them off. This Committee consisted of a representative each of the Ministry of Defence, Ministry of Finance and the C.G.D.A. There was also a representative from the Administration concerned and the D.A.D.S. was invited to send an observer. The relevant cases were gone into by the Committee and in many cases a final decision was taken by them. Giving the reasons for delayed disposal of certain cases, the witness stated that in some cases, the *ad hoc* Committee wanted further information to pursue the matter as they did not agree to drop the cases and wanted them to be pursued.

Next, the Committee enquired whether there was any arrangement within the units to find the lapses quickly or it was only after the Audit or the Financial Adviser pointed out the lapses after years that corrective measures were adopted. The C.G.D.A. stated that checks were carried out continuously and whatever came to light was pointed out. The units formations, he added, also looked into these matters on their own.

*The Committee desired to be furnished with a \*note giving the particulars of the training imparted to Military Officers who were responsible for the maintenance of accounts both in the initial stages of their service career and later in the form of Refresher courses.*

#### **Audit Report, Defence Services, 1957**

122. The Committee then took up consideration of the Audit Report (Defence Services), 1957.

##### *Pages 3-4, para 8—Execution of work below specifications*

123. A technical examination in January, 1951 of a road construction work completed in August, 1949 revealed that over-payments estimated at Rs. 55,770 had been made to the contractor which were

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\*See Appendix IV (Vol. II)

conceded by the Military Engineer Services. As the contractor accepted the payment of the final bill in March, 1950 under protest pending settlement of certain claims preferred by him against the Government, these claims and the Government's counter-claim of Rs. 55,770 became the subject matter of arbitration in 1952. In September, 1953 the arbitrator awarded Rs. 5,000 only in favour of the Government against their claim for Rs. 55,770 and Rs. 25,000 in favour of the contractor for failure of the Military Engineer Services to discharge their contractual liabilities.

Thus, the acts of omission and commission on the part of the officers in charge resulted in an aggregate net loss of Rs. 75,770 out of which a sum of Rs. 16,000 was regularised by the Government sanction of April, 1957. According to Audit, the regularisation of the balance was awaited.

124. The Committee wanted to know the reasons for the long delay between the completion of the road and the technical examination thereof. The Engineer-in-Chief observed that technical examination always took place only after the presentation of the final bills.

When asked whether check measurements were taken before payments were made to the contractor, the witness replied in the affirmative. The Committee wanted to know how, if the check-measurements had been taken, the use of under-sized materials was not brought to the notice of the higher authorities. The witness stated that it was not possible to do so as it was a rush job to be done in 3 months and the whole thing was really working under the war system of stress and strain.

Intervening, the Comptroller and Auditor General pointed out that the stipulation in the contract was that the work must be done in three months. *But actually the work was completed after nine months.* The representative of the Ministry of Defence, however, contended that to start with, there was a great rush. It was only later on that there was the cease-fire and then they tried to slow down the job. But most of the work was done in the first 3 to 4 months. The Engineer-in-Chief admitted that the contractor was granted an extension of 6 months' time, as in the meantime there had been a cease-fire.

The Committee, however, pointed out that under the circumstances the job no longer remained a rush job, and even if it was a rush job, the road should have been executed according to the specifications as otherwise the army would be taking unnecessary risks

had there been no cease-fire. The Ministry of Defence agreed that there should have been adequate supervision and it should have been seen that the work was according to the specifications. The only point that could be made in extenuation, he added, was that on account of this rush and the then impending crisis, the personnel whose attention was diverted could not pay adequate attention to this work.

125. When questioned whether at the time of the preparation of final bills, there was any certificate recorded by a responsible officer to the effect that the work had been executed according to specifications, the Engineer-in-Chief replied in the affirmative.

When asked whether any disciplinary action was taken against that officer, the Engineer-in-Chief stated that as the arbitration proceedings started then it was decided to suspend the enquiry into the disciplinary aspect of the case.

The Committee did not appreciate this as the arbitration for settling the dispute between the Government and contractor had nothing to do with the action to be taken by the Ministry against the officer for giving a wrong certificate.

126. Further discussion of the case revealed that the work took place in the Western Command and in the contract the Deputy Chief Engineer, Eastern Command had been designated as the arbitrator. In the meanwhile, the Deputy Chief Engineer, who had dealt with this case in the Western Command was transferred as Chief Engineer, Eastern Command and therefore, became the arbitrator.

The Committee felt that it was highly objectionable for an officer who had dealt with the case to become the arbitrator.

[The Committee postponed further consideration of the case till their next sitting].

127. The Committee then adjourned till 10.00 hours on Tuesday, the 28th October, 1958.



PROCEEDINGS OF THE TWENTY-SEVENTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY, THE  
28TH OCTOBER, 1958

128. The Committee sat from 10.00 to 13.20 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh.
3. Shri Arun Chandra Guha.
4. Shri N. R. M. Swamy.
5. Pandit Jwala Prasad Jyotishi.
6. Shri Rameshwar Sahu.
7. Shri T. Sanganna.
8. Shri Upendranath Barman.
9. Shri Prabhat Kar.
10. Shri Raghubar Dayal Misra.
11. Shri H. C. Dasappa.
12. Shri N. Siva Raj.
13. Shri Jaipal Singh.
14. Shri Amolakh Chand.
15. Shri T. R. Deogirikar.
16. Shri S. Venkataraman.
17. Shri M. Govinda Reddy.
18. Shri M. Basavapunnaiah.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor  
General.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

## SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

## WITNESSES

*Ministry of Defence*

Shri O. Pulla Reddi, *Secretary.*

Shri R. P. Sarathy, *Additional Secretary.*

Shri B. N. Varma, *Joint Secretary.*

Shri S. D. Nargolwala, *Joint Secretary.*

Shri L. M. Nadkarni, *Joint Secretary.*

Rear Admiral D. Shankar, *D.G.O.F.*

Major General R.E. Aserappa, *Engineer-in-Chief.*

*Ministry of Finance (Defence)*

Shri S. Jayasankar, *Financial Adviser.*

Shri M. K. Hariharan, *Additional Financial Adviser.*

Shri D. S. Nakra, *Additional Financial Adviser.*

Shri Phul Chand, *Controller General of Defence Accounts.*

*Ministry of Finance (Department of Economic Affairs)*

Shri Shiv Naubh Singh, *Additional Budget Officer.*

**Audit Report, Defence Services, 1957***Para 8—Execution of work below specification*

129. The Committee resumed further consideration of this para. The representative of the Ministry of Defence restated that the agreement in this case contained a provision to the effect that all disputes should be referred to the sole arbitration of the Deputy Chief Engineer, Eastern Command, whose decision would be final, conclusive and binding. In this particular case, the Deputy Chief Engineer who dealt with this contract in the Western Command was transferred later to the Eastern Command and thus became the arbitrator. Continuing, the witness stated that the policy to appoint any officer as arbitrator by designation had since been changed and now the Chief Engineer and the Engineer-in-Chief nominated officers to arbitrate in cases.

130. In reply to a question, the representative of the Ministry stated that three claims were preferred on behalf of the contractor

and one claim on behalf of the Government. The contractor's claims were on three counts:

- (1) loss caused on account of non-supply of wagons:  
— Rs. 37, 892|-
  - (2) supply of unsatisfactory stone-crushers and consequent extra cost incurred:  
Rs. 24,000|- and
  - (3) loss on account of salaries for 6 months to supervisory staff caused on account of extension of contract:  
Rs. 54, 414|-
- TOTAL: Rs. 1,16,306|-

The contractor, he added, also preferred a claim on three other items, on which no award was made by the arbitrator. So, as against Rs. 1,16,306 preferred by the contractor, Government preferred a claim for Rs. 55,770 on account of lower specifications of the road surface.

Elucidating the point further, the witness stated that the arbitrator did not write a judgment but he gave his finding wherein he said that Rs. 5,000 should be allowed as against Government's claim for Rs. 55,770. No reasons for this were given in the award. According to the witness, the arbitrator upheld the technical examination to the extent of Rs. 5,000|-.

In reply to a question, he stated that the Chief Technical Examiner was not himself examined by the arbitrator, but his statement was referred to. After some discussion, the Committee desired to be furnished with the following information:

- (i) Who was responsible for making reference to the arbitrator and why no claim was made against the contractor for his not having done the work according to the specifications?
- (ii) On what grounds the claim of Government for Rs. 55,770 for the work done below specifications made against the contractor was not accepted by the arbitrator?

131. The Committee were not sure whether there was any finding of the arbitrator on the charges made by Government against the contractor. But they felt that even if there was no such finding, the award of Rs. 5,000 as compensation to the Government established that he had accepted that the work had not been executed according to the specification. The Committee, therefore, enquired whether any notice had been taken, at least after the award, of the conduct of the officer who had certified that the work had been executed according to specification.

The witness admitted that the case disclosed lack of supervision but action was not taken against the officer concerned because the amount involved was Rs. 5,000 only and that too had been paid by the contractor. Later, in 1956 a reference was made to the Ministry. But as already a good deal of time had elapsed, it was felt that action against the officer might not be justified and even if action was initiated, probably nothing would have come out.

The Committee were unable to accept this plea as according to Government Rs. 55,770 and not only Rs. 5,000 were involved. The representative of the Ministry of Defence stated that the appropriate stages for taking disciplinary action against the officers concerned were first in 1951 after the findings of the Technical Examiner and next after the award had been made. But unfortunately, the persons concerned did not deem it necessary to take disciplinary action at either of those two stages, when it should have been taken. This, however, came to the notice of the Ministry only in 1956 and it was considered too late then to start disciplinary proceedings for lapses and failings occurring in 1948-49.

The Committee desired that the Ministry should re-examine the whole case and see whether there was any possibility of taking disciplinary action against the officers guilty of neglecting their duties.

The witness stated that there was no hesitation on the part of the Ministry to take suitable disciplinary action against the wrong-doer but the difficulty now lay in getting evidence after a lapse of so many years.

132. When asked why the Engineer did not protect the interest of the State with an 'escape' clause in the matter of supply of Railway wagon, which had resulted in the payment of Rs. 9,000 to the contractor, the Engineer-in-Chief stated that they had learnt a lesson from this case and had now stopped providing any such facility to the contractors.

133. The Committee drew the attention of the Ministry to their recommendation (reproduced below) made in para 6 of their Report on the Account of 1947-48 (post-partition).

"...in the matter of arbitration between the Government and the other contracting parties, it was generally the practice to refer cases to one-man-arbitration for settlement. This is unsatisfactory. We feel that in the matter of arbitration and appointment of arbitrators, the arbitration clause should provide for arbitration by a tribunal of not less than three persons one of whom should be a high ranking judicial officer. In certain cases, however, if it is

necessary to associate Departmental Officers, with the arbitration in order that the facts of the case might be properly appreciated by the tribunal, we have no objection to one of the members of the tribunal being a departmental official.

“We also suggest that similar action should be taken in respect of other Ministries of the Government of India.”

They desired that this recommendation should be re-examined and the decision taken in the matter reported to them. The Engineer-in-Chief stated that in those days during the war and shortly thereafter the arbitrator was specified in the contract and the person holding the post so named automatically became the arbitrator. But now it was not so. It has been laid down that an arbitrator would be appointed by the Engineer-in-Chief depending on the size of the work. He, therefore, submitted that there was no need for a re-examination of the earlier recommendation of the P.A.C.

When asked whether it was proper to have allowed the particular officer to function as an arbitrator in this case, the witness stated that the officer concerned wrote to both the parties asking whether it would be right for him to act as an arbitrator. The contractor did not object to his acting as arbitrator and Government had also no reason to suspect that it would in any way be prejudicial for he was not the officer who had either executed or supervised the contract; he had merely accepted the contract.

As the Officer had of his own accord, brought the changed circumstances to the notice of his higher authorities, it was enough proof that he would act in a judicial manner. To a question, the Secretary of the Ministry replied, that the Deputy Chief Engineer, Eastern Command, referred the matter to his own Chief Engineer and the matter was never referred to the Ministry.

134. The Committee desired to be furnished with information on the following points arising out of their discussion:—

- (a) whether the Ministry considered that the decision arrived at by the Chief Engineer was justified;
- (b) does this particular contractor still continue to be on the list of approved military contractors?
- (c) whether the arbitration clause in the present contract was in complete conformity with the provisions of the Arbitration Act and whether any improvement could be made in this behalf in contracts in future; and

- (d) a note reviewing the whole question of appointment of arbitrators, their functions and whether any provision can be made in the terms of the agreement or contract for an appeal against the arbitrator's award.

The Committee also desired that as the Ministry were going to review the whole case and institute proceedings, the amount of loss and infructuous expenditure etc. involved in this case need not be written off till the review was over.

*Para 24-Delay in the Investigation of losses*

135. A cent per cent verification of stores in a MES Division in 1951-52 revealed shortages valued at Rs. 86,530. A Departmental Court of Enquiry was convened on 16th September, 1952 to investigate the loss. It was subsequently decided to convene a Staff Court of Enquiry which was held on 6th May, 1953. Final orders of Government had so far not been received inspite of Government instructions (issued in 1949) that there should not be delay in the investigation of any loss.

136. The Committee wanted to know the findings of the Staff Court of Enquiry in this case. The representative of the Ministry stated that the Staff Court of Enquiry recommended that 30 per cent of the unadjusted discrepancies should be borne by the State and the Garrison Engineer each; 10 per cent each by the Barrack officer, the Supervisor and the two Store Keepers. These findings were referred to the Area Commander who held that one of the two Store-keepers should be responsible for some of the losses and his security deposits and undisbursed pay and allowances should be withheld and adjusted against the losses. The police authorities should be approached to prosecute the Store-Keeper who had been absconding. After that a Civil suit should be filed to recover the losses from him. The area Commander was, also, of the view that the Garrison Engineer and three other officers who had been slack in supervision and stock-taking respectively, should be proceeded against departmentally; no recoveries should be affected from these officers because the bad state of affairs was a legacy of the past.

Explaining the latest position, the witness informed the Committee that the three officers who had failed to do 100% stock-taking had been warned. The Store-Keeper had been charge-sheeted and it was proposed to the Ministry that the Garrison Engineer be administered a warning. The Ministry were reviewing the case.

137. The Committee desired the Ministry to investigate how such inordinate delays in taking action against the guilty officers could be avoided. The witness stated that too many agencies in the way and changes in personnel caused much delays and unfortunately the procedure also seemed to encourage delays which, if the officers were conscientious, should not be permitted. The Committee asked the Ministry to review the whole procedure in order to eliminate such delays. They also desired to be furnished with a note\* setting forth the following information:—

- (a) Are the three persons who were in charge of stores verifications and were warned severely still looking after stores verification work? If not, what are the duties assigned to them now?
- (b) Have they been subsequently promoted? If so, what are the posts held by them at present?
- (c) Has the loss been regularised?

**Appropriation Accounts (Defence Services) 1955-56 Section V**  
*Review of Military Engineering Service: Para 24*

138. In reply to a question the Committee were informed that the contractors who had tendered the lowest, were on the approved list of contractors. *The Committee wanted to know the circumstances in which the lowest tenderers were not given the contracts.* They also desired to be furnished with the details of cases on the basis of which the Financial Adviser has recorded in his review that there were cases in which technical sanctions were not accorded prior to issue of tender documents.

139. *Para 22.*—The Committee desired to be furnished with a statement of the expenditure incurred by the M.E.S. every month during the last three years.

140. *Para 23.*—In reply to a question, the witness stated that action had been taken to recover as much as possible the amounts of outstanding rents against Central Government Ministries, State Governments, and private parties. As a result of the measures taken the outstandings had come down to Rs. 1.95 crores from Rs. 2.79 crores on the 30th September, 1957. In reply to another question, he stated that a Special Officer had been appointed to watch the recovery of such outstandings.

141. *Para 28.*—The Committee wanted to know the justification for the increase in the expenditure on establishment in the M.E.S. without corresponding increase in the work-load. The Engineer-in-Chief stated that one of the reasons for this was the grant of **annual** increments to the staff. Another reason was the increase of

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\*Not received, not printed.

planning work undertaken with a view to housing the Armed Forces quickly. The Committee desired to be furnished with a note giving the reasons for an increase in the expenditure on establishment without corresponding increase in the work load and the amount of expenditure on staff employed in the planning during the year under report. A comparative Statement for the 3 years from 1954-55 was also called for.

142. The Committee then adjourned till 10.00 hours on Wednesday, the 29th October, 1958.



**PROCEEDINGS OF THE TWENTY-EIGHTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY,  
THE 29TH OCTOBER, 1958.**

143. The Committee sat from 10.00 hours to 13.00 hours.

**PRESENT**

Prof. N. G. Ranga—*Chairman*

**MEMBERS**

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Shri Rameshwar Sahu
5. Pandit Jwala Prasad Jyotishi
6. Shri Upendranath Barman
7. Shri Prabhat Kar
8. Shri Raghubar Dayal Misra
9. Shri N. C. Dasappa
10. Shri N. Siva Raj
11. Shri Jaipal Singh
12. Shri Amolakh Chand
13. Shri T. R. Deogirikar
14. Shri S. Venkataraman
15. Shri M. Govinda Reddy
16. Shri M. Basavapunnaiiah.

Shri A. K. Chanda, *Comptroller and Auditor General of  
India.*

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor  
General.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

**SECRETARIAT**

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

## WITNESSES

*Ministry of Defence*

Shri O. Pulla Reddi, *Secretary.*

Shri R. P. Sarathy, *Additional Secretary.*

Shri S. D. Nargolwala, *Joint Secretary.*

Rear Admiral D. Shankar, *Director-General, Ordnance Factories.*

Major General Pratap Narain, *Controller General of Defence Production.*

*Ministry of Finance (Defence)*

Shri S. Jayasankar, *Financial Adviser.*

Shri D. S. Nakra, *Additional Financial Adviser.*

Shri Phul Chand, *Controller General of Defence Accounts.*

*Ministry of Finance (Department of Economic Affairs)*

Shri Shiv Naubh Singh, *Additional Budget Officer.*

144. At the outset, the Chairman referred to the instructions issued by the Ministry of Defence to the Ordnance Factories to undertake production only against firm orders pursuant to earlier recommendations of the Committee. He also stressed the fact that the D.G.O.F. should see whether production had been established in the factories before he took action to indent for the raw materials etc. on a bulk order. Otherwise, he should start with the experiments on an economic scale with a view to establishing the technique of production.

The Chairman also emphasised that in case of new items of manufacture, the user services should always place an 'educational order' with the Ordnance Factories, in the first instance, before placing a large scale order. He expressed the hope that the Ministry were agreeable to these suggestions. The Secretary, Ministry of Defence replied in the affirmative.

**Functions of the D.G.O.F., C.G.D.P. & M.G.O.**

145. The Committee wanted to know the respective functions of the D.G.O.F., C.G.D.P. & M.G.O. in the matter of provisioning, planning and production of Defence Stores and also about the administrative machinery which the Ministry had, to ensure that there was no over-lapping of their functions and responsibilities and there was close co-ordination between them.

The representative of the Ministry of Defence stated that one of the main functions of the C.G.D.P. was to co-ordinate development and research not only in the Ordnance Factories but in the private sector also. The M.G.O. was one of the Principal staff officers who controlled all the Ordnance Depots. The D.G.O.F. was in charge of all the 19 Ordnance Factories engaged on the manufacture of stores required by the Defence Forces. When asked whether the C.G.D.P. took any special steps to establish manufacture of an imported item which was not being produced in the country, the witness stated that it was one of the primary functions of the C.G.D.P. When asked what organisation he had under him and how did he do that work, the witness stated that the necessary establishment had been sanctioned only a week back. Every indent for Defence Stores which required foreign exchange would be examined by this establishment with a view to seeing whether that store could be manufactured indigenously.

146. In reply to a further question, the witness stated that on the recommendation of the Baldev Singh Committee, the post of C.G.D.P. was created in September, 1957; prior to that a Joint Secretary in the Ministry functioned as Joint Secretary-cum-C.G.D.P.

The Committee asked whether it was not possible to entrust the manufacture to the D.G.O.F. after the Scientific Adviser had drawn the designs and drawings. The witness stated that after the Scientific Adviser's Department had finished their job of designing a new weapon or equipment, the C.D.G.P. stepped in for establishing production. His officers went round wherever production facilities were available both in the Ordnance Factories and outside, guided the persons in manufacturing work and tested the various processes in the production.

The Committee observed that if the C.G.D.P. had to work through the Ordnance Factories, why should not the task be entrusted to the D.G.O.F. who was in charge of those factories. The witness stated that in the new set up, the D.G.O.F. would manufacture only what had been given to him. He was looking into the development of manufacturing technique of new items previously. But he could not do it efficiently and that was one of the reasons for transferring that work to the C.G.D.P.

Elucidating the point, the C.G.D.P. stated that the whole process consisted of five stages, namely, requirement, research, development, production and inspection. These five stages could not be treated separately and by themselves. The C.G.D.P.'s organisation, he added, had to coordinate them.

147. The Committee, were however, not satisfied with the explanations given and they desired to be furnished with further information on the following points:—

- (i) What was the justification for the creation of the post of C.G.D.P.? What are the functions assigned to him and how far has it helped in developing production etc.?
- (ii) A note stating the functions of the C.G.D.P., D.G.O.F. and M.G.O. with special reference to their role in the matter of co-ordination, *research*, development and designing in respect of the production in the Ordnance Factories for the three services and liaison with civil industry for meeting defence requirements. Is there any overlapping in their functions?
- (iii) What is the control, administrative, technical or otherwise exercised by C.G.D.P. over the D.G.O.F.? Is there enough freedom of action for the D.G.O.F.?
- (iv) What is the role of the Ministry in the matter of placing of educational orders with the D.G.O.F.? Are they routed through the C.G.D.P. and if so, what check is exercised by that officer thereon? Have there been any instances in which the C.G.D.P. succeeded in establishing indigenous manufacture of imported items in the private sector?
- (v) Have the Ministry of Defence undertaken an examination about the utility of the office of C.G.D.P. in the light of the recommendations made in this behalf by the Baldev Singh Committee?
- (vi) How far has the establishment of the office of the C.G.D.P. helped the Ministry in the greater utilisation of indigenous materials and minimising the imported ones?
- (vii) A statement showing the volume of work got executed by the private sector during the last 3 years or so, especially covering the period following the creation of the office of the C.G.D.P.? Has the possibility of getting the various items manufactured by the Ordnance Factories since been explored? If so, with what results?

148. The Chairman next referred to the recent visit of the Committee to the various Ordnance Factories and observed that in the Committee's opinion the research and designing sides be further strengthened and steps taken to allot more work to the factories. The

witness informed the Committee that the factories were taking up new projects like the manufacture of trucks and tractors.

The Committee, pointed out that even in regard to the present items of production there was considerable scope for augmenting production. They also felt that the cost of production of many products was also higher than the prevailing market prices.

In regard to the latter, the Secretary, Ministry of Defence informed the Committee that the costing system in force in the Ordnance Factories was out-moded and very complicated and was under examination. The assistance of the Comptroller and Auditor General was also being sought for streamlining the system. *The Committee desired to be furnished with a note stating the measures that had been taken by the Ministry to bring down the cost of such articles manufactured by the Ordnance Factories for civil trade so that they could compete in the market.*

*The Committee also felt that the Ministry should devise model agreements to help them in concluding agreements with various parties so that the financial interests of Government were well safeguarded.*

149. Referring to the disclosure made by the Superintendents of certain Ordnance Factories visited by the Committee that they were not receiving either copies of the Audit Report (Defence Services) or the Report of the P.A.C. dealing with them, the Committee desired that in future relevant extracts from such reports should invariably be communicated to the various Units/Factories/Installations etc. for their future guidance and use. The Secretary, Ministry of Defence agreed with the suggestion of the Committee.

The Committee then enquired whether the Director General of Ordnance Factories had any plans for the re-organisation of the factories and increasing their output. The D.G.O.F. informed the Committee that he had examined the problem and had come to the conclusion that production could be augmented substantially if two things were done. One was that of analysing the idle capacity or idle man-power in the factories and devising the most economical method of utilising them for greater production. But even without waiting for that, production could be pushed up by 40 per cent. if the flow of materials was speeded up, which was the major problem in the Ordnance Factories at present. The D.G.O.F. pointed out the defects in the present procedure followed by the Factories which were time-consuming. In his opinion the procedure required revision. In brief, his suggestions were (i) provisioning of materials should be made centrally, (ii) simplifications of the procedure of communica-

tion between the factories and the D.G.O.F.'s Headquarters and (iii) setting up of a small unit for collecting basic data for all the materials required for each type of ammunition for which they normally expected orders. In order to execute the work within as short a time as possible, he urged, they must have a complete and clear picture of what was required and whether that was available in the country or not. There should be a Standard Office next to his production control section. There was a proposal to set up a Methods Division under the D.G.O.F., the main task of which would be to analyse past performance. He hoped that this type of administrative audit would improve efficiency and ensure elimination of waste.

### **Audit Report, Defence Services, 1957**

#### *Para 9(a)—Excessive purchases of materials*

150. According to the Audit Report out of a total quantity of 240 tons of a certain material (required in the manufacture of an ammunition) purchased in 1952 and 1953, only 8 tons had been utilised up to February, 1956. After reserving a quantity of 83.5 tons for possible use in future, the balance of 148.5 tons valued at about Rs. 8 lakhs, had been declared surplus. The actual loss on that account could, however, be ascertained only after the final disposal of the surplus.

The estimate of requirement of that material was originally made by the D.G.O.F. in March, 1950, at 260 tons on the basis of a forecast of demand for 6,500 units of the ammunition intimated to him by the Service Headquarters earlier. Actual firm demand placed on the D.G.O.F. in March, 1951, was, however, for 3,000 units only. According to audit comments, a *pro rata* reduction in the indent for the ingredient should have then been made. Instead, a reduction of only 20 tons in the indent was ordered in August, 1952 and the balance of 240 tons was purchased.

Eight tons were used in the manufacture of 190 units of the ammunition. Another batch of 1,133 units of the ammunition was also manufactured during the same period without using this particular ingredient as a different process not involving the use of this ingredient had to be adopted as other materials necessary for the older process were not available.

151. The D.G.O.F. admitted that the excessive purchase of stores in this case was mainly due to lack of real knowledge of what the situation was. Referring to the Audit comments that actual loss on this transaction could be ascertained only after the final disposal of the surplus, the D.G.O.F. informed the Committee that subsequently

demand for that particular item of stores had risen and as it was still serviceable, there would be no loss on that account. To a question, the witness stated that out of the 240 tons, 43 tons had already been used up to 30th April, 1958. The Committee, however, desired to be furnished with a \*note giving information on the following points:—

- (a) Why was not the indent for the stores referred to in this para reduced? What action has been taken against the officials responsible for this lapse?
- (b) When were the other ingredients required in the manufacture by original process ordered? Were they indigenous or foreign? If the supply position of the other ingredients was not clear, why was the material referred to in this para ordered which could not have been used without the other ingredients?

Para 9(b)—Excessive purchase of varnish

152. A quantity of 11,250 gallons of varnish valued at Rs. 1,72,134 which formed the major part of 15,250 gallons procured by the D.G. O.F. during 1950 and 1951 had to be disposed of, as surplus material, in March, 1956, at a loss of Rs. 1,61,634. The varnish was required for the manufacture of a certain store and the quantity that was purchased had been calculated on the basis that 25 gallons were needed for manufacturing 1,000 units of the store against 6 gallons actually required.

153. Explaining the position, the D.G.O.F. stated that the particular factory which received the estimate had been closed down after the war and it was just in the process of re-starting. The factory should have checked the estimate, but unfortunately that was not done and subsequently when it became known that there was surplus, action should have been taken to dispose of the item earlier.

The Committee desired to be furnished with a note giving information on the following points:—

- (a) Who were the officers responsible for purchasing excessive quantity of varnish? Was any disciplinary action taken against them? If not, why not?
- (b) Why was the surplus not disposed of immediately when there was no demand for the store after September, 1950?
- (c) How was the surplus material disposed of in this case? Who was the purchaser?

\*Not printed.

To a question what action the Ministry proposed to take in future when they would be confronted with surplus stores, the Secretary, Ministry of Defence stated that in order to prevent the recurrence of such cases in future, the D.G.O.F. had issued instructions to all the Ordnance Factories impressing upon them the necessity of preparing correct estimates. The Defence Ministry had also issued instructions to the D.G.O.F. that all cases of losses due to over-provisioning of stores should be properly investigated.

154. To a question whether it would not be the duty of the Ministry in future, when such cases occurred, to investigate and fix the responsibility of officers who might be responsible for such surplus, instead of waiting for so long, the Secretary, Ministry of Defence replied that in the orders issued, one of the points made was:

“The D.G.O.F. is, therefore, requested in future whenever a loss occurs in Ordnance Factories due to over-provisioning of stores, the reasons for the over-provisioning should be investigated and remedial measures should be taken promptly.”

He further stated that ‘remedial measures’ included disciplinary action also. The Committee, however, suggested that to avoid any misunderstanding the words “remedial measures should be taken promptly” should be substituted by the words “commencement of proceedings for disciplinary action and other remedial measures should be taken” in the instructions issued by the Ministry. The Secretary, Ministry of Defence accepted the suggestion.

In reply to another question, the witness stated that the surplus stores were disposed of by the D.G.S.&D. who realised a sum of Rs. 10,500, but the name of the purchaser was not readily available. It had to be obtained from the D.G.S.&D.

*Para 9(c)—Excessive purchase of a material*

155. A quantity of 10,400 sq. ft. of a certain material valued at Rs. 40,135 (which formed the major part of a quantity of 11,260 sq. ft. purchased locally by an Ordnance Factory during 1950-51) had to be disposed of as surplus in September, 1955 at a loss of Rs. 27,371. It was found that only 100 sq. ft. of the material had been used in the particular production for which the material had been purchased. Report of a Board of Enquiry which was constituted to investigate this case in 1956 was stated to be under the consideration of the D.G.O.F.

156. The representative of the Ministry of Defence informed the Committee that the Board of Enquiry had held responsible for this



over-provisioning one checker (now working as a Lower Division Clerk), an Upper Division Clerk, a Store-holder and an Assistant Works Manager. The Estimates Section, he further stated, gave the correct information in that only  $17\frac{1}{2}$  sheets of the material would be required. But while preparing the indent, the checker put it as 2005 running feet. That was passed by the U.D.C., the Store-holder and also by the Assistant Works Manager. It was further changed to 2005 sheets and a sheet was 34" long. The Store-holder had been dismissed on some other charge of corruption. The Assistant Works Manager had retired. The Store-holder, who was the Executive Officer, should have checked whether the indents were correctly prepared. The checker and the U.D.C. were still in service and according to the former 2,005 feet of the material were changed to 2,005 sheets at the instance of the Store-holder.

The Committee wanted to know whether the Board of Enquiry investigated into the motives of over-provisioning by the various officials concerned. The witness stated that the Board felt that the motives were not honest.

157. The Committee then enquired whether the Ministry while declaring the surpluses to the D.G.S. & D. gave him the brief history or the manner in which these things had developed into surpluses, their purchase prices, book value etc. The Secretary, Ministry of Defence stated that when the surpluses were made over to the D.G.S. & D. for disposal, he was also supplied with a statement containing information about the stores, their quantity, book value, original purchase price, year of purchase, etc. The Committee, however, desired to pursue this matter further with the representatives of the Ministry of W.H. & S. and the D.G.S.&D. when they appeared before them.

In the meantime the Committee desired to be furnished with a \*note giving information on the following points:—

- (a) When was the over-provisioning detected? Why was the Board of Enquiry appointed so late as in August, 1956?
- (b) At what price the stores in question were purchased originally and sold later on? What was the market price ruling at the time of its sale? From whom were these purchased and to whom were these sold by the D.G.S.&D.?

158. The Committee then adjourned till 10.00 hours on Thursday, the 30th October, 1958.

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\*See Appendix VIII.

PROCEEDINGS OF THE TWENTY-NINTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY, THE  
30TH OCTOBER, 1958

159. The Committee sat from 10.00 hours to 13.00 hours.

PRESENT

Prof. N. G. Ranga—*Chairman*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri T. Sanganna
8. Shri Upendranath Barman
9. Shri Prabhat Kar
10. Shri Raghubar Dayal Misra
11. Shri H. C. Dasappa
12. Shri Khushwaqt Rai
13. Shri N. Siva Raj
14. Shri Jaipal Singh
15. Shri Amolakh Chand
16. Shri T. R. Deogirikar
17. Shri S. Venkataraman
18. Shri M. Govinda Reddy
19. Shri M. Basavapunniah.

Shri A. K. Chanda, *Comptroller & Auditor General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller & Auditor General.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawala—*Under Secretary.*

## WITNESSES

*Ministry of Defence*

1. Shri O. Pulla Reddi—*Secretary.*
2. Shri R. P. Sarathy—*Additional Secretary.*
3. Shri L. N. Nadkarni—*Joint Secretary.*
4. Rear Admiral Shankar—*D.G.O.F.*
5. Major General Pratap Narain—*C.G.D.P.*
6. Capt. Balwant Singh, *I.N.*

*Ministry of Finance (Defence)*

Shri Jayasankar—*Financial Adviser.*

Shri Phul Chand—*C.G.D.A.*

*Ministry of Finance (E. A. Department)*

Shri Shiv Naubh Singh—*Additional Budget Officer.*

**Establishment of a fully equipped modern plant for manufacture of certain latest types of ammunition—Para 15 (pages 10-13) of Audit Report, 1957**

160. An agreement was concluded with a Swiss Firm in August 1950 for the establishment of a fully equipped modern plant for manufacture of ammunition of two calibres. The agreement stipulated manufacture of the ammunition of the Company's design and provided for the commencement of full production by 1st April, 1951. But this schedule of production was not adhered to by the Company. In para 34 of the Fourteenth Report of the Public Accounts Committee it was stated that as against the total machinery of the order of Rs. 53 lakhs to be supplied by the firm only machinery costing Rs. 1·3 lakhs had been received by 1st April, 1951.

The audit paragraph under reference disclosed the following further details about this transaction:—

(1) So far the production of two types of the smaller calibre ammunition only has been established and regular production undertaken from 1954-55 and 1955-56. As regards the third type, manufacture could not be started due to extensive failures in proof. The factory had been asked to suspend production pending finalisation of the new design of this ammunition.

(2) The manufacture of the ammunition of the higher calibre was discontinued in 1954 as the User Service preferred the British design to the Company's design. Although it has been stated that the machinery provided by the firm was capable of manufacturing the ammunition of the British design also, the plant and machinery

of the value of Rs. 17·91 lakhs was at present lying idle as the matter was still in the planning and experimental stage.

(3) The ceiling limit fixed in the agreement for the cost of services, machinery, equipment, etc. was Rs. 125·27 lakhs. *Although full production of all the types of ammunition contemplated in the agreement has yet to be achieved and payments should according to the terms of the agreement, have been restricted to a figure lower than the ceiling till full production was attained, an expenditure of Rs. 164 lakhs (approx.) had already been incurred, thus exceeding the ceiling.* Further an advance payment of Rs. 8·17 lakhs had already been made against the sum of Rs. 2·72 lakhs, payable in terms of clause 11 of the contract agreement. It has been estimated that materials and machineries worth Rs. 1·38 lakhs have yet to be supplied by the firm. Government of India are withholding a sum Rs. 7·8 lakhs (approx.) due to the Company and further payment would only be made after all plant, machinery, materials and 'know how' as stipulated in the agreement were supplied.

(4) *The overall cost of the project including payments to the Company, expenditure on buildings, plant and machinery etc. was revised in 1955 from Rs. 370 lakhs to Rs. 470 lakhs.*

161. The Committee were informed that considerable difficulties were being experienced by the Ordnance Factories in manufacturing the lower calibre ammunition and it had not been possible to fully establish its manufacture. Although this ammunition had been tested and tried successfully in Switzerland, its manufacture in India proved difficult. At first the ammunition failed in tests because of certain defects in the shell. *Though initially the Services were blamed for not using the ammunition correctly, it was proved subsequently that the defects were either in the design or manufacturing process of the ammunition. The manufacture, was, therefore, suspended.* As a result of further experiments carried out, a new design had been developed eliminating the earlier defects. But the manufacture has not yet been resumed. In reply to a question it was disclosed that the ammunition referred to above was being used in the Vampire Air-craft only which were being replaced in the near future. *The total expenditure on this unsuccessful undertaking was Rs. 37·52 lakhs (approx.)*

Replying to a further question, the representative of the Defence Ministry informed the Committee that the foreign Company with whom Government have entered into an agreement, was manufacturing the lower calibre ammunition in its factory in the foreign country. It had a steel case whereas the British proto-type to which

Services in India were used, had a brass case. The ammunition with steel case was tried out successfully in the foreign country in the presence of Indian Officers but it transpired later that the gun used in the foreign country was different from the British type in use in India. *The Committee wanted to know the names of the Indian Military Officers who witnessed the trial and certified the ammunition without checking whether the gun from which it was being fired was of the British type or the Continental type. They felt that the question of fixing responsibility and taking suitable action against the officers who were connected with this unhappy transaction should be properly gone into.*

162. In regard to the ammunition of the higher calibre, manufacture of which was discontinued in 1954 as the Service did not accept the Company's design it was stated that the original agreement was in respect of lower calibre ammunition only. Later on, the Company stated that it could produce the ammunition of higher calibre also with certain additions and alterations to the plant, which was agreed to by the Government. *The User Service was not consulted at that time. The Committee desired to know the reasons for entering into an agreement with the firm for this type of ammunition without consulting the User Service.*

The Committee felt that this case should be gone into by a Sub-Committee. The representatives of the Ministry were, therefore, asked to furnish further information stating the circumstances leading to the agreement, the various defects and drawbacks therein, the officers connected with the deal, as well as the financial aspects of the project viz., the total investment, losses due to purchase of unwanted stores, non-utilisation of plant and machinery, overpayments made to the Company and the claims of Government outstanding against the Company and how it was proposed to settle them.

*Un-Coordinated manufacture in excess of firm demands—Para 16 (page 13) of Audit Report, 1957*

163. Two Ordnance Factories were entrusted by the D.G.O.F. with the manufacture of an ammunition. The filling of the ammunition and packing in cylinders was done by these two factories while the manufacture of components and other items was carried out partly by them and partly by various other Factories. While the filling of the ammunition was restricted to firm demands from the services, the manufacture of components was subjected to no restriction. *The firm demands for the ammunition ceased after September, 1950*

*but the D.G.O.F. did not issue instructions to the Factories manufacturing components to suspend production until the 18th June, 1953. As a result surpluses of components and other items totalling about Rs. 83.44 lakhs got accumulated.*

164. The Committee were informed that as a result of further orders received from the Services the position had since improved and stores worth Rs. 50 lakhs would now be utilised. There were possibilities of the utilisation of further quantity in the subsequent years.

It was explained that the loss was attributable to a great extent to the defective planning and provisioning procedure obtaining at the time. Until 1952, according to instructions in force, the Ordnance Factories went by the provision targets indicated by the M.G.O. and did not restrict production according to the firm demands. The procedure has since been revised and instructions issued to the effect that provisioning of the raw materials and manufacture of components should be restricted to the firm demands only.

**Avoidable expenditure due to non-cancellation of an inter factor, demand—Para 17 (Page 14) of Audit Report, 1957**

165. This para disclosed an irregularity similar to that indicated in the preceding paragraph. In February, 1953 an Ordnance factory placed an order for the manufacture of a certain store on another factory. This demand was cancelled by the D.G.O.F. in September, 1953 and both the factories were intimated accordingly. The feeder factory, however, did not receive the orders and continued to manufacture the store till June, 1955, when alone it was stopped on a reference from the indenting factory. Between September 1953 and June 1955 stores worth Rs. 7,82,689 were manufactured by the factory. Earlier in November, 1953 the feeder factory had intimated to the indenting factory that supplies had commenced and the stores would be supplied to it regularly; but the latter failed to inform the feeder factory that the demand had been cancelled and that further production was not necessary.

166. The representative of the Ministry of Defence stated that a Board had been constituted in July, 1958 to enquire into the circumstances leading to this avoidable expenditure and to fix responsibility on the officers at fault. *The Committee, however, noted that action to constitute the Board was taken by the Ministry of Defence after a lapse of three years and only after the matter was brought to notice by Audit.*

The Committee desired to know why the D.G.O.F. who was also kept informed of the progress of manufacture failed to detect that his cancellation order of September 1953 was not being implemented by the feeder factory. In extenuation the D.G.O.F. stated that under the old system of placing of inter-factory orders it was not possible for the D.G.O.F. to watch or control the manufacture of components at the various factories. The system is under revision and the work of placing of orders would be centralised in his office. The Committee desired to be furnished with copies of the order laying down the old and revised system.

**Accumulation of items of work-in-progress—Para 18 (pages 14-15) of Audit Report, 1957**

167. In an Ordnance Factory the value of work-in-progress has been progressively increasing for the past few years while the total work done has been generally decreasing. In 1950-51 the percentage of work-in-progress to total production was only 37, it rose to 61 in 1952-53 and 85 in 1955-56. *A comparative analysis of a few series of work orders indicated that in many cases, semi-finished articles are being manufactured and carried forward from year to year without any plan for their utilisation in manufacturing finished articles.*

168. In extenuation the D.G.O.F. stated that at times certain items were manufactured in the absence of proper designs and specifications having been received from the Services, either in order to develop their own designs or to meet urgent requirements. He further stated that it was not possible to restrict the production of work-in-progress on a financial year basis as the manufacturing process was continuous and there would be certain items to be carried forward to subsequent years. Efforts were, however, being made to avoid overproductions. In reply to a question as to how much of the accumulated stock would be utilised in further production and to what extent there has been an infructuous expenditure, the D.G.O.F. stated that a special review was being conducted of all the outstanding items and it would then be possible to determine the exact position.

**Stock verification in Ordnance and Clothing Factories—Para 20 (page 16) of Audit Report, 1957**

169. The stock verification conducted in five factories during 1955-56 was not complete as it did not cover materials worth Rs. 77.38 lakhs (scraps Rs. 29.28 lakhs, steel blooms and billets Rs. 35.78 lakhs and timber Rs. 12.32 lakhs) which have remained unverified for the past few years.

The non-verification of the above materials in these five factories has been attributed mainly to bulk and wide dispersal of stores and difficulties in handling and weighing and was condoned by Government in November, 1956.

The result of stock verification in all factories taken as a whole disclosed surpluses and deficiencies amount to Rs. 9,55,602 and Rs. 7,85,291 respectively.

170. In extenuation the D.G.O.F. stated that the scrap in the Ordnance Factories was of two kinds; that which was bought from other people (for making steel) and that which was arising out of the work of the factory. With regard to the latter type only brass scraps were at present being disposed of for which the D.G.O.F. had personally accepted the responsibility of ensuring its proper disposal. At present the material was being given to the Director of Small Scale Industries at a fixed rate. It was now proposed to convert these scraps into sheets which could be utilised in the manufacture of utensils.

As regards the steel scrap which was being obtained from the Railways, the D.G.O.F. stated that the cost of verification of the scrap up actual weighment was in his opinion for greater than any possible errors that might be discovered. The normal practice was to verify it by cubic estimation and it was proposed to store the scrap in such a manner that it was capable of being measured by cubic estimation. Another method of verification was through the finished articles i.e., by comparing it with the quantity of converted steel. He added that the condonation of stock verification of the scrap due to difficulties in weighing did not mean condonation of deficiencies. The items are being verified and the surpluses and deficiencies were regularised in the normal manner.

**Stock verification in the Navy—Para 21 (Pages 16-17) of Audit Report, 1957**

171. In a principal Naval Store Depot, stock verification during 1955-56 revealed discrepancies in 2,337 items out of 67,443 items in stock. It was stated that in a majority of the cases the surpluses and the deficiencies were attributable to difficulties in identifying certain items from others bearing a common pattern number of other close resemblance.

Hundred per cent verification of consumable stores conducted in a ship during 1955-56 disclosed surpluses and deficiencies to the extent of Rs. 12,905 and Rs. 56,567 respectively. It was stated that the deficiencies appeared to have accumulated over a period of years, due to non-completion of ledger-posting inexperienced staff and



defective methods, although in each of these years a certificate of stock verification had actually been furnished.

In evidence the representative of the Ministry of Defence stated that the Audit para referred to the flagship I.N.S. Delhi, which carried a large number of items of Naval Stores. Because of the conditions under which such large ships operate, it was not possible to carry out a stock verification every year and it was for this reason that the Government had ordered that stock on these ships might be verified once in 18 months. The stock taking was now being done continuously. The deficiencies pointed in the Audit para had since been regularised and *remedial measures taken to ensure proper stock verification in future.*

**Purchase of Unwanted Store—Para 13 (page 9) of Audit Report, 1957**

172. Out of a quantity of 9040 lbs. of a certain store purchased by a Naval Stores Officer in November, 1951 through the Purchase Organisation, at a cost of over Rs. 57,000 only 998 lbs. have been issued during a period of over 6 years, upto the end of January, 1958.

The purchase was stated to be to meet two years' requirements.

On a question as to the basis of the provisioning made by the Naval Stores Officer the Committee were informed that the details on the basis of which this demand was placed were not available. The Naval Stores Officer was on deputation from the British Admiralty and had since been reverted. It was, therefore, not possible to take any further action in the matter. Remedial measures had, however, been taken to prevent such irregularities in future.

173. The Committee then adjourned to meet again on the 31st October, 1958 at 10·00 hrs.

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**MINUTES OF THE THIRTIETH SITTING OF THE PUBLIC  
ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 31ST  
OCTOBER, 1958.**

174. The Committee sat from 10·00 to 13·45 hours.

**PRESENT**

Prof. N. G. Ranga—*Chairman*

**MEMBERS**

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri T. Sanganna
8. Shri Upendranath Barman
9. Shri Prabhat Kar
10. Shri Raghubar Dayal Misra
11. Shri H. C. Dasappa
12. Shri Khushwaqt Rai
13. Shri N. Siva Raj
14. Shri Amolakh Chand
15. Shri T. R. Deogirikar
16. Shri S. Venkataraman
17. Shri M. Govinda Reddy
18. Shri M. Basavapunnaiiah

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor  
General.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

## WITNESSES

*Ministry of Defence*

Shri O. Pulla Reddi, *Secretary*

Shri R. P. Sarathy, *Additional Secretary*

Shri B. G. Rau, *Joint Secretary*

Shri B. V. Baliga, *Managing Director, Bharat Electronics (P) Ltd., Bangalore*

Air Vice Marshal A. M. Engineer, *Managing Director, Hindustan Aircraft (P) Ltd.*

Shri Bahadur Murao, *Financial Manager, H.A.L.*

Major General Harkirat Singh, *Offg. M.G.O. & D.M.E., Army Headquarters.*

Major General R. N. Nehra, *D.O.S., Army Headquarters.*

Major General P. S. Chowdhury, *Offg. Q.M.G., Army Headquarters.*

Lt. Col. A. N. Vasudeva, *Chairman, Board of Administration, Canteen Stores Department.*

*Ministry of Works, Housing and Supply*

Shri M. R. Sachdev, *Secretary.*

Shri V. N. Rajan, *Director General of Supplies and Disposals.*

*Ministry of Finance (Defence)*

Shri S. Jayasankar, *Financial Adviser.*

Shri Phul Chand, *Controller General of Defence Accounts.*

*Ministry of Finance (E. A. Department)*

Shri Shiv Naubh Singh, *Additional Budget Officer.*

175. The Committee took up further consideration of the Appropriation Accounts (Defence Services) 1955-56 and Audit Report, 1957.

**Bharat Electronics (P) Ltd., Bangalore**

*Para 14 of Audit Report—Capitalisation of Revenue Expenditure.*

176. The Committee wanted to know the justification for capitalising the loss of Rs. 18,87,472 which the B.E.L. suffered up to the date of commencement of production by the factory viz. 1st January, 1956 and added it to the value of various assets. In extenuation, the

Defence Secretary stated that the loss in question actually represented the pre-production expenses of the company which were prior to the factory going into full production and were of a capital nature. (Such expenses had been shown as losses in the accounts for the year 1954-55).

The Comptroller and Audit General pointed out that before accepting the suggestion of the Company's auditors, the matter should have been referred to him for advice. He added that the losses included besides the preliminary expenses, trading losses which should not have been capitalised. The representative of the Ministry of Finance (Defence) stated that the entire amount related to preliminary expenses of the company before it went into production. He, however, admitted that it was not correct in principle to have capitalised and arbitrarily allocated it over different tangible assets when actually there had been no real addition to those assets. He assured the Committee that this was not done to camouflage the loss by absorbing it in assets. The B.E.L. could charge off a part of it to revenue in the form of depreciation.

The representative of the Defence Ministry stated that of the 3 methods suggested by the company's auditors for adjustment of these expenses, the Board of Directors adopted the one involving capitalisation and allocation to the various assets. *The whole question was, however, now under re-examination.*

*Pages 176-177 of Appropriation Accounts 1955-56—Second Annual Report—Production*

177. The Committee drew attention to the set-back in the production programme of the company because of the users asking for modifications in the receiver and the transmitter selected for manufacture and wanted to know whether proper research and planning was made before undertaking the manufacture of these equipments. The representative of the B.E.L. stated that the Company selected for production the equipments manufactured by their French Collaborators which came closer to the specifications of the users and made certain modifications to suit the users' operational requirements. The intrinsic value of the equipments had increased as a result of these modifications.

178. Referring to the recommendation made in para 43 of their 6th Report (Second Lok Sabha) that 'the capacity of the factory should be put to the best possible use and to this end the Government, the user services and the B.E.L. should address themselves earnestly', the Committee enquired of the progress made in this behalf. The representative of B.E.L. stated that as suggested by the

Committee, a Commercial Department had since been established to keep closer touch with the user departments for ascertaining their requirements. The B.E.L. were also negotiating with certain other firms to find out how best the requirements of the users could be met in a larger measure in collaboration with them. Further as a result of demonstration of certain French equipments to the satisfaction of the user departments, 3-5 equipments have recently been put on the production line.

As regards the utilisation of the capacity of the B.E.L. by the Defence Services, it was stated by the representative of the Defence Ministry that an assessment of the requirements of the three Services had been made and communicated to the B.E.L. who were examining as to what extent these could be manufactured by them. The representative of the Ministry of Defence added that at present only a little proportion of the capacity of the factory was being utilised for the production of equipment for the Defence Services. B.E.L. had recently undertaken the manufacture of a wireless set (W.S. 62) for the use of Army and Assam Rifles. In reply to a question it was stated by the representative of the B.E.L. that the idle capacity of the factory at present came to 50%.

The Committee desired to be furnished with the information on the following points in this connection:

- (i) What is the amount of foreign exchange spent on the import of electronic equipments by the Defence Services during the last two years which could have been manufactured by the Bharat Electronics (P) Ltd., had the user Services agreed to certain alterations in their specifications.
- (ii) A note stating the extent to which the installed capacity of the B.E.L. is at present being utilised for production of equipment for Defence Services and other Civil Departments and in what proportion? What are the reasons for non-utilization of the full built-up capacity of the factory and what measures are proposed to be taken to utilise it fully?

#### *Manufacture of Valves*

179. The Committee then referred to the question of manufacture of valves by the B.E.L. which was dealt with in para 47 of their 6th Report (Second Lok Sabha) and wanted to know the present position in this regard. The Defence Secretary stated that the B.E.L. had come to an agreement with a firm from Holland on certain

matters and had applied for a licence to the Ministry of Commerce and Industry. An important point which was still under consideration was whether the production of valves should be wholly in the Public Sector. The representative of the Ministry of Finance (Defence) stated that two firms from the private sector had also applied for licences for the manufacture of valves. The Defence Secretary disclosed that the Dutch firm with which the B.E.L. were negotiating for manufacture of valves, also wanted to collaborate with one of the two firms in the private sector who had applied for licences. In reply to a question, the representative of the B.E.L. stated that the present demand for the commercial valves in the country was of the order of approximately 1·8 million which was likely to go up to about 1·8 million in a few years if the broadcast receiver industry developed to the extent contemplated by the Ministry of Commerce and Industry. The B.E.L. were also aiming at a production capacity of 1·8 million valves which could be increased if the demand also went up. They would accordingly be able to meet the entire demand of valves in the country at present and in the near future also.

The Committee decided that their earlier recommendation that the valves should be manufactured in the public sector with a view to utilising the built-up capacity of B.E.L., might be brought to the notice of the Ministry of Commerce and Industry.

#### **Hindustan Aircraft (P) Ltd.**

*Appropriation Accounts (Defence Services) 1955-56—Pages 166-175.  
Profit & Loss*

180. The Committee wanted to know the reasons for decline in profits of the H.A.L. from Rs. 11·93 lakhs in 1953-54 to Rs. 3·52 lakhs in 1954-55 and Rs. 6·58 lakhs in 1955-56. In extenuation the Defence Secretary stated that the profits for the year 1953-54 included certain additional incomes for supplementary claims on the previous year's sales viz. refixation of prices which accounted for profit of Rs. 8 lakhs. In reply to a question it was stated that the increase of Rs. 3 crores in the subscribed capital of the company during the year 1956-57 was made to finance new capital projects which would not bear revenue for some years. The profit for the year 1956-57 was Rs. 32·28 lakhs before providing for contribution on account of gratuity to the employees and to the various reserves.

#### **Sales**

181. Explaining the reasons for decline in sales from Rs. 521·77 lakhs during 1954-55 to Rs. 520·85 lakhs in 1955-56 the representative

of the H.A.L. stated that there was delay in the delivery of some aircraft because of certain modifications therein. In reply to a question he stated that the HAL produced aircraft only against firm orders and sometimes there were delays in execution of orders due to difficulty in supplies of imported materials.

#### *Direct charges on Jobs and Miscellaneous Work*

182. The increase of Rs. 1.68 lakhs in direct charges over jobs and miscellaneous work in the year 1955-56 over the previous year was stated to be due mainly to the amortisation of development expenditure, tooling charges of Vampire aircraft and increase in outstation allowance.

#### *Factory and Office Expenses*

183. The representative of the HAL stated that the increase of Rs. 35 lakhs in 1956-57 over the previous year under this head was due mainly to increase in the salaries and wages (Rs. 15.28 lakhs) on account of annual increments and intake of personnel in connection with expansion and new projects. In reply to a question, the Defence Secretary stated that they had appointed selling agents in Burma for sale of H.T. 2 aircraft. It was disclosed by the representative of the HAL that so far only one aircraft had been sold to Burma. In all 115 H.T. 2 aircraft had been sold and the present stock of 17 was likely to be sold soon. The Committee wanted to be furnished with the following information:

Who are the selling agents of the HAL? What commission has been paid to the agents during the years 1955-56, 1956-57, and 1957-58?

#### *Sundry Debtors*

184. The Committee then drew attention to the unsecured sundry debtors which amounted to Rs. 185.41 lakhs in 1956-57 as against Rs. 167.64 lakhs in 1955-56, Rs. 159.7 lakhs in 1954-55 and Rs. 130.11 lakhs in 1953-54 and wanted to know the steps taken to avoid accumulation of outstandings as desired by them in para 37 of their Sixth Report (Second Lok Sabha). The representative of the HAL stated that under the present system of 'cost plus' followed in the HAL it took about 3 months to work out the cost of production from the relevant data. At the close of the year, therefore, costing of about 3 months old production would be outstanding. The Ministry of Defence had constituted a Committee in October, 1958 to go into the question of expeditious recovery of outstandings. The Comptroller and Auditor General pointed out that the outstanding stood

at Rs. 2,29 lakhs as on 31st March, 1958 of which Rs.92 lakhs pertained to a period of more than a year. He suggested that in order to overcome the difficulty of 3 months period taken in costing under the 'cost plus' system, they could fix a provisional price subject to final adjustment being made later. The representative of HAL stated that the matter was under consideration. In reply to a question the representative of the HAL stated that bad debts amounting to Rs. 10.78 lakhs were due from certain old Air Lines companies which had gone into liquidation and the matter was still pending with the liquidator. The Committee wanted to be furnished with information on the following points:—

- (i) Out of the total amount of Rs. 185.41 lakhs shown as unsecured Sundry Debtors in the Accounts for 1956-57 how much amount related to a period more than three months old? Similar information for the year 1957-58 may also be furnished.
- (ii) What measures have been suggested by the Committee appointed by the Ministry of Defence to go into the question of expeditious recovery of the outstandings?

#### *Drawal of Funds in advance of requirements*

185. The C & AG pointed out that the HAL had a cash balance of Rs. 270 lakhs in their bank account as on 31st March, 1957 and Rs. 123 lakhs as on 31st March, 1958 which indicated that the Company had been allowed to draw capital in advance of their requirements. The representative of the Ministry of Finance (Defence) stated that they had raised this point with the HAL and the matter was still under consideration. In reply to a question he stated that Finance sanctioned funds to the HAL after scrutiny of the ways and means estimates prepared by the HAL and they did not get any other information beyond that while sanctioning the funds.

#### *Annual Reports*

186. Referring to the recommendations contained in para 41 of their 14th Report (First Lok Sabha), the Committee desired that the Annual Report of the company presented to Parliament should include the department-wise activities of the company.

#### *Manufacture of Integral Rail-Coaches*

187. As regards the manufacture of Integral Rail Coaches by the factory, the representative of the HAL stated that they had so far only furnished two coaches of MAN type imported from Germany. The landed cost of the MAN shell imported from Germany, was



Rs. 1,62,500 and after furnishing it in HAL the total cost came to Rs. 2,40,000. It had been estimated that the cost of production and furnishing of a shell in the HAL would be stabilized at Rs. 1.56 lakhs. In reply to a question it was stated that the profit to be charged for supply of integral coaches to Railways was under discussion with the Railway Board.

The Committee desired to be furnished with information on the following points:—

- (i) How would the cost of an integral coach to be manufactured by HAL compare with that manufactured by the Integral Coach Factory, Perambur (Madras)?
- (ii) What would be the cost of production of the shell and furnished coach (including furnishings) in HAL *vis-a-vis* the landed cost of imported shell and coaches (separate figures for furnished and unfurnished coaches may be given)?

#### **Canteen Stores Department**

*Page 134—para 19—Appropriation Accounts, 1955-56*

188. The Committee wanted to know the reasons for the loss of Rs. 21,041 suffered in running the Garrison Cinema at Jullundur for the first 5½ months, which was taken over by the Canteen Stores Department with effect from 15th October, 1955. The representative of Canteen Stores Department stated that the loss was caused as a result of charging the entire expenditure on the Organisational set-up for taking over the Garrison Cinemas in the country amounting to Rs. 26,266 to this particular Cinema, as this was the only unit functioning in 1955-56. During the year 1956-57 there had been a profit of Rs. 15,000 in running the Garrison cinemas. In reply to a question he stated that the cinemas situated in the areas populated by civilians were earning concerns while those in far-flung places were not earning much. The Committee desired to be furnished with a note\* stating the number of cinemas run by the Canteen Stores Department and their financial working during the years 1955-56, 1956-57 and 1957-58 and the reasons for losses, if any.

#### *Future set-up of Canteen Stores Department*

189. Referring to para 40 of their Fourteenth Report the Committee wanted to know the present position regarding the future set-up of the Canteen Stores Department. The representative of the Ministry of Defence stated that the matter had been under consideration for

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\*See Appendix XIII.

some years and they were examining whether the organisation could be set up as a body financed from outside the Consolidated Fund of India.

The representative of the Ministry of Finance (Defence) stated that at one time there was a proposal to convert the department into a statutory Corporation but there were two disadvantages in that proposal—firstly as a corporation it would have to pay income-tax and secondly it would not be able to utilise the military credit notes for transporting goods at concessional rates. By paying income-tax the department would not be able to control the prices of goods and give donations to the troops for the various welfare activities as at present. The Committee wanted to be furnished with information on the following points:—

- (i) A note\* regarding the proposed future set-up of the Canteen Stores Department.
- (ii) A note\*\* stating the contributions made by the Canteen Stores Department out of its profits to the Officers' Clubs and other Ranks' Clubs or for other welfare activities of the Armed Forces during the last three years (1955-56 to 1957-58).

#### **Audit Report (Defence Services), 1957**

##### *Para 9 (c)*

190. The Committee then resumed consideration of para 9(c) of Audit Report, Defence Services, 1957 and examined the representatives of the Ministry of Works, Housing and Supply in so far as they were concerned in the disposal of the material in this case, at a loss of Rs. 27,371.

In the case of the material referred to in para 9 (c) of the Audit Report, it was auctioned in September, 1955 as no priority indenter was interested in it. The market value of the material as ascertained from three firms was assessed as Rs. 16,900 and the guiding price was fixed at 80% of the assessed market value for the purpose of auction, according to the prescribed procedure. The Committee wanted to be furnished with information on the following points:—

- (i) What was the market price of this material when it was purchased in 1950-51? What was the price in the next few years?
- (ii) What was the condition of the material in question when it was disposed of and to which firm it was sold?

\*See Appendix XV.

\*\*Not printed.

†See Appendix VII.

- (iii) Whether the material in question was subsequently purchased by the Defence Department? If so, at what price and from which firm?

*Para 10—Purchase of a Plant*

191. In this case a vulcanising plant purchased in 1949 at a cost of Rs. 51,690 from the American Surplus Store, Calcutta was sold in February, 1956 at a loss of Rs. 38,768. In addition a sum of Rs. 6,006 had been spent on freight from Calcutta to Delhi.

The representative of the Ministry of Works, Housing and Supply stated that the plant was sold to the U.P. Roadways, a priority indenter at a price fixed by Government. The Committee wanted to know the size of load for retreading of tyres in the Army and justification for not utilising the plant for this purpose. The M.G.O. stated that from 1951 to 1954 a total of 1950 tyres was got retreaded at a cost of Rs. 3,93,000 and 1,860 tyres were waiting to be retreaded in 1955, the annual average being approximately 1,000 tyres. The Committee wanted to be furnished with a statement showing the number of tyres purchased by the Army, the number of Tyres got retreaded, the number discarded, the number replaced and the cost involved in replacement and retreading etc. for the last 3 years.

*Para 11—Purchase of Mustard Oil*

192. In this case a quantity of 20,000 gallons of mustard oil purchased by a Central Ordnance Depot in 1952 to meet the estimated requirement for one year could not be used up even over a period of 4 years. 9,281 gallons were released to the disposal organisation in July, 1956 and finally sold in 1957 at a loss of about Rs. 31,000. In evidence the M.G.O. stated that the price of oil had actually gone up when the surplus stock was disposed of in 1957. The representative of the Ministry of Works, Housing and Supply stated that the loss in the disposal was due to the oil being five years old. Against the purchase price of Rs. 97,000 they got Rs. 66,000 in disposal, which in his opinion was the best price for the stuff.

193. Explaining the circumstances leading to over provisioning in this case, the Director of Ordnance Services stated that when the purchase organisation intimated in April, 1951 that the price of that oil had risen from Rs. 2 to 9/15/- per gallon, the provisioning officer reduced the original requirement of 43,900 gallons to 20,000 gallons. But while working out the revised requirements he did not take into account the stocks held in other depots besides the C.O.D. It was only at the time of the annual review carried out three months later, when the stock holdings of all the depots were available that

he detected that the demand could be reduced further to 8,300 gallons, but it was too late at that stage to do so without financial repercussions. *When asked whether any disciplinary action had been taken against the officer, he replied that the officer was inexperienced. He had actually been promoted later and the irregularity came to notice on receipt of audit objection.*

To question why action to dispose of the surplus oil was not initiated in November, 1951 when the indent could not be reduced, the D.O.S. stated that the officer concerned decided to proceed with the order in consideration of the rise in prices and its possible utilisation in future because of its indefinite life from the technical point of view. Explaining the justification for non-disposal of oil after the ban was imposed on its use as a diluent in June, 1952, the representative of the Ministry of Defence stated that besides its use as diluent for preservation, there were two other uses of the oil on which there was no ban. The Committee wanted to be furnished with information on the following points arising from this case:—

- (i) What action is proposed to be taken against the Army Officer who did not take into account the stock of oil held in other depots when he reviewed the requirements in May, 1951, which resulted in over provisioning?
- (ii) How long can the oil be preserved without losing its efficiency and market value?

194. The Committee then adjourned to meet at 10.00 hours on the 1st November, 1958.

PROCEEDINGS OF THE THIRTY-FIRST SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY,  
THE 1ST NOVEMBER, 1958

195. The Committee sat from 10.00 to 13.40 hours.

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PRESENT

Shri N. G. Ranga—*Chairman*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Shri Rameshwar Sahu
6. Shri T. Sanganna
7. Shri Upendranath Barman
8. Shri Prabhat Kar
9. Shri Raghubar Dayal Misra
10. Shri H. C. Dasappa
11. Shri Khuswaqt Rai
12. Shri N. Siva Raj
13. Shri Amolakh Chand
14. Shri T. R. Deogirikar
15. Shri S. Venkataraman
16. Shri M. Govinda Reddy
17. Shri M. Basavapunnaiiah.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General of India.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

Shri G. Swaminathan, *Accountant General, Central Revenues, New Delhi.*

Shri P. V. R. Rao, *Director of Audit, Food, Rehabilitation Supply, Commerce Steel and Mines.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

**SECRETARIAT**

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

**WITNESSES**

*Ministry of Defence*

Shri O. Pulla Reddi, *Secretary.*

Shri R. P. Sarathy, *Additional Secretary.*

Shri B. N. Varma, *Joint Secretary.*

Major General Harkirat Singh, *M.G.O.*

Major General P. S. Chowdhury, *Q.M.G.*

Major General R. N. Nehra, *D.O.S.*

*Ministry of Works, Housing and Supply*

Shri M. R. Sachdev, *Secretary.*

Shri V. N. Rajan, *Director General, Supplies and Disposals.*

*Ministry of Finance (Defence)*

Shri Jayasankar, *Financial Adviser.*

Shri Phul Chand, *Controller General, Defence Accounts.*

*Ministry of Finance (E. A. Department)*

Shri Shiv Naubh Singh, *Joint Secretary.*

**Avoidable purchase of telescopes—para 12 (pages 7-9) of Audit Report, 1957**

196. In August, 1950 an indent for 180 telescopes was placed with the I.S.D., London. Subsequently, a provision review of this item carried out by the M.G.O. in April, 1951 revealed a surplus of 467 telescopes, due to reduction in the scale of issue to the Units. The indent with the I.S.D., London was, however, allowed to stand on the ground that there was no indigenous manufacture of telescopes, the instrument was non-perishable and its procurement in future might be difficult.

Another provision review was made in April, 1952, which revealed an increased surplus of 861 telescopes due to the same cause. An attempt was, therefore, made in 1953 to cancel the indent placed in August 1950 by addressing the Military Adviser attached to the

High Commissioner, in London. The Military Adviser took up the matter with the I.S.D., London orally and he was informed that cancellation was not possible at that stage; but there was nothing in writing to support this.

The first lot of 36 telescopes was offered for inspection in September, 1951. As it was not according to the specifications laid down by the U.K. Government, the inspecting officer suggested that a reference might be made to that Government before accepting the goods. Instead of following this advice, the I.S.D. asked the supplying firm to certify that the telescopes were according to specification and on the basis of that certificate, the 36 telescopes were accepted in January, 1952. However, for want of leather cases the material could not be shipped to India and a separate contract for 180 leather cases was placed with another firm. A second lot of 26 telescopes was similarly accepted in June, 1953 on the basis of the certificate given originally by the supplying firm.

A third lot was inspected in February, 1954. On noticing certain optical differences, the matter was referred to the U.K. Government. *It was then revealed that the 61 telescopes already supplied by the firm were also materially different from the type indented and should not have been accepted.* Thereupon, the order for the balance of 119 telescopes was cancelled as the indenter had in June 1954 notified his desire to cancel the indent. The 61 telescopes already supplied could not be returned to the firm in view of the delay in intimating non-acceptance. *This resulted in an avoidable expenditure of Rs. 14,909 on the purchase of 61 telescopes and 180 leather cases.*

197. The representative of the Ministry of Defence admitted that it was a mistake on the part of the Military Adviser in not having recorded his conversation with the I.S.D., London in writing. The M.A. was no longer in service and no disciplinary action had been taken against him.

As derided by the Committee, the representative of the Ministry explained the procedure for placing and processing of indents by the Ministry in respect of items which are procured (i) from firms in the U.K. directly and (ii) through the agency of the U.K. Government.

198. The Committee enquired whether it was proper on the part of the purchase officer to accept the articles on a certificate from the supplier disregarding the advice of the Inspecting Officer that a reference be made to the U.K. Government.

In extenuation the representative of the Ministry of Works, Housing and Supply stated that in a large number of cases of defence stores purchased from firms of repute, the goods were accepted on the certificate of the producers. In this case, however, since the inspection had already revealed certain defects the proper course should have been to consult the U.K. Government and not merely be guided by the certificate of the firm.

In reply to a question whether it was not possible to get the 61 telescopes replaced as the certificates given by the firm proved to be false and it amounted to a breach of contract, it was explained that the matter was not pursued on legal advice. The legal adviser was of the view that no legal action was possible against the firm under the Sale of Goods Act, 1893 or for any breach of the contract as the buyer would be deemed to have accepted the goods, if after a reasonable time of the delivery, in this case it was more than a year, he retained them without intimating any objection. The telescopes supplied by the firm were so closely similar to another type of telescopes being used by the Army Units that for some time the difference could not be detected. It was only after specific enquiries were made that the difference was noticed by the Army and the particular type asked for. No objection could, therefore, be raised in time by the Army authorities to enforce a replacement of the telescopes from the firm.

**Stock verification in army units and formations (other than factories)—para 19 (pages 15-16) of Audit Report, 1957**

199. During 1955-56 stock verification was not carried out at all in sixteen formations (most of which were small) and was carried out only partially in twenty-two other formations.

The result of stock verification carried out in three Central Ordnance Depots, after the completion of the reorganisation scheme, showed large discrepancies as indicated in the Audit paragraph. Considerable discrepancies were also revealed in the case of three other Ordnance Formations and one Engineer Stores Depot.

200. In extenuation the representative of the Ministry of Defence gave a background of the re-organisation scheme introduced in the Ordnance Depots. Large stocks and quantities of stores were received during the war and the Services were not certain of what they had actually in their possession. It was only with a view to carrying out a physical check of these stores that the reorganisation scheme was initiated. It was, therefore, not correct to assume that after the reorganisation there should be no discrepancies in the stores held by the Depots.



The Committee were further informed that under the existing system only 5% check was carried out at the time of the receipt of the goods in the Depots etc. In cases any discrepancies are noticed in this 5% check the stores were checked thoroughly. Cent per cent check in all the cases was neither economical nor practicable. Efforts were, however, being made and sufficient progress had been achieved in improving the situation. The representative of the Ministry quoted facts and figures in support. *The Committee desired to be furnished with a note on the existing system of checks exercised by the Services on the receipt and issue of stores and the steps taken by them to train their staff in methods of store-keeping, stock-verification etc.*

The Committee also enquired about the progress made by the Services in providing covered accommodation for the bulk of the Defence Stores which were at present lying in the open exposed to inclemencies of the weather. The representative of the Ministry explained the difficulties which stood in the way of solving this problem; he hoped that substantial improvement would be effected in a year or two. He also promised to furnish a note\* on the subject for the information of the Committee. The Committee drew the attention of the Ministry to their failure to utilise even the funds sanctioned by Parliament to construct covered accommodation.

**Loss of revenue in the sale of aero-scrap, Para 23 (page 19) of Audit Report, 1957**

201. In April, 1954, 555 cwts of aero-scrap held by a depot were released to a firm, as a special case on the recommendation of the Ministry of Commerce and Industry at the rate of Rs. 53 per cwt as fixed by the Director General of Supplies and Disposals. Again in July, 1955 a further quantity of 106 cwts was released by the Ministry of Defence to the same firm at the same price.

The same kind of scrap sold by a Vehicle Depot at the same station through auctions fetched an average price of Rs. 72 per cwt. in April, 1954. Had action been taken to fix the sale rates after ascertaining the correct market prices the loss of revenue to the extent of Rs. 20,000 in respect of the second sale (July, 1955) could have been avoided.

202. The representative of the Ministry of Defence stated that normally salvage scraps were disposed of by the Defence authorities directly by auction. In this case, however, an exception was made in order to encourage an Indian Industry in need of the scraps. The decision was more or less of a semi-political nature. The possibil-

\*See Appendix X.

ities of obtaining a higher price from the sale of the material in the open market were also not overlooked before the decision was taken to sell the scrap to that firm at a lesser price.

203. Explaining the basis for determining the sale price at Rs. 53 per cwt, the Director General, Supplies and Disposals informed the Committee that it was fixed after taking into account the realisations in a previous sale of similar store in 1953.

**Injudicious purchase of a building—para 22 (pages 17-18 of Audit Report, 1957**

204. In June, 1949 the owner of a building (known as Rafia Manzil) in Bombay, wrote to the Army Headquarters, stating that he wished to sell it to the Army for any fair and reasonable price which might be offered. The building was then under mortgage to a private party for a sum of about 4 lakhs of rupees. *A Board of officers inspected the building and recommended its purchase for 5½ lakhs of rupees only if vacant possession was guaranteed.* While the matter was under negotiation with the owner, the building was sold in a court auction on the 20th November, 1950 for Rs. 3½ lakhs to the mortgagee who happened to be the highest bidder.

In December, 1950 (after the last date for setting aside the auction sale) arriving at a settlement with the owner of the building, Government deposited in the Court a sum of Rs. 5,10,000 to the credit of the suit and the auction sale was accordingly set aside. *No action was however, taken by the Government to establish a charge on the property till 30th April 1952 when a suit was filed against the owner with the consequence that between 20th December, 1950 and 30th April, 1952 the owner was allowed to collect and retain the rent of the flats. The legal ownership of the building came to be vested in the Government only in August, 1954.*

Notices to the tenants to vacate the building could be served only after August, 1954. Out of the ten flats only two have been got vacated so far but they were still not being utilised. Ejectment suits against the remaining tenants were filed only in 1958. In the meanwhile, large amounts have been spent on maintenance, and in paying arrears of municipal dues and other charges.

205. On a question why the Government did not bid for the building in the Court auction in November, 1950 with a view to obtaining it if possible, at a favourable price, it was stated that it was the policy of the Government not to participate in any auction. So far as this case was concerned there was no record to show why the suggestion to bid at the auction made by the Service

Headquarters was not considered by Government. The Comptroller and Auditor General, however, informed the Committee that from a copy of a note recorded in the Ministry of Defence some time in June 1950 it appeared that Government had decided to purchase the building through direct negotiations and not through auction.

The Committee desired to know why Government deposited a sum of Rs. 5.1 lakhs when the building had actually been sold in the auction for Rs. 3.5 lakhs only. The representative of the Ministry of Defence stated that at the time of making the deposit, the amount for which the building had been auctioned was not known to them. *The Committee were, however, not satisfied with this explanation.* The auction sale took place in November and the money was deposited by the Government on 20th December, 1950 (more than a month later) through the Government solicitor. *It was, therefore, difficult to believe that the Ministry of Defence and the Government solicitor were not aware of this transaction at the time.* They wanted to know the particulars of the officer/officers who were responsible for this overpayment. In further extenuation the representative of the Ministry recapitulated the circumstances leading to the whole transaction. He stated that the decision to purchase the building for Rs. 5.5 lakhs was a joint decision and no one officer could be made responsible for it. He further read out a note which had been recorded by the officer of the Ministry of Defence who had gone to Bombay to deposit the amount in the Court and finalise the transaction, which explained in detail the various steps taken by him to safeguard the interests of the State in this deal. It was also explained that the sum of Rs. 5.1 lakhs deposited in the court had no relation to the amount for which the building was sold in the auction and the court sale could not have been set aside without payment of the decretal amount viz., Rs. 5,10,000.

206. The Committee were also informed that the liability of the Government Solicitor for not taking adequate steps to secure ownership of the building to Government, and ensuring vacant possession, had been considered; but the Solicitor had since resigned his appointment.

The Committee desired to be informed of the total expenditure incurred by the Government on this account viz. the legal expenses, repairs and maintenance, loss on account of rents, etc.

207. In regard to the non-utilisation of the building the Committee were informed that although two flats had since been got vacated it was not possible to use them as the adjoining flats were

still occupied by certain undesirable persons. It was, therefore, not advisable to accommodate Military personnel there until and unless all the flats were got vacated. Ejectment suits for these flats had already been filed and were pending in Court.

*Further the Committee learnt with concern that the entire expenditure which had so far proved injudicious and infructuous was incurred without there being any pressing demand for accommodation from the Defence authorities in the Bombay area. The whole transaction was initiated on the basis of the offer of the sale made by the owner of the property. The Committee were unable to find any justifiable ground for this wasteful transaction.*

*(The witnesses then withdrew)*

208. Thereafter, the Committee considered and approved the following Draft Reports:—

- (i) Draft Tenth Report on the Excesses over Voted Grants and Charged Appropriations disclosed in the Appropriation Accounts (Civil), 1955-56.
- (ii) Draft Eleventh Report on the Appropriation Accounts (Posts and Telegraphs), 1955-56 and Audit Report, 1957 Part II.

The Committee authorised the Chairman to sign these Reports and to present them to the Lok Sabha.

The Committee also authorised Shri M. Govinda Reddy to present these Reports to the Rajya Sabha.

209. The Committee then adjourned *sine die*.

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PROCEEDINGS OF THE FIFTIETH\* SITTING OF THE PUBLIC  
ACCOUNTS COMMITTEE HELD ON THURSDAY, THE  
23RD APRIL, 1959

210. The Committee sat from 15.00 to 16.10 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Pandit Jwala Prasad Jyotishi
5. Shri Rameshwar Sahu
6. Shri T. Sanganna
7. Shri Upendranath Barman
8. Shri Raghubar Dayal Misra
9. Shri H. C. Dasappa
10. Shri Aurobindo Ghosal
11. Shri Jaipal Singh
12. Rajkumari Amrit Kaur
13. Shri Amolakh Chand
14. Shri T. R. Deogirikar
15. Shri S. Venkataraman
16. Shri M. Govinda Reddy
17. Shri Rohit Manushankar Dave.

Shri A. Kalyanaruman, *Deputy Comptroller and Auditor  
General of India.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

Shri K. Ranganadham, *Under Secretary.*

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\*Earlier sittings relate to the Appropriation Accounts (Civil), 1955-56 and Audit Report thereon etc.

211. The Committee considered and approved their Draft Seventeenth Report on the Appropriation Accounts, Defence Services, 1955-56 and Audit Report, 1957 subject to certain minor modifications here and there.

212. The Committee authorised Shri Amolakh Chand to present their Report to the Rajya Sabha.

213. The Committee then adjourned till 15.00 hours on Friday, the 24th April, 1959.

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PART III

Proceedings of the sittings of the Sub-committee of the Public  
Accounts Committee on the Defence Services Accounts held  
on the 24th, 25th, 27th and 28th November, 1958 and 1st, 2nd,  
3rd, 4th, 18th and 22nd December, 1958

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PROCEEDINGS OF THE FIRST SITTING OF THE SUB-COM-  
MITTEE OF THE PUBLIC ACCOUNTS COMMITTEE ON  
THE DEFENCE SERVICES ACCOUNTS HELD ON  
MONDAY, THE 24TH NOVEMBER, 1958

1. The Sub-committee sat from 9.30 hours to 10.50 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Shri A. C. Guha
3. Shri Upendranath Barman
4. Shri H. C. Dasappa
5. **Shri M. Govinda** Reddy
6. Shri Rohit Manushankar Dave
7. Shri Amolakh Chand
8. Shri S. Venkataraman.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General of India.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

*Ministry of Defence*

Shri R. P. Sarathy, *Additional Secretary.*

Shri S. D. Nargolwala, *Joint Secretary.*

Lieut General Daulet Singh, *Quarter Master General.*

Brig. H. L. Bhandari, *D.R.V. & F.*

*Ministry of Finance (Defence)*

Shri S. Jayasankar, *Financial Adviser.*

Shri B. Bhaktavatsalu, *Joint Financial Adviser.*

Shri Phul Chand, *Controller General of Defence Accounts.*



**Statement showing profit/loss made by individual Military Farms during the year 1955-56.**

2. At the outset, the Chairman suggested that the Sub-committee might confine themselves to examination of Appendix 'B' of the statement (Appendix XV) only, as para 3 of the note forwarded with the statement by the Ministry of Defence discussed certain matters which were stated to be under discussion between the Ministry and the Comptroller and Auditor General.

3. In reply to a question why the Military Farms at Ahmednagar, Wellington, Bareilly, Lucknow, Delhi and Ambala had shown wide variations in their working, as shown in Appendix 'A' to the statement, the representative of the Ministry promised to furnish detailed information through a written note.

4. In the case of the Farm at Lucknow, which had shown "worse results", one of the reasons therefor was stated as 'less trade'. In explaining the position, it was stated by the representative of the Ministry of Defence that if trade went down in a particular farm, the cattle were transferred to other farms where demand went up; but if the demand fell for a short period, the milk was transferred from one farm to another, failing which, the milk was converted into butter or ghee. He further stated that the conversion into butter or ghee itself being unprofitable, the process sometimes resulted in losses. It was admitted, however, by the representative of the Ministry that there was no bar to their selling the surplus milk in the open market. But, it was stated by the witness that there was not much scope for sales in the open market owing to the much higher prices of the farm milk than what prevails in the market.

5. The Sub-committee pointed out to the representative of the Ministry that a wrong impression was created from a study of the accounts of the working of the Farms as shown by the Ministry, if in one particular year abnormal expenditure was shown by way of replacements, etc., as is the practice at present, and it was, therefore, necessary to devise some methods by which the correct picture could be given. It was stated by him that if they split up the expenditure into individual farms so that the break-up could be watched, it would give a more accurate picture, and he himself was not satisfied with the present system of accounting. The Chairman suggested that the Ministry might discuss this matter with the Comptroller and Auditor General and evolve some method by which a better and more intelligible picture of the activities of these individual Farms could be presented through their account. The representative of the Ministry undertook to do this.

6. Certain anomalies for "better" or "worse" results as explained in the statement under consideration were then pointed out to the representative of the Ministry. In the statement under the Military Farm, Agra, one of the reasons for "better results" was given as less condemnation of live-stock, whereas under the Military Farm at Jhansi better results were obtained owing *inter alia* to 'more animals were condemned and more transfer of cattle.....thus more receipts.' The representative of the Ministry, while stating that they were fully aware of these deficiencies, informed the Sub-committee that a Committee consisting of some Military Officers, Head of the Division of Agronomy, Indian Agricultural Research Institute and Dairy Development Officer (Agriculture) had already been appointed by the Government of India which was going into these problems. The Sub-committee desired that the attention of the Committee appointed by Government should be drawn by the Ministry to these problems.

7. In reply to a question as to the method of condemning cattle, it was stated that when the Assistant Director at Command Headquarters visited the individual farms, uneconomical and diseased cattle were shown to him with their history sheets. After his endorsement on the history sheets, the cattle were auctioned in the presence of two officers to avoid any possibility of mischief.\*

As regards the method of depreciation of Live-stock Buildings and Plant and Machinery as shown at p. 149 of the Appropriation Accounts of Defence Services, 1955-56, it was stated by the representative of the Ministry that there were two systems. If mature cattle were brought in the open market, the cost thereof was reduced to the approved minimum value during the first lactation. But if the animal got matured in the farm, it was book-valued and then depreciated at 10% per annum. When it was pointed out to him that whatever procedure was followed, the depreciation account should cover all the losses on account of certain capital expenditure, the representative of the Ministry promised to look into this matter.

8. The Sub-committee then adjourned to sit at 10.00 hours on Tuesday, the 25th November, 1958.

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\*Subsequently the Committee visited the farms and suggested that the authorities should invite the representative of the I.A.R.I. or I.C.A.R. or Karnal Cattle Farm to join the Committee which is now entitled to settle these methods.

PROCEEDINGS OF THE SECOND SITTING OF THE SUB-COM-  
MITTEE OF THE PUBLIC ACCOUNTS COMMITTEE ON  
THE DEFENCE SERVICES ACCOUNTS HELD ON  
TUESDAY, THE 25TH NOVEMBER, 1958

9. The Sub-committee sat from 16:00 hours to 17:30 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Shri Arun Chandra Guha
3. Shri Upendranath Berman
4. Shri H. C. Dasappa
5. Shri M. Govinda Reddy
6. Shri Rohit Manushankar Dave
7. Shri S. Venkataraman.

Shri A. K. Chanda. *Comptroller and Auditor General of India.*

Shri A. Kalyanaraman. *Deputy Comptroller and Auditor General of India.*

Shri P. K. Basu. *Director of Audit, Defence Services.*

SECRETARIAT

Shri V. Subramanian. *Deputy Secretary.*

Shri M. C. Chawla. *Under Secretary.*

WITNESSES

*Ministry of Defence*

Shri O. Pulla Reddi. *Secretary.*

Shri B. N. Varma. *Joint Secretary.*

Shri S. D. Nargolwala. *Joint Secretary.*

*Ministry of Finance (Defence)*

Shri S. Jayasankar. *Financial Adviser.*

Shri R. Bhaktavatsalu. *Joint Financial Adviser.*

Shri Phul Chand. *Controller General of Defence Accounts.*

**Statement showing losses of cash, overpayments etc., as disclosed in the Appropriation Accounts of the Defence Services, 1955-56**

10. At the outset, it was suggested that Members of the Public Accounts Committee might visit Military Farms at Meerut which showed 'better result' and at Bareilly which showed some though reduced losses in the Statement showing profit/loss made by individual Military Farms during 1955-56 which was considered by the Sub-committee at their sitting held on the 24th November, 1958. It was agreed to by the Sub-committee and the representatives of the Ministry of Defence.\*

*Serial No. 6, page 42 of the Appropriation Accounts of Defence Services 1955-56*

11. This case showed a loss of Rs. 57,309 on account of hire charges for transport allowed to a State Forest Department contractor at reduced rates instead of at the prescribed "normal" rates. It was stated by the representative of the Ministry of Defence that since the military trucks were returning empty from Jammu and Kashmir and since that Government wanted to transport their timber, the Military Authorities agreed to transport the timber at the controlled rate of Rs. 1/8/- per maund upto Jammu and Rs. 2/2/- per maund upto Pathankot. Therefore, the Military Authorities deprived the benefit in this case, as otherwise the trucks would have returned empty. He also stated that Government had already received the payment.

The Sub-committee, however, desired to know whether any undue advantage or concession was given to the contractor. The representative of the Ministry undertook to furnish a note in this behalf *inter alia* indicating the controlled rate fixed under orders of the State Government (Jammu & Kashmir) for the transport of timber upto Jammu and Pathankot.

The Sub-committee were assured by the representative of the Ministry of Defence that this was only a single instance of military trucks carrying other goods as they had now issued instructions on the subject and such cases were not likely to recur.

*Serial No. 10, page 43 of the Statement*

12. In this case, a loss of Rs. 19,818 was caused by the issue of costlier varieties of fruit. The Contractor failed to supply the

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\*The Committee visited Military Farms at Meerut, Bareilly and Lucknow on the 30th November, 1958 and 5th and 6th December, 1958 respectively.

cheaper varieties provided in the contract and costlier varieties were purchased from the market to meet the shortage without the contractor being made to pay the difference.

The representative of the Ministry admitted that it was a mistake in not having placed the contract for new purchases at the risk and expense of the defaulting contractor. He further stated that three officers were involved in this case, of whom two had retired and one had been released from service. However, he promised to check up the dates of retirement. These cases, he added, were reviewed by a Central *ad hoc* Committee in 1954—six years after the case occurred—and at their instance the conduct of two officers for the operation of the contract was brought to the notice of the Director of Supplies and Transport but no particular disciplinary action was suggested.

Since the sub-Committee were not satisfied about the cumbersome procedure adopted by Government in such cases of loss etc. they desired to be furnished with a note stating the steps taken by the Ministry to ensure quicker disposal of such cases and prompt disciplinary action against guilty officials.

*Page 49 ibid—Statement showing various categories of total amount of stores losses—Item II(c) Appendix B—Appropriation Accounts of Defence Services, 1955-56—Deterioration.*

13. This case disclosed a loss of Rs. 38,911 by the deterioration of tinned milk, cheese etc. which could have been avoided if the articles could have been turned over in time to other depots. The representative of the Ministry stated that 1341 lbs. of tinned milk manufactured in March, 1949 were imported from Holland in November, 1949. The tins were opened in July, 1950 but on test in the Food Research Laboratory, the stuff was found to be unfit for human and animal consumption and was therefore destroyed in the presence of a Board of Officers. The matter was taken up with the suppliers in England who took it up with the manufacturers in Holland. But the matter got bogged down and there was no one to own responsibility. As regards cheese, which was picked out of composite ration for British troops when they departed, and sent to Deolali Supply Depot, it was found on inspection to have already deteriorated. In this case the supplier was not known.

In reply to a question, it was stated by the representative that whenever bulk purchases of foodstuff etc. were made, they were obtained direct from the suppliers in other countries. The quality of the stuff was guaranteed by the Government of the country of purchase through the Ministry of Food and Agriculture, it was added.

*Serial No. 4, page 50. Appropriation Accounts of Defence Services, 1955-56*

14. This is a case of short receipt of 8 tons and 2,025 lbs. of rice in September, 1951 involving a loss of Rs. 6,052. It was admitted by the representative of the Ministry that the loss resulted through the inefficiency and shortcoming on the part of the officers on the spot who did not report the loss to the Railway when the short deliveries were known. They did not report. Courts of Enquiry were held and the displeasure of the Area Commander was conveyed to one officer and the other Junior Commissioned Officer was administered a warning. The third officer responsible had already retired in July, 1954 by the time the action was completed.

The sub-Committee desired, however, that the Ministry should devise ways and means to simplify the procedure for instituting enquiries in such cases and for taking prompt disciplinary action against the delinquent officers.

*Serial No. 5, page 50 of the Appropriation Accounts*

15. In this case, deficiencies of stores amounting to Rs. 13,881 occurred in a Station Supply Depot, as the officer commanding the Unit had not carried out stocktaking of ground balances of stores. It was stated by the representative of the Ministry that in this case a Court of Enquiry was held. The Commander of the Area took notice of the lapse and ordered on the 18th December, 1950 that disciplinary action should be taken against the officer concerned. As the representative of the Ministry could not say what action was taken against the officer, the sub-Committee desired to be furnished with a note in this behalf.

*Serial No. 6, page 51. Appropriation Accounts*

16. A loss of Rs. 18,514 was caused by the leakage of certain hygiene chemicals which were transported in containers put inside wooden cases from Calcutta to Ramgarh. Recoveries of Rs. 195, Rs. 99 and Rs. 50 were effected from the individuals held responsible for this loss. The Court of Enquiry held in this case came to the conclusion that the chemicals must have leaked out because of the wooden cases.

In reply to a question, the representative of the Ministry informed the sub-Committee that 100 per cent physical stock verification was done annually in the units. As regards the depots and huge installations, one package was picked out at random and checked.

17. The sub-Committee then adjourned till 10.00 hours on Thursday, the 27th November, 1958.

PROCEEDINGS OF THE THIRD SITTING OF THE SUB-COM-  
MITTEE OF THE PUBLIC ACCOUNTS COMMITTEE ON  
THE DEFENCE SERVICES ACCOUNTS HELD ON  
THURSDAY, THE 27TH NOVEMBER, 1958.

18. The sub-Committee sat from 10.00 hours to 11.00 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Shri A. C. Guha
3. Shri Upendranath Barman
4. Shri H. C. Dasappa
5. Shri M. Govinda Reddy
6. Shri Rohit Manushankar Dave
7. Shri Amolakh Chand
8. Shri S. Venkataraman.

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor-  
General of India.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

*Ministry of Defence*

Shri O. Pulla Reddi, *Secretary.*

Shri B. N. Varma, *Joint Secretary.*

Lieut. General Daulat Singh, *Quartermaster General.*

*Ministry of Finance (Defence)*

Shri S. Jayasankar, *Financial Adviser.*

Shri R. Bhaktavatsalu, *Joint Financial Adviser.*

Shri Phul Chand, *Controller General of Defence Accounts.*

**Statement showing losses of cash, overpayments etc. as disclosed  
in the Appropriation Accounts of the Defence Services,  
1955-56**

*Serial No. 7, Page 51 of the Appropriation Accounts*

19. The case disclosed a loss of Rs. 11,568 due to misappropriation of stores in an Army Service Corps Company detected in March, 1951. The representative of the Ministry of Defence stated that the prosecution against the Havildar concerned was instituted in September, 1951, but when the civil law authorities decided that there was no case against him after the lapse of such a long period, he was eventually dismissed. He further stated that the case against the other officer against whom a Court of Enquiry was instituted was dismissed as the findings of the court of enquiry were that there was no *prima facie* case against him under the Army Act. It appeared that when the accused in this case was discharged in June, 1953 sanction for prosecution was asked for by the local police in the same month and it was recorded in September, 1953. The civil prosecuting authorities did not ask for sanction earlier. It was also disclosed that the Public Prosecutor who was conducting this case on behalf of Government asked for a number of adjournments from the Court. In reply to a question, the representative of the Ministry admitted that the Military authorities did not pursue the case with regard to the according of sanction as they should have. When asked whether any responsibility was fixed for this failure, he stated that that point was not pursued.

The sub-Committee, however, desired to be furnished with information\* on the following points:—

- I. (i) Whether the Court dismissed the case because it was delayed or for want of the requisite sanction of the Government?
- (ii) On what date was the complaint filed?
- (iii) On what date did the Public Prosecutor apply for sanction?
- (iv) What were the grounds advanced by the Public Prosecutor for adjournment petitions from time to time?
- (v) When did the Court strike off the case? What are the reasons for the failure of the Central Government to accord sanction even by that time?

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\*See Appendix XII



- II. A note dealing with the report from the Controller of Defence Accounts giving the details of the local Audit carried out in this case between 1949 to 1951 asked for by the C.G.D.A.

*Serial No. 9, page 51*

20. In June 1949 one of the Composite Supply Platoons vouchered off 3,120 filled jerricans of petrol, while actually 2,120 jerricans were physically transferred from that Platoon. The irregularity was detected in 1951 by the Internal Check Authorities. This resulted in a loss of Rs. 16,997.

In reply to a question it was admitted by the representative of the Ministry that at the time this irregularity took place, there was no peace-time accounting system, nor were any records available as to what actually happened. But two Courts of Enquiry had been held in this matter and an *ad hoc* Committee had also gone into it. But no responsibility could be fixed for want of any evidence. In reply to a question, the Controller General of Defence Accounts stated that his Organisation carried out local audit in the case of static units like Supply Depots etc. located in the Jammu and Kashmir. But in the case of mobile formations like the fighting units, no audit was done. In the present case, which related to a Supply formation, audit was carried out and the irregularity detected.

*Serial No. 47, page 63*

21. This case relates to the write-off of the loss of Rs. 3,65,757 in respect of ammunitions that were air-dropped during operations.

It was stated by their representative of the Ministry of Defence that the stores in question were dropped when the land communication was closed due to heavy snowfall. Whatever information was available in records was in possession of an N.C.O. who was buried under the snow and died on his way to the supply point. The representative of the Ministry contended that it was not possible in such cases to obtain written receipts.

*Serial No. 48, page 63*

22. A loss of Rs. 1,54,432 had to be written off as the materials despatched got diverted to places other than the one for which they were despatched. It was stated in extenuation that when such things happened during the war conditions, it was difficult to do anything. No records were available and no court of enquiry was held.

*Serial No. 50, page 63*

23. During March to August, 1954, there was a loss of Rs. 1,84,892 owing to evaporation in bulk storage and during filling operations etc. of 71,300 gallons on mechanical transport gasoline at a Petroleum Depot.

The representative of the Ministry stated that the amount of loss sustained in this case was within the permissible limits of one per cent per month of the total stock of petrol which was allowed to be written off due to evaporation, leakage and atmospheric conditions. In the present case, it was only 0.26 per cent.

*Serial No. 58, page 65*

24. This case relates to a loss of Rs. 8,09,693 representing cost of surplus stuff which were meant for issue to British troops. But the foodstuffs had deteriorated even before they actually left.

The representative of the Ministry explained that there was no case for disciplinary action, as no one knew whether the stocks in question formed part of the British Government's stores or that of the Indian Government's.

*Serial No. 61, page 65*

25. This refers to a loss of Rs. 1,20,000 on account of rations issued to certain civil and military optees for Pakistan at Kalyan Camp.

It was stated that the money was spent under orders of Government of India as these persons were being evacuated to Karachi (Pakistan).

26. The sub-Committee then adjourned till 16.00 hours on Friday, the 28th November, 1958.

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PROCEEDINGS OF THE FOURTH SITTING OF THE SUB-COMMITTEE OF THE PUBLIC ACCOUNTS COMMITTEE ON THE DEFENCE SERVICES ACCOUNTS HELD ON FRIDAY, THE 28TH NOVEMBER, 1958.

27. The Sub-Committee sat from 16.00 to 17.20 hours.

PRESENT

Prof. N. G. Ranga—Chairman.

MEMBERS

2. Shri A. C. Guha
3. Shri H. C. Dasappa
4. Shri M. Govinda Reddy
5. Shri Rohit Manushankar Dave
6. Shri Amolakh Chand
7. Shri S. Venkatraman.

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General of India.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

SECRETARIAT

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

*Ministry of Defence*

Shri O. Pulla Reddi, *Secretary.*

Shri B. N. Verma, *Joint Secretary.*

Major General R. E. Aserappa, *Engineer-in-Chief*

*Ministry of Finance (Defence)*

Shri S. Jayasankar, *Financial Adviser.*

Shri Phul Chand, *Controller General of Defence Accounts.*

Shri D. S. Nakra, *Additional Financial Adviser.*

28. The Sub-Committee took up further examination of the statement of losses of cash, overpayments, etc. pertaining to the post-partition period included in the Appropriation Accounts (Defence Services), 1955-56.

**Engineer-in-Chief's Branch****APPENDIX A**

*Page 39-S. No. 8—Loss amounting to Rs. 46,076 due to improper administration of a contract for the supply of stone boulders entered into during the year 1948.*

29. This case was examined by the Public Accounts Committee of 1951-52 (c.f. para 24 of Second Report, 1952). The loss was actually written off in 1956. The Sub-Committee wanted to know the reasons for delay in writing off the loss. In extenuation, the Secretary, Ministry of Defence stated that the delay was due to accumulation of arrears of Audit objections. *Ad hoc* Committees were appointed in 1952 and 1955 to clear the arrears.

*Page 39, S. No. 10—Loss of Rs. 14,007 on account of extra expenditure incurred in rectifying the defects (departmentally) in certain water mains laid by a contractor in November, 1948.*

30. The representative of the Ministry of Defence stated that the contract in this case was defective. The specifications stipulated in the contract were imperfect, the tender was unworkable and the work itself was not executed according to the specifications. The Garrison Engineer and the Assistant Garrison Engineer concerned were punished. In reply to a question, the Engineer-in-Chief stated that the name of the contractor was removed from the list of approved contractors of M.E.S. for a period of 5½ years for not executing the work according to the specifications.

When asked whether the amount could not be recovered from the contractor as penalty, the representative of the Defence Ministry stated that the work was completed in November, 1948 while the Defence authorities came to know of the defects in 1949 and the contractor could not be held responsible because the contract was defective. The Engineer-in-Chief added that the usual procedure was that any defect found within 12 months of completion of a work was to be rectified by the contractor concerned at his own expense. The representative of the Ministry of Finance (Defence) stated that the security deposit, or, indemnity bond rendered by the contractor was retained by Government for one year after the completion of work to safeguard Government any loss.

The Sub-Committee desired to be furnished with a note stating the cases where the contractors were made to rectify the defects found in works within one year of their completion and cases where such defects were rectified departmentally and expenditure incurred thereon recovered from the contractors, during the years 1956-57 and 1957-58.

*Page 40, S. No. 11—Loss amounting to Rs. 6,393 due to overpayment to a contractor on account of excess payments through Running Account Receipts and Over issues of stores detected in June 1951 and January, 1953 respectively.*

31. Attempts made to recover the amount through correspondence and from the money due to the contractor, if any, in other divisions proved futile and in May, 1954 it was known that the contractor had actually absconded and so no recovery was possible. A sum of Rs. 3,065 available from the security deposit of the contractor was set off against the overpayment.

Explaining the reasons for overpayments, the Engineer-in-Chief stated that during the execution of works monthly payments were made to the contractors up to a value of the work done less 10% and value of stores issued, but in assessment of the value of monthly payments, the contractors might be overpaid. In the present case through the running payments, the contractor was overpaid to the extent of Rs. 9,450. The case related to the year 1947-48 when there was a shortage of qualified personnel caused by the departure of British Officers and consequently junior officers not having much experience had been promoted to higher positions. He, however, assured the Committee that there had been much improvement in the state of affairs now. In reply to a question, as to why no effective action was taken immediately after the overpayment was detected in 1951, he stated that besides their normal day-to-day work, they had to clear arrears of some 63,000 Audit Objections accumulated during the pre-independence era, which accounted for delay.

The Sub-Committee wanted to be furnished with a Statement showing the number of cases of overpayments made to the contractors and amounts involved from the year 1950 onwards, yearwise and reasons therefor.

*Page 44—S. No. 16—Loss amounting to Rs. 28,746 on account of deficiencies of furniture revealed during stock-verification in September, 1947.*

32. The deficiencies were attributed to barrack damages by the Units to whom the furniture was issued. The representative of the Ministry of Defence stated that the cost of damage could not be recovered from the Units concerned as they had been disbanded. Intervening, the Deputy C. & A.G. pointed out that the normal procedure was to settle these things before the units were disbanded.

*Page 45—S. No. 17—Loss amounting to Rs. 10,496 on account of incorrect description of certain engineer stores despatched during 1949 on Civil Credit Notes leading to the payments of additional freight charges to Railways.*

33. The representative of the Ministry of Defence stated that more charges had to be paid to the Railways for transportation of the stores due to their detailed descriptions not having been given. Referring to a note recorded in February, 1955, he added, no responsibility could be fixed on any individuals at that stage for inadequate description of stores. In reply to a question, he stated that no court of enquiry was instituted as the individuals had either been discharged or posted away.

The Defence Secretary pleaded that such cases occurred during the period 1947-50 which was an unsettled period after the war.

#### APPENDIX B

*Page 49-II (c)—Losses amounting to Rs. 2,35,191 due to deterioration of Military Engineer Stores and buildings*

and

*Page 66—S. No. 66—Loss amounting to Rs. 1,17,570 due to long storage of 38 pontoons in the open.*

34. The representative of the Ministry of Defence stated that out of the total amount of Rs. 2,35,191 a major amount of Rs. 1,17,570 pertained to the loss on account of 38 pontoons rendered unserviceable due to long storage. In reply to a question the Engineer-in-Chief stated that the pontoons which were received by the Depot concerned from another Depot in 1948 were kept in the open due to dearth of covered accommodation. Further, the pontoons were already in a bad condition and after 3 years' storage in the open, they became unserviceable. He added that due to lack of covered accommodation, a very large proportion of the stores was kept in the open at present. *In reply to a question, the Engineer-in-Chief stated that the officer Commanding of a Depot decided upon the type of stores which were to be kept under covered accommodation or stored in the open, according to the tactical value of the stores. The Chief Engineer concerned also visited the Depots under his control periodically to inspect the storage of various stores. The Storage Preservation Committee under the Quarter Master General indicated for the guidance of the Defence Authorities the methods for preservation and stocking of the various items of stores.*

The Defence Secretary stated that in the present case the pontoons were cannibalised and spares of the value of Rs. 6,270 were taken on charge for carrying out repairs to the pontoons.

*Page 52—S. No. 16—Losses amounting to Rs. 53,221 and Rs. 64,119 due to loss of Pierced Steel Planks detected in March, 1950 in a Military Engineer Services Division.*

35. The Engineer-in-Chief stated that the stock verification in two abandoned wartime airfields revealed the deficiency of a number of pierced steel planks amounting to Rs. 1,16,934 which were not counted during handling and taking over and were handed/taken over according to measurements, as the P.S.Ps. were submerged under the ground and shrubs. A staff court of enquiry was held in May, 1951 to investigate into the losses. According to the Appropriation Accounts, a Store Keeper and Chowkidar were held responsible in one case. The former was retrenched from service on 14-3-50 and the latter absconded. Arrears of pay due to these individuals (Rs. 199 and Rs. 207) were credited to Government. In the other case, responsibility could not be pin-pointed.

*Page 65—S. No. 62—Loss amounting to Rs. 1,54,027 representing value of stores found deficient on physical check during 1951-52.*

36. The Engineer-in-Chief stated that the Depot concerned which had been built during the War held at that time 30,000 tons of stores of 70,000 types valuing Rs. 12 crores. There was no proper stock-taking and stores were being received by the Depot from U.K. towards the end of the War. The stores in the packages did not agree with the markings outside or invoices.

*The Sub-Committee asked the Engineer-in-Chief to ensure that there was an improvement in the state of store-accounting in future.*

#### APPENDIX C

*Page 73, S. No. 1—Loss amounting to Rs. 24,200 on account of expenditure on normal repairs to valley gutters in 22 sheds in a Central Ammunition Depot, which were completely re-roofed subsequently.*

37. In this case, 22 sheds repaired as part of the contract for the repair of 90 sheds concluded on 30th March, 1949 were again included in the re-roofing project of 200 sheds sanctioned on the 26th May, 1949. The Engineer-in-Chief stated that during the repair operation of valley gutters of the sheds in the first project, it was decided to enlarge the scope of repairs which overlapped the first operation already in hand. When the Chief Engineer concerned visited the Depot, he stopped the rest of the work on the first operation, as

major repairs had subsequently been sanctioned. The repairs stipulated in the first project had already been carried out in the case of these 22 sheds which were included in the second repair project. These sheds were, therefore, repaired twice.

38. The Sub-Committee decided to cancel their sitting fixed for the 29th November, 1958 and adjourned till 16.00 hrs. on the 1st December, 1958.

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PROCEEDINGS OF THE FIFTH SITTING OF THE SUB-COMMITTEE OF THE PUBLIC ACCOUNTS COMMITTEE ON THE DEFENCE SERVICES ACCOUNTS HELD ON MONDAY, THE 1ST DECEMBER, 1958.

39. The Sub-Committee sat from 16·00 to 17·05 hours.

PRESENT

Prof. N. G. Ranga—*Chairman*

MEMBERS

2. Dr. Ram Subhag Singh

3. Shri A. C. Guha

4. Shri M. Govinda Reddy

5. Shri Rohit Manushankar Dave

6. Shri S. Venkatraman.

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General of India.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

SECRETARIAT

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

*Ministry of Defence*

Shri O. Pulla Reddi, *Secretary.*

Shri S. D. Nargolwalla, *Joint Secretary.*

Lt. General Bahadur Singh, *Adjutant-General.*

*Ministry of Finance (Defence)*

Shri S. Jayasankar, *Financial Adviser.*

Shri Phul Chand, *Controller General of Defence Accounts.*

Shri H. K. Hariharan, *Additional Financial Adviser.*

Shri D. S. Nakra, *Additional Financial Adviser.*

The Sub-Committee took up further considerations of the Statement of Losses of cash, overpayment etc. pertaining to the post-partition period included in the Appropriation Accounts (Defence Services), 1955-56.

## Adjutant General's Branch

### APPENDIX A.

*Page 37—S. No. 2—Loss amounting to Rs. 44,747 arising out of irregularities in cash accounts of an Army Service Corps Company relating to the period September, 1947 to January, 1949.*

40. Although the irregularities were pointed out by internal audit in November, 1949, the Court of Enquiry to investigate the losses was held only during December, 1950 to January, 1951. The Court Martial was held from the 31st January to 7th June, 1952.

Explaining the circumstances leading to the two enquiries held into the case *viz.*, Court of Enquiry and Court Martial, the representative of the Ministry of Defence stated that the Court of Enquiry had found that there was lack of supervision but there was no fraud. The Area Commander had suspicion about one small item of Rs. 4,500 and, therefore, a Court Martial took place on that item only. The charge could not, however, be proved in the Court Martial and the officer was acquitted on that count. The Officer who was a Short Service Regular Commissioned Officer was discharged.

To a question why it took about a year to hold the Court of Enquiry into the case after the irregularities had been brought to the notice of the Army authorities by the C.G.D.A., the representative of the Ministry of Defence stated that this period was taken in settling with the C.G.D.A., the various amounts involved which were brought down from Rs. 1,40,000 to Rs. 44,747. Intervening, the Defence Secretary admitted that a delay of one year for holding the Court of Enquiry was not satisfactorily accounted for. A departmental Committee appointed by the Defence Ministry had also noticed this delay and had urged the necessity for eliminating such delays. He assured the sub-Committee that suitable instructions on the subject had been issued by the Army Headquarters early in 1954 and no such delays in holding courts of enquiry occurred now.

In reply to a question, the Adjutant General stated that the officer was put under open arrest in the present case during the period of the Court Martial.

*Page 37—S. No. 3(a)—Loss amounting to Rs. 74,823 due to embezzlement by a cashier during the period prior to January, 1952 detected on 28th January, 1952.*

and

*Page 38—S. No. 3(b)—Loss of cash amounting to Rs. 66,642 from the premises of Reserve Bank at a station in February, 1953.*

41. Both the cases occurred in the office of the same Garrison Engineer. In the first case, the cashier who absconded from the

28th January, 1952 was apprehended by the Police two years later but was acquitted by the Court. The case against him was not pursued further on legal advice.

In the second case, the theft occurred while the money was in the custody of a peon to whom it had been entrusted by the cashier who was encashing another cheque. The peon was dismissed from service and the Cashier was made to forfeit two annual increments with cumulative effect. The Garrison Engineer who was considered negligent in having allowed the drawal of such a large sum by the Cashier in contravention of rules was dismissed from service. Disciplinary action was also taken against the escorts.

The representative of the Ministry of Defence stated that although the Cashier involved in the first case was acquitted by the Court, he was convicted by the High Court on another defalcation charge and was dismissed from service within six months. In reply to a question, the Defence Secretary stated that the findings of the Court in the first case was that the prosecution had not been effectively conducted. The representative of the Defence Ministry stated that the Garrison Engineer was dismissed from service and cashiered in the second case as a result of the Court Martial. in September, 1953.

*Page 38—S. No. 6—Loss amounting to Rs. 21,903 on account of fraudulent payments obtained by an ex-Havildar Clerk during January to August, 1951 by presenting spurious payment authority at different Army Units and forged emergency cash requisitions at four Civil treasuries.*

42. This case had already been reported in para 27 of the Audit Report, Defence Services, 1952. The Sub-Committee wanted to know the present position regarding recoveries made from the persons responsible in this case. The representative of the Ministry of Defence stated that severe action had been taken against the Army Officers responsible in this case. A part of the amount was recovered from one Lt. Colonel who was also reverted to the rank of Major. The other officers were warned.

As regards the four Treasury Officers responsible for making payments in this case, the representative of the Ministry of Defence stated that one officer responsible for payment of Rs. 985 had retired and no action could be taken against him by the State Government concerned. The Clerk concerned in the Treasury had been warned and his increment stopped for one year. In the case of another Treasury, the State Government had decided to recover Rs. 2,000 and Rs. 1,000 from the Deputy Collector and his Account-

ant respectively who were responsible for making the wrong payment of Rs. 9,985. The State Government had informed that the recoveries were being made from the officers concerned in parts and the full amounts when recovered would be credited to the Government of India. The institution of disciplinary action against the other two treasury officers was stated to be under consideration by the State Government concerned.

In reply to a question, the representative of the Ministry of Defence stated that there were instructions already that without checking the identity of the person concerned, no payment should be made and, as far as possible, the payment should be made from the unit to which the officer belonged or from his Record Office. In the present case, the official was going from one place to another telling each officer that he had been discharged and was asked to collect his gratuity and mustering-out benefits. It was in fact due to the standing instruction's on the subject that the fraud was detected by one of the Officers. Adherence of these instructions had been reiterated, he added.

*Page 42—S. No. 1—Loss of Rs. 53,262 on account of payment of mustering out concessions by the Chief Commissioner of a Centrally Administered State to the personnel of State Forces at a scale more generous than authorised by the Government of India*

43. The representative of the Ministry of Defence stated that the overpayment in this case related to the ex-State Forces of a State merged into the Union of India in September, 1949. The Chief Commissioner concerned issued an order in December, 1949 promulgating the mustering out concessions, which were gazetted in the Gazette of the State on 13th March, 1950. Meanwhile in February, 1950 the Defence Ministry issued their own orders for mustering out concessions and their responsibility for payment of these concessions started with effect from 1st April, 1950 prior to which it was the liability of Civil estimates under the Ministry of States. But certain payments were made by Chief Commissioner according to the old rates due to non-receipt of the copy of the orders issued by the Defence Ministry in February, 1950, promulgating the revised rates. As soon as the matter came to their notice, further payments were immediately stopped. In reply to a question, he stated that the Chief Commissioner had not consulted the Ministry of States in fixing the mustering out rates in December, 1949, for which lapse, the officer had expressed his regrets. In reply to another question, the representative of the Ministry of Defence stated that it was not possible to say at this stage whether the copy of the orders issued by the Defence Ministry was despatched by registered post, as the late States

Ministry were handling the matter at that time. The normal practice was to send all orders involving financial commitments by registered posts.

44. The Sub-Committee decided to visit the Military Farms at Bareilly and Lucknow on the 5th and 6th December, 1958:

45. The Sub-Committee then adjourned till 16:00 hours on the 2nd December, 1958.

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**PROCEEDINGS OF THE SIXTH SITTING OF SUB-COMMITTEE  
ON DEFENCE SERVICES ACCOUNTS HELD ON THE 2ND  
DECEMBER, 1958**

46. The sub-Committee sat from 16·00 to 17·30 hrs.

**PRESENT**

Prof. N. G. Ranga—*Chairman*

**MEMBERS**

2. Shri Upendranath Barman
3. Shri M. Govinda Reddy
4. Shri Rohit Manushankar Dave
5. Shri H. C. Dasappa

Shri A. Kalyanaraman—*Dy. C & A.G.*

Shri P. K. Basu—*Director of Audit Defence Services.*

**SECRETARIAT**

Shri M. C. Chawla—*Under Secretary*

**WITNESSES**

*Ministry of Defence*

Shri B. G. Rau—*Joint Secretary.*

Shri H. C. Sarin—*Joint Secretary.*

Air Vice-Marshal D. A. R. Nanda—*D.C.A.S. Air-Hqrs.*

Air-Commodore E. W. Pinto—*A.O.A. Air-Hqrs.*

Air-Commodore M. S. Chaturvedi—*A.O.M. Air-Hqrs.*

Brig. K. T. Mathew—*Judge Advocate General.*

Brig. J. K. Khanna—*Director of Personal Services, Army  
Hqrs.*

Shri S. Jayasankar—*Financial Adviser*

Shri M. K. Hariharan—*Addl. Financial Adviser*

Shri Phul Chand—*Controller General of Defence Accounts*

47. The sub-Committee took up further consideration of the statement of losses of cash, overpayments etc. included in the Appropriation Accounts (Defence Services), 1955-56.

**General Staff Branch****APPENDIX A**

*Page 40—S. No. 15—Loss Amounting to Rs. 13,781 resulting from misappropriation/irregular maintenance of store and cash accounts of an infantry unit during 1st January, 1949 to 31st October, 1950.*

48. In this case, a large number of irregularities took place viz. purchases were made from educational amenity and training grants without proper sanction and the stores were not taken on ledger charge, production of bogus receipts to support payments purported to have been made to civilians employed in lieu of combatants and crediting of money so obtained to unit private funds or mis-appropriating it, irregular preparation of ration returns, misappropriation of washing charges and amounts realised on account of payment, issue of clothing, rations etc.

49. The representative of the Ministry of Defence stated a court of enquiry constituted to investigate into the various irregularities disclosed in the accounts of the unit held suspicions against the *bona fides* of some officers, although it could not find sufficient evidence to warrant a Court Martial against them. A summary of evidence was subsequently recorded under orders from the Army Headquarters and made available to the Deputy Judge Advocate General in the Command Headquarters who held the view that there was not sufficient evidence for convicting the officers in the Court Martial. Therefore, administrative action was resorted to against the officers concerned. The Commanding Officer of the unit who was held guilty of negligence was conveyed severe displeasure of the General Officer Commanding of the Command and was called upon to make good the loss to the extent of Rs. 1,000. One other officer and a J.C.O. were reprimanded. This case had also stood in the way of the promotion of the Commanding Officer concerned.

In reply to a question, the representative of the Ministry stated that the results of 100% audit of the accounts of the unit was made available in November, 1950, while the court of enquiry started functioning in October, 1951. He could not account for the delay of about a year in holding the court of enquiry.

*Page 53—S. No. 20—Loss amounting to Rs. 83,272 due to destruction of a shed by fire on 12th March, 1953.*

50. The representative of the Ministry of Defence stated that according to the findings of the court of enquiry, while the fire was accidental, the unit did not react to the situation satisfactorily. The Commanding Officer was held negligent in his duties inasmuch as he did not hold fire-fighting practices regularly and make the unit sufficiently fire-protection-minded. He was accordingly reduced in

rank from Lieutenant Colonel to Captain for about 8 months and also suffered a monetary loss of Rs. 4,000 to 5,000 in his emoluments during the period of his demotion. Later, however, when a favourable review report was received this officer was given the promotion.

*In reply to a question, the representative of the Ministry of Defence stated that instructions had been issued that there should be regular fire-practices and after such practices, the officers should give a talk to all the personnel in the area.*

*Page 54-S. No. 23-Loss amounting to Rs. 1,57,245 representing the value of stores consigned during September, 1947 to October, 1949 to an Area Headquarters on 64 vouchers, credit for which was not traceable.*

51. The representative of the Ministry of Defence stated that the vouchers could not be linked in this case as they had been lost. He pleaded that this case related to the unsettled period following the partition when the officers without sufficient experience handled the records. The case came to notice in 1954 when *ad hoc* Committees were appointed to clear audit objections. It was decided not to institute a court of enquiry at that stage as the relevant records were not available.

*The sub-Committee were assured that at present courts of enquiry were held in such cases of losses of documents.*

#### **Air Headquarters**

*Page 41-S. No. 16-Loss amounting to Rs. 2,791 due to fraudulent use of 14 railway warrants by unknown persons prior to 1st February, 1954*

52. The representative of the Air Headquarters stated that in this case the book containing the forms fell into unauthorised hands on disbandment of a RAF unit after the war. There was no handing over from the RAF to the Indian Airforce. He assured the Committee that at present the railway warrants were kept in safe custody by the officers and there was no chance of their going into unauthorised hands.

*Page 49-Item II(c)—Loss amounting to Rs. 96,870 due to deterioration of aviation stores;  
and*

*Page 70-S. No. 89 Loss amounting to Rs. 32,570 due to change in condition of 608 cylinders in an equipment Depot revealed during inspection in May, 1951.*

53. The representative of the Air Headquarters stated that most of the stores were those left behind by the R.A.F. after the war, which were found to have deteriorated on maintenance inspection. Their deterioration could be attributed to either storage in the open



or expiry of life span. He assured the Committee that stores were now periodically inspected and action taken to prevent their deterioration. The sub-Committee wanted to be furnished with a note stating approximately the value of the stores lying in the open in the Airforce Depots and their proportion to those lying under covered accommodation during the years 1956-57 and 1957-58 and steps taken to provide more covered accommodation.

*Page 53-S. No. 18-Loss amounting to Rs. 10,28,255 due to six cases of flying accidents during July, 1951 to October, 1954 resulting in damage ranging from Rs. 9,700 to Rs. 5,00,000.*

54. The representative of the Ministry of Defence stated that in each of these cases of accidents to aircraft, a court of enquiry was held and suitable action taken against the pilots concerned. The representative of the Air Headquarters stated that such accidents took place due to errors of judgment on the part of pilots.

*Page 69-S. No. 87-Loss amounting to Rs. 13,68,385 due to deficiencies in the Airforce stores revealed during biennial stock-taking (1949-51) in an Equipment Depot*

55. Explaining the reasons for deficiencies in this case, the representative of the Air Headquarters stated that the first stock-taking after the war which was completed in a short period of four months in 1948 was not done satisfactorily. The purpose of that stock-taking was to know broadly the stocks of the various stores left over by the R.A.F. He added that 100% stock verification in Depots required a period of two years. In reply to a question, the representative of the Ministry of Defence stated that the store accounting had since improved in the Depot inasmuch as the deficiencies had come down to Rs. 6.5 lakhs in 1955 and about Rs. 1 lakh in the latest stock-taking.

*The sub-Committee desired to be furnished with a statement showing the value of surpluses and deficiencies disclosed in the various Airforce Depots during the last two biennial stock-takings.*

*Page 70-S. No. 92-Loss amounting to Rs. 1,40,132 on account of deficiencies of furniture, electrical fittings and damage to buildings revealed on physical check during 15th August, 1947 to 1950-51.*

56. The representative of the Ministry of Defence stated that the deficiencies in this case also related to the unsettled period following the war and existed even before the stores were taken over from the R.A.F. Two officers involved in this case were reprovved. He assured the Committee that such items were now properly accounted for at the time of the handing over and taking over of the buildings.

57. The sub-Committee then adjourned till 10.00 hrs. on the 3rd December, 1958.

PROCEEDINGS OF THE SEVENTH SITTING OF THE SUB-COMMITTEE OF THE PUBLIC ACCOUNTS COMMITTEE ON THE DEFENCE SERVICES ACCOUNTS HELD ON WEDNESDAY, THE 3RD DECEMBER, 1958.

58. The sub-Committee sat from 10·00 to 11·20 hours.

PRESENT

Prof. N. G. Ranga—*Chairman*

MEMBERS

2. Shri Upendranath Barman.
3. Shri Arun Chandra Guha
4. Shri H. C. Dasappa
5. Shri Jaipal Singh
6. Amolakh Chand
7. Shri M. Govinda Reddy
8. Shri Rohit Manushankar Dave.

(Shri N. R. M. Swamy was also present)

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General.*

Shri P. C. Ghosh, *Deputy Director of Audit, Defence Services.*

SECRETARIAT

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

*Ministry of Defence*

Shri R. P. Sarathy, *Additional Secretary.*

Major General Harkirat Singh, *Director of Mechanical Engineering, Army H.Q.*

Brig. J. K. Khanna, *Director of Personal Services, Army Headquarters.*

Col. R. C. Lai, *M.G.O's Branch.*

*Ministry of Finance (Defence)*

Shri M. K. Hariharan, *Additional Financial Adviser.*

Shri D. S. Nakra, *Additional Financial Adviser.*

Shri R. Bhaktavatsalu, *Joint Financial Adviser.*

Shri Phul Chand, *Controller General of Defence Accounts.*

**Statement of losses of cash, overpayments etc. as contained in  
Appendices 'A' and 'B' in the Appropriation Accounts, Defence  
Services, 1955-56**

*Serial No. 14, Page 40*

59. This case relates to a loss of Rs. 4,346 on account of excessive advances drawn by a J.C.O. during 15th August, 1947 to September, 1950 which could not be recovered as he was dismissed from service in November, 1950. In reply to a question as to whether any check was exercised for a period of three years during which the excessive advances were drawn, the representative of the Ministry stated in evidence that this related to the war period when the accounts were in a chaotic state. While explaining the system of checks exercised, the Controller General of Defence Accounts stated that with regard to the pay and accounts of "other ranks", there were various Record Offices for the various arms of the services. A Pay and Accounts Office was attached to every Record Office. The accounts were maintained on individual running ledger account system. The amounts due were credited in a cage in the I.R.L.A. The various units drew money from specified regional Controllers near to them or from field cashiers for paying the "O. Rs." The Unit was intimated the amount of net monthly pay and allowance due to a soldier every month and it was for the local authorities to see that they did not get more than their entitlement. Every soldier had also got a "Personal Pass Book" in which his entitlement of pay and the payments made to him were entered. Then these units prepared acquittance rolls every month showing the actual amount paid to every soldier and when they reached the Pay and Accounts Officer, he debited it in the I.R.L.A. Elucidating the point further the Controller General of Defence Accounts stated that the difference between the credits due for a period and the amounts actually paid represented either a credit balance or a debit balance. He admitted, however, that the soldiers had been paid more than their entitlement. The matter had been under correspondence with the Adjutant General's Branch and various orders had also been issued. He assured the sub-Committee that the matter was being pursued. The representative of the Ministry of Defence also informed the sub-Committee that every quarter the soldiers' accounts were reconciled and the C.G.D.A. also rendered a quarterly report to the Adjutant General.

*The sub-Committee desired that in pursuance of the recommendation contained in the Ninth Report of the Public Accounts Committee (Ist Lok Sabha) (para 56), annual reports showing the progress made in the reduction in the debtor balances in the soldiers' accounts should be furnished to the Committee.*

*Appendix B to the Appropriation Accounts—Page 49 Item II (c)—  
Deterioration*

60. This case disclosed a loss of Rs. 9,32,598 owing to deterioration in Mechanical transport vehicles and connected stores. The representative of the Defence Headquarters stated in extenuation that 95% of the stores were of war-time manufacture and it was the position even to-day, and, therefore, there had been deterioration. Adequate measures had been taken for the effective turn-over of the stores, as a result of which the percentage of deterioration had come down from 11% in 1954 to 1 p.c. in 1957. 18 lakhs sq. ft. of accommodation, he said, had been provided and sanction had been given for an additional 9 lakh sq. ft. but even at the moment large stocks of stores were lying in the open. He expected that in the next two or three years, sufficient accommodation would become available to cover all the stores which were lying in the open.

61. In reply to a question, the representative of the Ministry of Defence stated that the present capacity for repairing vehicles was about 3,800 a year and two months ago instructions had been issued to increase it to 6,000 a year as they had a programme of repairing 10,000 more of these war-time vehicles. Formerly, there was difficulty with regard to the availability of spares, but last year Government had entered into a contract with a Canadian firm for all the spares, which had started coming in. The entire lot was expected in the next few months. Both the representatives of the Ministry of Defence and Defence Headquarters admitted that the present position was not satisfactory as the number of repairable vehicles was much more than the capacity and there was a back-log of 31,000 vehicles. They expected to reach the capacity of 6,000 vehicles per year in two years. The representative of the Defence Headquarters further stated that the repair of these vehicles which required complete stripping and reassembling could be done only in the Military Workshops, at Delhi, Bangalore, Meerut and Allahabad and nowhere else such facilities were available. They had tried private concerns for this work but had failed in the past. The Chairman suggested that they should try to help private concerns to set up necessary workshops and equipment etc. and thus gain their co-operation in repairing etc. these vehicles. The representative of the Ministry, however, agreed to examine such possibilities.

*Serial No. 12, Page 58*

62. A loss of Rs. 6,85,167 had occurred due to change in condition

of vehicles kept segregated for issue to a foreign country. The representative of the Ministry stated that these were AF Vehicles.

The sub-Committee, however, deferred further consideration of the General Policy followed by the Ministry in regard to the repairs and cannibalisation of such vehicles pending consideration of the statement showing action taken on the Outstanding Recommendations.

*Serial No. 30, Page 55*

63. A loss of Rs. 18,476 had been disclosed when deficiencies were revealed in ration and clothing articles as a result of cent per cent check of accounts carried out at the instance of administrative authorities.

In reply to a question the Controller General of Defence Accounts stated that normally periodical audit to the extent of 33-1/3% of the transactions was conducted but when the administrative authorities found in any case that the accounts were not satisfactory, they requested for a cent per cent audit for which sanction of the Controller was given for extra staff. In reply to another question as to why in this case the punishment to the junior officer (Havildar) was more severe than that of the Commanding Officer (J.C.O.), it was stated that in a small unit this work was done by junior staff and the punishment was given in accordance with the findings of the Court of Enquiry. He further stated that such officers who had to maintain accounts were given training in accounting.

*Serial No. 31, Page 55*

64. A loss of 30,586 occurred owing to the damage to rifles and small arms caused by fire in an Ordnance Depot.

The representative of the Ministry stated that due to carelessness, some of the oily rags used for maintenance and cleaning of small arms were left behind at the closing time of the Depot. Then there had been spontaneous combustion. On the basis of evidence available to the court of enquiry, everyone in the unit had been given reasonable punishment. He further stated that small arms and rifles in the Depot were checked once a year and as frequently as possible. After the outbreak of the fire, these were checked and nothing was found missing. Since it was admitted by the representative that the Ministry were not fully satisfied with the existing fire-fighting machinery, the sub-Committee desired to be furnished with the following information:—

(a) Number of rifles and small arms in the Depot before the fire took place, number damaged in fire and the number then left in stock.

\* (b) Time taken to raise the alarm and the time taken by the fire-engine to come and start functioning. How far is the fire-brigade located from the Depot?

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\* See Appendix XI.

- \* (c) What are the existing orders with regard to giving alarm in case of fire? What particular order was not carried out in this case?

*Serial Nos. 1-4 and 6, Page 57; Serial Nos. 7-9, Page 58; Serials Nos. 15, 17, 19-20, Page 59; Serial No. 21, Page 60; Serial Nos. 28-30, 34 and 35, Page 61:*

65. These were instances of losses due to deterioration, wrong identification, etc. The representative of the Army Headquarters while explaining the discrepancies stated that prior to Re-organisation, the percentage of discrepancy was 34.2 which had come down to 3.8 now. This percentage was worked out on quantity account as well as on value account. On the quantity account, a discrepancy was bound to occur, he stated, as the articles received in the depot were not checked cent percent but only 5%. Secondly, because posting was done manually, there was an element of human error. Thirdly, a certain amount of error was bound to occur due to wrong identification. The sub-Committee desired to be furnished with the following information in this connection:

I.\* What is the percentage of discrepancy in the case of—

- (a) articles which can stand deterioration due to weather, etc. if there is delay in their use; and
- (b) articles which are of key importance.

II.\* *Serial No. 1, Page 57*

Whether any system has been devised to ensure that surpluses are verifiable in account by the C.G.D.A. and how is it established that whenever losses are written off, surpluses of the same type of stores when discovered are taken into account as fresh arrivals or fresh receipts and are not allowed to be linked up later on with shortages?

*Serial No. 5, Page 57*

66. This case disclosed a loss of Rs. 8,67,811 on account of deficiencies in major-minor components of artillery equipment. In reply to a question, it was stated by the representative of the Ministry of Defence that any stores received by the Depot from units as unfit are required to be inspected but in this case all came from forward areas. Intervening, the representative of the Army Headquarters stated that even now they did not have sufficient number of EME officers to inspect all the stores which were received in bulk.

*Serial No. 11, Page 58*

67. This case relates to a loss of Rs. 3,64,735 representing the value of certain stores issued by various units to an Ordnance Depot, credit for which could not be traced in the accounts of the Depot.

When the CGDA stated in reply to a question that he had made certain suggestions for easy linking of vouchers, the sub-Committee desired to know what had been the response of the army authorities in this matter and what the latest position was.

68. The sub-Committee then adjourned till Thursday, the 4th December, 1958 at 16.00 hours.

PROCEEDINGS OF THE EIGHTH SITTING OF THE SUB-COMMITTEE OF THE PUBLIC ACCOUNTS COMMITTEE ON DEFENCE SERVICES ACCOUNTS HELD ON TUESDAY, THE 4TH DECEMBER, 1958.

69. The Sub-Committee sat from 16.00 to 17.30 hours.

PRESENT

Prof. N. G. Ranga—*Chairman*

MEMBERS

2. Shri A. C. Guha
3. Shri Upendranath Barman
4. Shri H. C. Dasappa
5. Shri M. Govinda Reddy
6. Shri Amolakh Chand
7. Shri Prabhat Kar
8. Shri Rohit Manushankar Dave.

(Shri N. R. M. Swamy also attended the sitting of the Sub-Committee)

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General of India.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

*Ministry of Defence*

Shri R. P. Sarathy, *Additional Secretary*

Shri L. M. Nadkarni, *Joint Secretary.*

Shri B. G. Rau, *Joint Secretary.*

Brig. B. L. Kapoor, *Deputy D.G.A.F.M.S., Army Headquarters.*

Commodore P. K. Mukerjee, *Chief of Material, Naval Headquarters.*

Col. R. C. Lai, *M.G.O.'s Branch.*

Shri J. G. Keshwani, *Director of Production.*

*Ministry of Finance (Defence)*

Shri M. K. Hariharan, *Additional Financial Adviser.*

Shri D. S. Nakra, *Additional Financial Adviser.*

Shri R. Bhaktavatsalu, *Joint Financial Adviser.*

Shri Phul Chand, *Controller General of Defence Accounts.*

70. The sub-Committee took up further examination of the statement of losses of cash, overpayments etc. included in the Appropriation Accounts, Defence Services, 1955-56.

71. At the outset, the Controller General of Defence Accounts made a statement regarding the results of local audit conducted by his department of the accounts of the Army Service Corps Company referred to in S. No. 7 at page 51 of the Appropriation Accounts (Annexure). The sub-Committee had desired to be furnished with the requisite information at their sitting held on the 27th November, 1958 when this case was discussed.

**M.G.O. Branch**

*Page 44—S. No. 13—Loss amounting to Rs. 9·158 on account of over-issue of pay in the scale of Rs. 500-50-1100 to a temporary civilian Mechanical Engineer during the period 5th August, 1949 to 28th February, 1953.*

72. The officer assumed charge of the post in the grade of Rs. 500-50-1100 on the 5th August, 1949 and was placed by the Departmental Promotion Committee which met in 1951, in the lower grade of Rs. 350-800 retrospectively. Explaining the reasons for the delay the representative of the Ministry of Defence stated although orders had been issued in May, 1949 notifying two grades, viz., 600-1150 and Rs. 350-800, for this cadre, the distribution of the posts in the cadre between these two grades was fixed in September, 1951. Thereafter, the Departmental Promotion Committee met and graded the officers which were ratified by the U.P.S.C. in December, 1952.

The sub-Committee wanted to know the emoluments drawn by this officer in the State Government before his appointment in the Defence Organisation.

*Page 59, S. No. 14—Loss amounting to Rs. 91,171 representing the value of certain stores stated to have been issued by various Units in a field area to an Ordnance Depot during the period prior to the 1st April, 1950 credits for which could not be traced in the accounts of the latter*

73. The representative of the M.G.O. Branch stated that an analysis of the items revealed that the irregularities in the case of 26 items were due to the reorganisation, 9 items due to field operations, 5 items



due to discrepancies arising from day to day functioning of the Depot and 1 item due to fire. In reply to a question the C.G.D.A. stated that he had made certain suggestions to the Army authorities to facilitate linking of the vouchers in the depots. The representative of the Ministry of Defence stated that these proposals were receiving their consideration. The sub-Committee wanted to know the final decision arrived at in the matter.

*Page 59-S. No. 16-Loss amounting to Rs. 1,73,743 due to deficiency/change-in-condition of 93,732 Horse Brushes in an Ordnance Depot*

74. The change in the condition of the brushes was traced at the time of disinfection during the months of August, November and December, 1952. A Court of Inquiry was held but no individual was held responsible for the loss.

The representative of the M.G.O. Branch stated that the brushes which were left in large quantities after the War deteriorated due to their storage in the open as adequate covered accommodation was not available in the Depot concerned. In reply to a question, he stated that these brushes could not be disposed of after the War because a general ban was enforced on disposal at that time for 3 years. In reply to another question, he stated that the Court of Enquiry had recommended in this case among other things provision of adequate staff and proper storage facilities.

*Page 60-S. No. 23-Loss of stores amounting to Rs. 70,390 issued by an Ordnance Depot on loan to a Petroleum Company located in an operational area during 1948*

75. The whereabouts of the stores could not be located for want of records with the consignee. The representative of the Ministry of Defence pleaded that during the operational period, store accounts could not be kept properly by the units in the field areas. The representative of the M.G.O. Branch added that in some cases only part of the stores were received by the consignee units because of the intermediaries through which these stores were routed during the operations.

The sub-Committee desired that the matter should be considered by the Defence Ministry in consultation with the C.G.D.A. and Audit and a suitable system evolved which could be followed during emergencies.

#### **Medical Directorate**

*Page 49-II (C)-Loss amounting to Rs. 6·187 due to deterioration of Medical Stores*

76. The representative of the Ministry of Defence stated that stores in question were held by a large number of Units all over

the country and a certain amount of deterioration was bound to occur. In reply to a question he stated that medical stores were handled by trained personnel in the Organisation. The sub-Committee did not pursue the matter further.

### **Ordnance Factories**

*Page 54—S. No. 25—Loss of Haldu Planks amounting to Rs. 52,991 in a factory which was discovered in March, 1953.*

77. The loss in this case was attributed to the acceptance of the quantities stated to have been despatched by trade without proper verification

The representative of the Ministry of Defence stated that when the shortage came to light, it was suspected that the officer concerned might have given receipts for quantities in excess of what had been actually received. A Board of Enquiry held in the case came to certain tentative conclusions. A Court of Enquiry constituted subsequently practically exonerated most of the officers involved in the case for the reason that the timber might have been utilised in making boxes. The findings of the Court of Enquiry were however, not accepted by the D.G.O.F. who held the view that there was collusion or a gross neglect of duty and awarded punishments to the persons concerned.

In reply to a question, the representative of the Ministry stated that question of recovery of the amount from the firm was dropped, as the Ministry of Law had advised that with a valid receipt for the entire stores in his possession the contractor could not legally be proceeded against. When asked as to the purpose for which the Haldu planks were purchased, the representative of the Ministry of Defence could not furnish the information. He, however, undertook to furnish the required information later on.

*Page 54—S. No. 27.—Loss amounting to Rs. 58,844 due to deficiency of stores in an Ordnance Factory disclosed in physical verification of stock in May, 1953*

78. The deficiencies in this case were attributed to theft, fraud or neglect. Three individuals were warned, but further disciplinary action was not possible as the responsibility could not be fixed. The Director of Production stated that the stock verification which involved 5,000 weighments in this case was delayed for want of weighing machines. Explaining the reasons for not fixing individual responsibility for the deficiencies, the representative of the Ministry

of Defence stated that issues of stores in such large quantities would necessarily involve certain percentage of over-issue or under-issue due to variations in weighing and it was in fact allowed. In reply to a question, the Director of Production stated that prior to 1953, 100 per cent stock verification had not been undertaken. He assured the sub-Committee that now stock-taking was being done yearly.

In reply to a question, the C.G.D.A. stated that stock verification was being carried out in the Ordnance Factories since 1949-50. While in the earlier years, the results of such verifications were not generally satisfactory, discrepancies during the year 1957-58 were not of considerable magnitude except in four factories where it amounted to over Rs. 1 lakh.

*Page 67—S. No. 71—Loss amounting to Rs. 26,200 on account of deficiency of 200,700 cartridges in an Ammunition Factory revealed as a result of stock verification*

79. The Director of Production stated that the stock was being held in this case since March, 1946 but stock verification was undertaken for the first time in March, 1950. It was likely that the loss was the cumulative effect of adverse war-time conditions obtaining during the years even prior to 1946. He added that they had also found a surplus of 483 cwt. of brass scrap without copper cap and 1,500 cwt. of bullets made of brass and zinc, which was likely to be the result of breaking of a large number of cartridges. In reply to a question, he stated that the cartridges were rejected ones and were stocked in the open.

In reply to a question, the representative of the Ministry of Defence stated that a very careful check was being exercised against losses of arms and ammunition. The sub-Committee wanted to be furnished with a statement showing the cases of losses of arms and ammunition detected during the last 3 years, action taken against the persons responsible and remedial measures taken to prevent their recurrence.

#### **Naval Headquarters**

*Page 69—S. No. 83—Loss amounting to Rs. 1,90,500 due to sinking of a Tug in October, 1952 while being towed from one port to another*

80. The representative of the Ministry of Defence stated that this case had been gone into by a Senior Board of Enquiry appointed by the Chief of the Naval Staff who after reviewing the findings of the

Board came to the conclusion that a combination of unforeseen circumstances had culminated in the ship being lost and there was no culpable negligence on the part of anybody. Explaining the unforeseen circumstances leading to the loss of tug, the representative of the Naval Headquarters stated that the Naval Officer-in-Charge of the Port who had to make satisfactory arrangement for towing as also the Officer put in command of the towing fell sick and the responsibility devolved on the junior officers. Again, the officer who initially went in the tug had to transfer himself to another ship as he had been asked to return to another port to assume charge of the Navigational Instruction Course being conducted on that ship at that port. The tug was, therefore, left without an Officer. In reply to a question, he stated that out of the complement of 20-25 persons on the tug, one person died. He admitted that the loss could have been prevented, had sufficiently experienced officers been put in charge of the tug.

When asked why it was not possible to postpone the towing of the tug in view of the sickness of the Officers concerned, the representative of the Ministry of Defence stated that the Commodore concerned did not think it necessary to delay the voyage as he was under the impression that an officer was going in the Tug. But unfortunately that officer transferred himself to another ship. He added that detailed instructions had been laid down for the towing of ships in the Indian Naval Fleet Order issued in 1953, which enjoined that it was desirable that an officer should be in the towed vessel. The sub-Committee, however, suggested that the order might be suitably amended to make provision for the presence of an officer in the towed vessel compulsory to obviate such cases in future. The sub-Committee also desired that a copy of the amending orders issued by the Ministry of Defence in this behalf should be furnished to them.

81. The sub-Committee then adjourned *sine die*.

## ANNEXURE

*Statement made by the Controller General of Defence Accounts regarding the case referred to in S. No. 7 at page 51 of the Appropriation Accounts (Defence Services), 1955-56 at the sitting of the sub-Committee on Defence Services Accounts, held on the 4th December, 1958.*

On the 27th November, there was discussion on this item. It was mentioned that the irregularities appear to pertain to the period January to March, 1951 and I said that I had asked for a full report and I would submit it later on. Now, I have got a complete report. I find that the Audit was regularly being carried out from 1948 onwards. It was not that the Audit was in arrears. The irregularities were pointed out as and when discovered from 1948 onwards. From the loss statement that is prepared, I find that most of the items relate to the period January to March 1951. There are two items relating October, 1950 to they were objected to immediately on completion of the audit. There was no delay. There are some items relating to non-tracing of credit for stores from 1948 onwards. These were also pointed out.

April 1948 to January, 1949	15	vouches.
April, 1949 to September, 1949	11	do.
October, 1949 to December, 1949	12	do.
July, 1950 to September, 1950	4	do.
October, 1950 to December, 1950	2	do.
January, 1951 to March, 1951	37	do.

All these were pointed out during the periodical audits and then a consolidated loss statement was prepared.

PROCEEDINGS OF THE NINTH SITTING OF THE SUB-COMMITTEE OF THE PUBLIC ACCOUNTS COMMITTEE ON DEFENCE SERVICES ACCOUNTS HELD ON THURSDAY, THE 18TH DECEMBER, 1958.

82. The sub-Committee sat from 15.00 hours to 16.15 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Shri H. C. Dasappa
3. Shri N. Siva Raj
4. Shri S. Venkataraman
5. Shri Rohit Manushankar Dave.

(Also present Rajkumari Amrit Kaur)

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor-General of India.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

Shri P. V. R. Rao, *Director of Audit F.R.S., C.S. & M.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

83. The sub-Committee took up consideration of the statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee made in their previous Reports relating to the Defence Services Accounts.

Statement showing action taken or proposed to be taken on the outstanding recommendations of the Public Accounts Committee (Appendix I).

S. No. 1—*Para 64 of 9th Report—Amounts due to certain Ordnance Factories for services rendered or stores supplied to private individuals.*

84. From a note (Appendix XVI) submitted by the Ministry of Defence, the sub-Committee noted that no recoveries could be made from certain parties for the stores supplied or services rendered to them by the Ordnance Factories concerned during 1944-48 and the amounts due from them had been written off or some cases were

pending in the courts of law or with the arbitrators. The sub-Committee desired rules requiring verification of antecedents of contractors before entering into agreements with them should be rigidly adhered to.

*S. No. 2—Para 73 of 9th Report—Remittance Account*

85. The sub-Committee desired that the clearance of the balance outstanding from the U.K. Government on account of claims of miscellaneous nature amounting to £66,012 should be expedited by the Ministry of Finance (Defence).

*S. No. 3—Para 70 of 9th Report and para 50 of 14th Report—  
Compensation payments*

86. No comments. Action since completed.

*Para 33 of 14th Report and para 105 of 19th Report—Establishment  
of Machine Tool Prototype Factory, Ambernath*

87. The sub-Committee decided to examine the representatives of the Ministry of Defence at their sitting to be held on the 22nd December, 1958 on the points arising from the note (S. No. 25 of Appendix I to 19th Report of the P.A.C. 1955-56) furnished by the Ministry.

*S. No. 6 of the Para 6 (Introduction) of the 6th Report—Periodic  
Review of all orders placed on ordnance factories*

88. The sub-Committee desired to be furnished with a note setting forth information on the following points:

- (i) A statement showing the present position of the outstanding orders on the Ordnance Factories and reasons therefor (the years to which these relate may also be given).
- (ii) How many orders which are over 3 years old, are still uncancelled although no supply could be arranged on them?
- (iii) What is the value of surplus materials and components lying in the factories with regard to these unfulfilled orders?

*S. No. 7—Para 6 (Introduction) of the 6th Report—Full utilization  
of funds voted by Parliament*

89. No comments.

*S. No. 10—Para 7 of 6th Report—Rush of expenditure towards the close of the financial year*

90. The sub-Committee desired that the effect of the instructions issued by the Ministry of Defence and the Engineer-in-Chief to avoid rush of expenditure on the works at the close of the financial year might be watched through the Audit report for the next year to be submitted by the Ministry of Finance (Defence).

*S. No. 14—Para 15 of 6th Report—Accumulation of surplus materials due to delay in reduction of demand*

91. The sub-Committee desired that in all cases of failures to make correct provision review with consequential loss to Government, the responsibility should be pin pointed and suitable action taken against the individuals concerned.

*S. No. 15—Para 17 of 6th Report—Co-ordination in the working of the wings under the D.O.S. and the D.G.O.F.*

92. No further action.

*S. No. 16—Para 18 of 6th Report—Overprovisioning of Stores*

93. The sub-Committee desired to be informed of the present position of disposal of the surplus stores in this case.

*S. No. 17—Para 21 of 6th Report—Purchase of stores by a Naval Stores Officer at high prices*

94. No comments.

*S. No. 18—Para 23 of 6th Report—Purchase of unwanted stores at high prices*

95. The sub-Committee desired that the action taken against the other Deputy Naval Stores Officer and a Stores Receiver may be communicated to them.

*S. No. 22—Para 28 of 6th Report—Placing of Petty Orders on Base Workshops*

96. The sub-Committee wanted to know the final decision taken by the Government regarding the proposal to increase the extent of manufacture of spare parts by the Army Base Workshops.

*S. No. 24—Para 33 of 6th Report—Infructuous expenditure on the manufacture of a certain weapon in an Ordnance factory*

97. No further action.



*S. No. 26—Para 35 of 6th Report—Development work in Ordnance Factories*

98. The sub-Committee desired to be furnished with a note setting forth the procedure being now followed for carrying out development work separately from regular manufacture of new stores?

*S. No. 33—Para 43 of 6th Report—Purchase of requirements of Railway stores from B.E.L.*

99. No comments.

*S. No. 42—Para 57 of 6th Report—Short recovery of rent*

100. The sub-Committee desired to be furnished with a note setting forth the information on the following points:

(i) Whether the incorporation of a rule similar to that applicable to Civil Department personnel in the Defence Regulations has been considered and if so, with what results?

(ii) Whether the scales of accommodation in respect of Civilian paid from Defence Estimates have since been laid down?

*S. No. 47—Para 69 of 6th Report—Non-recovery charges for surveys carried out by a Naval Survey Ship*

101. The sub-Committee decided that progress of the recovery made from the State Government might be awaited.

*S. No. 49—Para 71 of 6th Report—Advance payments in U.K. Government*

102. The sub-Committee desired that the latest position of the advances made to the U.P. Government and the adjustment thereof might be enquired from the Ministry of Defence.

*S. No. 50—Para 73 of 6th Report—contracts for purchase of asbestos cement sheets*

103. No comments.

*S. No. 51—Para 74 of 6th Report—Placing the Canteen Stores Department on a Statutory basis as a separate body under the Act of Parliament*

104. The sub-Committee desired to know the final decision taken by the Government on the suggestion made by Audit that the Canteen Stores Fund may be credited with the approval of Parliament.

*S. No. 52 (ii)—Para 76 of 6th Report—Loss on purchase of aviation stores without proper verification of the financial status of a firm named M/s. Aircraft Instrumentation Ltd.*

105. No further action.

*S. No. 53—Para 77 (ii) of 6th Report—Excess rates of daily wages of labour*

106. No comments.

*S. No. 56—Para 80 of 6th Report—Procurement of Mechanical Transport Vehicles*

107. The sub-Committee decided to examine the representative of the Ministry of Defence on the various points arising from the note furnished by the Ministry in this case.

*S. No. 58—Paras 82 and 83 of 6th Report—Infructuous expenditure due to cancellation of a demand*

108. The sub-Committee desired to be furnished with a note\* stating whether in working of liabilities for purposes of provision reviews, such casual enquiries were now excluded and only firm requirements taken into account.

*S. No. 63—Para 89 of 6th Report—Ex-gratia payment to a private firm*

109. The sub-Committee noted (Appendix XXXVIII) that the claim for the sales tax was rejected as it was made long after the assessment had been made and the appeal had become time-barred. The sub-Committee felt that had the consignee taken prompt action immediately after the amendments to the contracts were issued in July, 1950, the firm could have included the claim for refund of sales tax in its Returns to the Sales Tax authorities before the assessment was actually made or in the appeal.

It was agreed that this case might be commented upon in the light of their observations in the Report of the Committee.

110. The sub-Committee then adjourned till 11-30 hours on Monday, the 22nd December, 1958.

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\*See Appendix XXXVI.

PROCEEDINGS OF THE TENTH SITTING OF THE SUB-COM-  
MITTEE ON THE DEFENCE SERVICES ACCOUNTS HELD ON  
MONDAY, THE 22ND DECEMBER, 1958

111. The sub-Committee sat from 11.30 to 13.30 hours.

PRESENT

Prof. N. G. Ranga—*Chairman*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri H. C. Dasappa
4. Shri Upendranath Barman
5. Shri M. Govinda Reddy
6. Shri Rohit Manushankar Dave
7. Shri S. Venkataraman.

(Also present Shri T. Sanganna.)

Shri A. Kalyanaraman *Deputy Comptroller and Auditor-  
General of India.*

Shri P. K. Basu, *Director of Audit, Defence Services.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

*Ministry of Defence*

Shri O. Pulla Reddi, *Secretary.*

Shri R. P. Sarathy, *Additional Secretary.*

Brig. Mukhtar Singh, *Deputy Director of Ordnance Services.*

Lt. Col. K. S. K. Murthy, *Assistant Director of Mechanical  
Engineering, Army Headquarters.*

Shri J. G. Keshwani, *Director of Production.*

*Ministry of Finance (Defence)*

Shri S. Jayasankar, *Financial Adviser.*

112. The sub-Committee took up further consideration of the Statement showing action taken or proposed to be taken on the outstanding recommendations of the Public Accounts Committee made in their previous Reports relating to the Defence Services Accounts (Appendix I).

*Para 33 of 14th Report and Para 105 of 19th Report—Establishment of Machine Tools Prototype Factory, Ambernath*

113. The sub-Committee wanted to know the action taken by the Ministry of Defence on the Report of the Machine Tools Committee appointed by the Ministry of Commerce and Industry to consider the development of the machine tool industry and all its aspects in so far as it related to the Machine Tool Prototype Factory Ambernath. The representative of the Ministry of Defence stated that this Committee had allocated certain types of machine tools for manufacture by the M.T.P.F., Ambernath and their production had been started by the factory. He added that in the last four years, the production in the factory was much less than its installed capacity. During the current year the production of machine tools by the factory based on single shift was estimated to be of the order of Rs. 30 lakhs and in the next year Rs. 50 lakhs. The capacity could be further increased if the factory worked on double shift, he added. The sub-Committee then drew attention to the note furnished by the Ministry of Defence to the P.A.C. of 1955-56 pursuant to action taken on para 33 of their 14th \*Report wherein the estimated production of the machine tools by the factory was stated to be of the order of Rs. 30 lakhs, Rs. 35 lakhs and Rs. 39 lakhs in 1956-57, 1957-58 and 1958-59 respectively, and enquired the reasons for not reaching the targets. The representative of the Ministry of Defence stated that the shortfall in the production targets, was caused by the time taken by the factory in designing and trials of machine tools before starting bulk production, as the factory was producing machine tools of their own design and was not borrowing know-how from other manufacturers. The Director of Production stated that one of the handicaps in utilising the installed capacity of the factory was defection of skilled personnel from the factory because of better terms offered to them by the private sector. During the period October, 1955 to October, 1958, out of a total of 302 skilled craftsmen of the various categories posted to this factory from the Artisan School or other factories, 160 had left, he added. They were now transferring skilled personnel from other factories to M.T.P.F., Ambernath to the extent possible. In reply to a question, he stated that the question of the revision of pay scales of the skilled personnel was under the consideration of the Pay Commission.

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\* c. f. S. No. 25 of Appendix I of the 19th Report of the PAC (1955-55).

In reply to a question, the representative of the Ministry of Defence stated that the artisans trained in the Artisan School attached to the Factory were required to serve in the factory for a certain period but a number of them left after paying back the cost of training.

114. When asked about the relationship between the management and labour the Defence Secretary stated that it was quite harmonious and periodical meetings were held by the Defence Ministry with the representative of the Labour to discuss their problems. He held the view that the defection of the skilled personnel in the M.T.P.F., Ambernath was not due to any dissatisfaction with the amenities provided to them. The sub-Committee, however, desired that this question should be looked into by the Ministry.

115. The sub-Committee then wanted to know the extent to which the installed capacity of the factory was being utilised to meet the requirements of the Defence Services. The representatives of the Ministry of Defence stated that the factory was meeting the entire requirements of the Ordnance Factories for the general purpose machines which had been allocated to this factory and for which there were fairly recurring demands. In reply to a question he stated that only the special purpose machine required by the Defence factories were imported. The factory had not taken up production of the special purpose machine tools since demand for such machines was relatively small and the work and time involved in their design and development would be disproportionate to the effective load that would be placed on the production shops. He assured the Committee that their policy was to conserve foreign exchange to the maximum extent and they would produce such items as could be produced in the factory. The Defence Secretary stated that they were now taking in hand projects for the production of tractors and trucks in the Ordnance Factories and certain components required for them would be manufactured in the M.T.P.F., Ambernath.

116. In reply to a question, the representative of the Ministry of Finance (Defence) stated that an annual production account in respect of each factory was prepared by the Organisation of the C.G. D.A. and was test-checked by the Statutory Audit. These Accounts, unlike commercial accounts, however, did not show any profit and loss as the various products which were manufactured for the Defence Services were priced at cost and the question of profit did not arise.

117. The sub-Committee desired to be furnished with further information on the following points:—

- (i) A note stating year-wise the number of artisans trained in the Artisan Training School, Ambernath, the number

taken from the Ordnance Factories and outside; the number serving in the Ordnance Factories, after training and those who were reported to have joined the private industry.

- (ii) From what source are the highly skilled personnel taken for the school and Ordnance Factories (the names of Engineering institutions etc. may be given).
  - (iii) What is the minimum period for which the trainees are required to serve the Ordnance Factories after receiving training in the Artisan School? What is the *per capita* cost required to be paid by the trainees who wanted to leave the factory and how is it calculated?
- II. (i) A note stating the machine tools at present being produced by the M.T.P.F., Ambernath and the machine tools imported by the Ordnance Factories which are not economical to manufacture in the M.T.P.F. stating *inter alia* their landed *vis-a-vis* estimated cost of manufacture by the M.T.P.F.
- (ii) A note stating the value of machine tools produced by the factory during the years 1955-56, 1956-57 and 1957-58 and steps taken to increase production.

*Paras 37—44 of 19th Report and para 80 of 6th Report—Procurement of Mechanical transport vehicles.*

118. The sub-Committee wanted to know the source from which 4X4 vehicles were at present procured to meet the requirements of the Army. The representative of the Ministry of Defence stated that for two years they purchased from indigenous manufacturers 4X2 vehicles in lieu of 4X4 vehicles as the firms were not manufacturing 4X4 vehicles. Subsequently, the firms supplied 4X4 vehicles but most of the parts used in them were imported. The Ministry of Defence had now decided to undertake a project for the manufacture of trucks in the Ordnance Factories, as they could not get sufficient number of the required type of vehicles from private firms.

Explaining the reasons for reduction in deficiency of 4X4 vehicles from 8,124 in 1951-52 to 3,071 in 1952-53, the Defence Secretary stated that there was reduction in the Unit Entitlement and Reserves which was caused by revised composition of the field force.

119. In reply to a question, the representative of the Mechanical Engineering Directorate explained the procedure followed for classification of the fit and repairable vehicles under various categories

viz. 1, II, III, IV, V and VI by the technical officers of the Electrical and the Mechanical Engineering workshops. A vehicle was down-graded to classes II and III after it had gone the prescribed mileage of 10,000 and 20,000 respectively. The mileage of the vehicles not having milometers was calculated on the basis of the petrol consumed. The vehicles in repairable condition were graded as Class IV and V according to the extent of repairs needed by them, and were upgraded after repairs/overhaul. The vehicles beyond economical repairs were graded as Class VI and disposed of. The sub-Committee desired to be furnished with a statement showing the number of vehicles in Class V during the last three years, their percentage to total holdings and the number upgraded to the various classes after repairs/overhaul.

120. In reply to a question, the representative of the Ministry of Defence stated that every year about 1,000 to 1,200 4X4 vehicles were purchased by the Army in order to inject the Army with new vehicles irrespective of the holdings, otherwise, at one time all the old vehicles would go off the road. The Government had decided to allot Rs. 7 crores for purchase of new vehicles, it was added. The sub-Committee desired to be furnished with a statement showing the number of vehicles of the various types purchased from 1952-53 onwards year-wise, and the number disposed of, their age at the time of disposal and the amount realised in disposal.

The representative of the Directorate of Ordnance Services stated that before the pre-1948 vehicles were disposed of, their spare parts were retrieved for being utilised for maintenance and overhaul of the pre-1948 vehicles still in service. These vehicles had gone out of production in the countries of their origin and, therefore, there was difficulty in procuring the spare parts. Proper account of the parts thus retrieved was kept, he added. The sub-Committee suggested that the whole procedure of condemnation and disposal of vehicles should be examined by the Ministry of Defence in consultation with the Ministry of Finance (Defence) and Audit, with a view to removing any defects and chances of malpractices.

In reply to a question, the representative of the Ministry of Defence stated that out of 1701 'B' vehicles awaiting disposal and 2,650 pending inspection, as mentioned in the note furnished to the last Committee, only 185 remained to be disposed of by the D.G.S. & D.

121. On the point of introduction in the Defence Services of a system for assessing depreciation in the value of vehicles and fixing

a period of life of a vehicle after which it should be automatically declared surplus for disposal, the representative of the Ministry of Finance (Defence) stated that it was not possible to maintain history sheets for thousands of vehicles held by the Army. The value of the vehicles was calculated according to the formula indicated in the note (Appendix XXXIII) furnished by Ministry of Defence which was based on the vocabulary price of the vehicles.

122. The sub-Committee then adjourned *sine die*.

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## APPENDIX

*Summary of main Conclusions/Recommendations of the Seventeenth Report of the Public Accounts Committee on the Appropriation Accounts (Defence Services), 1955-56 and Audit Report, 1957*

S. No.	Para No. of the Report	Ministry or Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	6 (Int.)	<u>Defence</u> Fin. (Defence)	<p>Serious shortcomings in administration and in store-keeping and store-accounting still persist in all the Services despite the comments of the successive Public Accounts Committees from 1953-54 onwards.</p> <p>The Committee would reiterate that store accounts showing accurately the quantity and location of stocks are essential to the economical and efficient administration of the Services. The Committee are disturbed to find that this essential requirement was lacking as would be evident from the Audit certificate of the Controller General of Defence Accounts on the Accounts under report.</p>
2	7 (Int.) (See also Sl. Nos. 25 & 27)	Defence	<p>The working of the Ordnance Factories continued to be far from satisfactory during the year under report. Procurement of raw materials in excess of the actual requirements resulting in losses in disposal of the surplus materials, and lack of administrative control of and co-ordination</p>

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			<p>between the various factories leading to accumulation of huge quantities of unwanted surplus manufactured components were some of the recurring features during this year also. In two cases, the value of such components was about Rs. 90 lakhs. The Committee are concerned about such a large accumulation of stores. They were assured that with the introduction of the proposed 'mechanised scheme of material control' for centralisation of provisioning and control over orders at the Headquarters of the Director General of Ordnance Factories, such defects in the working of Ordnance Factories would not recur. The Committee would like to watch the results of this new scheme of control.</p>
3	8 (Int.)	<p>Defence  <hr/> Fin. (Defence)</p>	<p>Substantial economies could be effected without loss of efficiency, if a sense of financial responsibility could be inculcated throughout the ranks of the Services. Encouragement of cost-consciousness in the Armed Forces seems essential in the present context of the large outlay on Defence.</p>
4	9 (Int.)	Defence	<p>In as many as 40 cases, the information asked for by the Committee has not been supplied to them by the Ministry of Defence, though it is more than 4 months since the Committee examined the representatives of the Ministry. They have, therefore, not been able to come to any conclusions in regard to these matters.</p>

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5	4	Defence & Fin. (Defence)	The Committee would like to point out that 1955-56 was the last year of the First Plan and as such the Ministry should have taken all steps to make up for the initial shortfalls in the earlier years of the Plan and fulfil the Plan targets. It is regrettable that the utilisation of funds by the Ministry has been much below their own expectations. There is considerable scope for improvement in the control over expenditure on Defence Services.
6	5	Do.	Apart from issuing general instructions to avoid heavy rush of expenditure in the closing months of the year, it is necessary that the Ministry should devise specific remedies to remove the bottlenecks <i>viz.</i> late completion of works, due to non-availability of stores etc., in the earlier periods, late receipt of bills etc., so as to ensure that the expenditure during the year is evenly spread out. In expenditure, haste would invariably result in waste.
7	6	Fin. (Defence)	The date of C.G.D.A.'s audit certificate on the Defence Services Accounts should be that on which the certificate is finalised. This would indicate the exact time-lag between the date of C.G.D.A.'s certificate and the date of Financial Adviser's Review.
			The Committee also note that according to the existing regulations the C.G.D.A.'s certificate is required to be

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			<p>furnished by the 30th September while the printed copies of the Appropriation Accounts are required to be sent to the Comptroller and Auditor General by the 15th January following. The Committee are not convinced of the reasons for delay in finalising the Appropriation Accounts (Defence Services). A revised time schedule for finalisation and submission to Audit of these Accounts should be drawn up in consultation with Audit which should be strictly adhered to.</p>
8	8	Defence/ Fin. (Defence)	<p>(i) Refresher courses in accounting for the officers and others handling the stores should be introduced by the three Services.</p> <p>(ii) The Committee are concerned to find that irregularities in Stores Accounts persist year after year and, therefore, urge the Ministry of Defence, the three Services and the Ministry of Finance (Defence) to take all possible steps to see that sufficient staff in both quality and numbers are provided for storekeeping and store-accounting work, on the proper performance of which depend both the administrative efficiency of the Services and the safeguarding of public funds.</p>
		Finance (Defence)	<p>(iii) The Audit certificate of the C.G.D.A. is at present couched in general terms</p>

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			<p>and does not draw attention to specific cases in support of the statements or conclusions therein. The Committee feel that if this certificate is to serve any purpose at all, it should be revised in consultation with the Ministry of Finance (Defence) and the Comptroller and Auditor-General and detail some of the specific cases involving financial, procedural irregularities etc. disclosed in audit by the C.G.D.A.</p>
9	9	<p>Defence/ Fin. (Defence)</p>	<p>The Committee regret that the information called for by them regarding condonation of the irregularities disclosed in Appendix I (Pages 120-130) of the Appropriation Accounts has not yet been furnished to them and they have, therefore, to postpone further consideration of the matter.</p>
10	10	Do.	<p>The existing pension rules and regulations are so complicated that it is almost impossible to sanction payments of pension in time. The Committee suggest that Government should review the rules and regulations relating to the sanction of pensions on the Defence side. They understand that on the civil side, a Committee has since been constituted by Government to review the rules relating to sanction of pensions to civilians. The Committee consider that it might be advisable for the Ministry of Defence to be associated with that Committee in relation to the rules</p>

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			and regulations applicable to the Defence Services personnel.
			The Committee regret to observe that the information called for by them regarding outstanding pension payments etc. has not been furnished to them so far.
11	11	Defence	The Committee desire that the measures regarding recovery of outstanding rent shall be strengthened and recoveries pursued vigorously. They trust that as a result of the measures adopted, considerable improvement would be effected in the recoveries before long.
12	12	Defence	(i) The Committee have already stressed in para 15 of their 14th Report and paras 13-17 of their 19th Report the need for fulfilling the codal requirements of obtaining technical sanctions before issue of tender documents in respect of M.E.S. works. They desire that action should be taken against the officers responsible for non-observance of the instructions laid down in this behalf.
		Defence/ Fin. (Defence)	(ii) In case of review of M.E.S. expenditure also, the Committee suggest that instead of mentioning the number of cases involving irregularities of different kinds disclosed in the Reports of the Controllers of Defence Accounts, the broad features of specific cases should be set forth in the Review so as to make it more explicit.

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13	13	Defence	<p>The Committee note that there has been a gradual increase in the expenditure on establishment in the Military Engineer Services without corresponding increase in the work load.</p> <p>The Committee desired to have detailed information with regard to the reasons for the increase in expenditure, the amount of expenditure on staff employed on planning work and a comparative statement for three years from 1954-55 onwards. The Committee are distressed to observe that this information is yet to be supplied by the Ministry of Defence. They are, therefore, obliged to defer consideration of this important aspect of M E S. expenditure till they next examine the Defence Services Accounts.</p>
14	15	Do.	<p>The Committee find it difficult to understand how specifications could be relaxed or overlooked even if any work was a rush job to be completed within a stipulated time. In their opinion, it is necessary that even in such rush jobs specifications should be laid down consistent with the requirements of safety and practicability and those specifications should be adhered to.</p>
15	16	Do.	<p>The Committee were surprised at the manner in which the Ministry tried to explain away an omission for not taking action against the officer responsible for giving a wrong certificate that the work had</p>

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been executed according to specifications, which the Committee consider deserved more serious attention. The examination by the C.T.E. disclosed defective execution of the work and pointed out over-payment to the contractor. The M.E.S. conceded the overpayments. It is, therefore, obvious that the officer who gave the certificate had acted in an irresponsible manner. The Committee cannot help observing that the Engineer-in-Chief had failed in his duty in not taking disciplinary action against the officer. They deplore the manner in which it was conveniently postponed and ultimately dropped. The Committee desire that the matter should be reviewed by the Ministry. Pending this review the loss reported in this case (referred to in para 8 of the Audit Report, 1957) should not be written off.

As regards the award of the arbitrator, the Committee desired to have further information on certain points before they could consider it. The Committee regret to observe that the information is still awaited.

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Defence.

The Committee understand that the firm requirements for the entire quantity of the material purchased in excessive quantities had since arisen and 43 tons had already been used upto the 30th April, 1958. The Committee would like to know in due course



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			the progress made in the utilisation of the remaining quantity of the material.
17	18	Defence	(i) In order to avoid any lacuna in the implementation of the instructions issued to the D.G.O.F. regarding investigation of losses due to over-provisioning, the Committee trust that the Ministry of Defence would have issued further instructions in the matter as suggested by them.
	19	Do.	(ii) The Committee are concerned to find that the D.G.O.F. had rushed to procure 15,250 gallons of varnish, a commodity which is subject to rapid deterioration, before he had worked out precisely the quantity required. They trust that no such mistake will be made again.
18	20	Do.	(i) The Committee see no reason to differ from the findings of the Board of Enquiry in the case referred to in para 9(c) of the Audit Report that the over-provisioning of wire-gauze was not due to any error in the estimate, but due to acts of omission and commission by the factory staff. They desire that action should be taken against the officers responsible for not giving the correct position to the D.G.O.F. in 1954. The Committee also suggest that in future as soon as a case of over-provisioning is brought to notice the reasons therefor should be investigated expeditiously so that the officers responsible do not escape punishment with the lapse of time. The Committee should be informed of the disciplinary action taken by the Ministry of Defence in this case.

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21	Defence/W.H.& S.	(ii) The Committee desire that the entire procedure regarding local purchase of stores by the Ordnance Factories should be reviewed in consultation with the D.G.S.&D. with a view to providing sufficient checks against such possible risks.	
19	22	Defence.	<p>(i) It is obvious that the decision to purchase the vulcanising plant was hasty and not well-considered. It is surprising how financial approval was accorded to such an ill-conceived proposal.</p> <p>(ii) The Committee desired to be furnished with a statement showing the number of tyres discarded, retreaded and replaced and the cost involved in replacement and retreading for the last three years. They regret that the information has not been made available to them so far. In the meantime, the Committee would suggest that the procedure for condemnation and replacement of tyres of the vehicles used by the Army units should be reviewed with a view to investigating whether discarding of tyres could be further reduced by retreading them, where it is economical to do so.</p>
20	24	Do	<p>In the case regarding the purchase of mustard oil referred to in Para 11 of the Audit Report the Committee regret to observe that this case is indicative of lack of proper planning and foresight both in provisioning and in taking action to dispose of the oil. They would like to know the action</p>

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			proposed to be taken against the officers concerned and remedial measures taken to prevent such losses due to over-provisioning.
21	25	Defence.	The Committee would like to draw attention to the imperative necessity for fixing the time limits upto which consumable stores like oil should be kept in stock. They would urge the Ministry of Defence to fix the time-limit in the case of such consumable stores and see that the Depots take timely action to dispose of surplus stocks.
22	27	Do.	(i) The Committee feel that in the absence of any record, it would be difficult to prove whether any effort was made by the Military adviser to cancel the indent placed on the D.G.I.S.D. London, in the case referred to in para 12 of Audit Report. The Committee would in this connection draw the attention of the Ministry of Defence to the observations made by them while commenting upon the irregularities connected with the first contract for the purchase of Defence Stores [c.f. para 31 of their Ninth Report (First Lok Sabha)] that contemporaneous records of the discussions held between the various officers on matters where Government have got a financial stake, should invariably be maintained for future guidance. The Committee regret to observe that such cases are frequent. They suggest that Government

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			should give serious attention to this matter and issue instructions for the guidance of all Ministries/Departments.
28	Defence.		(ii) The Committee are rather surprised at the non-detection for one year that the telescopes supplied by the U.K. firm were not according to the requirements due to failure of the consignee depot in India to notice that the telescopes were of different types, although they were inspected at the time of their receipt for ascertaining their condition. They desire that in all cases of purchases of stores from abroad, the stores should also be carefully inspected on their arrival in the depots with a view to satisfying that they conform to the requirements of the users. Any defects found as a result of this inspection should be immediately taken up with the suppliers through the D.G. I.S.D., London.
	Defence/W.H.& S.		(iii) As regards the acceptance of stores from the reputed firms on the basis of the certificates, the Committee desire that Govt. might do well to review the existing instructions for accepting supplies on the strength of certificates, in the light of this case and see that they are not saddled with unwanted stores to be declared as surplus to the D.G.S.&D. for disposal with consequential losses
23	31	Defence.	In the case referred to in para 15 of the Audit Report, the Committee had called for a

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detailed note from the Ministry of Defence regarding the circumstances leading to the agreement entered into by the Government of India with a foreign firm for the establishment of a fully equipped and up-to-date plant for the manufacture of certain type of ammunition of two calibres; the various defects and draw-backs therein; the officers connected with the deal as well as the financial aspects of the project *viz.* the total investment, loss due to purchase of unwanted stores; non-utilisation of plant and machinery; over-payments made to the foreign company and the claims of Government outstanding against the company and the action proposed to be taken to settle them. They regret to observe that the complete information duly vertyed by audit has not so far been furnished by the Ministry of Defence although a period of more than 5 months has elapsed.

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Defence.

The Committee are concerned over the unsatisfactory state of working of the Ordnance Factories and the complete lack of coordination between them. They are surprised to learn that the office of the D.G.O.F. could not be of any real assistance to stopping the manufacture of unwanted stores in the case referred to in para 16 of Audit Report. In their opinion, there appears to be a sense of complacency that these manufactured stores could be put to use at a future date. The Committee would like to observe that this is not in the best financial

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			interests of Government as locking up of funds in stores not required for immediate use would stand in the way of timely implementation of other deserving schemes because of paucity of funds.
25	37	Defence.	The Committee regret that the case referred to in para 17 of the Audit Report is yet another case where lack of proper co-ordination between the indenting and feeder factories resulted in over-production of components valued at about Rs 8 lakhs. Their observations on the case referred to in para 34 (S. No. 24 <i>ibid</i> ) apply equally to this case as well. They trust that with the introduction of the new scheme for centralised planning and provisioning, wherein the provisioning of components and materials will be mechanically controlled by the D.G.O.F.'s Headquarters, the position will improve.
26	40	Do.	(i) The Committee have in the past urged the need for better planning and periodical review of the outstanding orders in the Ordnance Factories in para 6 (Introduction) and para 26 of their 6th Report (Second Lok Sabha). The Committee fully endorse the views of Audit that accumulation of semi-finished articles over a number of years tends to show that these are being manufactured in an unplanned and uncoordinated manner. There is every risk of their being rendered obsolete and surplus involving Government in heavy losses.

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			(ii) The Committee would like to know, in due course, the value of semi-finished articles found surplus in the various factories as a result of the review undertaken in this behalf and action taken to dispose them of. They would stress the prompt closure of the warrants.
27	41	Defence.	The Committee understand that with the centralised material control considerable economies can be exercised since material surpluses in one factory can be diverted or taken into account in future provisioning by the D.G.O.F. The Committee, therefore, trust that the introduction of "mechanised system of material control" at the D.G.O.F's Headquarters will not only avoid the pitfalls in over-provisioning which had become a chronic feature in the working of the Ordnance Factories in the past, but will also facilitate the speedy execution of the orders placed on the Ordnance Factories.
28	42	Do.	The Committee regret that the information called for by them on certain points relating to the working of the two organisations headed by the D.G.O.F (Director General Ordnance Factories) and C.G.D.P. (Controller General Defence Production) and the extent of co-ordination between them in the matter of requirements, research, development, production and inspection of Defence Stores has not so far been made available to them.
29	43	Do.	The Committee understand that the costing system in force in the Ordnance Fac-

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ories was complicated and outmoded and was being examined. The Committee consider this review as overdue and would urge that the whole system should be streamlined at an early date. The Committee would also like to be apprised of the various measures that had been taken by the Ministry of Defence to bring down the cost of production of articles manufactured by the Ordnance Factories for civilian use.

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Defence.

The Committee understand that the whole question of adjustment of the losses suffered by the B.E.L. (Bharat Electronics, Ltd.) upto the date of commencement of production, was now under re-examination. They are surprised that the Comptroller and Auditor General who conducts a supplementary test audit of the Accounts of this Company under Section 619 of the Companies Act, 1956 was not consulted before action was taken on the advice of the Company's auditors to capitalise the losses. The committee trust that before a final decision is taken in the matter, the Comptroller and Auditor General will be consulted by the B.E.L.

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Do.

(i) The Committee are concerned that nearly half the capacity of the B.E.L. (as estimated by the representative of B.E.L.) still remained unutilised. Further, the percentage of capacity that is being utilised at present for production of Defence requirements is very small. The Committee desire that the production programme now prepared by the B.E.L. as a



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result of assessment of the requirements of the Defence Services and other Departments is adhered to. They would also urge that the Defence Services should continue to assess periodically their requirements of all electronic equipments and examine how far the B.E.L. would be able to manufacture them. They are firmly of the opinion that with sufficient notice and technical know-how, it should be possible for the B.E.L. to establish manufacture of these equipments and they trust that the Ministry of Defence would assist the B.E.L. in fulfilling this role.

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Defence

(ii) The Committee were concerned over the question of granting a licence to B.E.L. or private sector for the manufacture of valves, inasmuch as until satisfactory arrangements had been made by Government for utilising the capacity already built up in the public sector it was premature to entertain proposals from the private sector for creating additional capacity. They are glad to learn that the grant of a licence to the B.E.L. for manufacturing valves has since been approved by the Ministry of Commerce and Industry and a Committee consisting *inter alia* of the representatives of the Defence and Information and Broadcasting Ministries and Planning Commission was at present examining the question of future demand for valves in the country with a view to creating the necessary potential for manufacture in the country.

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			The Committee trust that the B.E.L. will take steps to start production of valves without any more delay.
32	48	Defence	The Committee consider that a well organised Sales Organisation will go a long way in promoting the sale of equipments manufactured by the B.E.L. and steps should, therefore, be taken to organise it on efficient lines. In this connection the Committee would also like to caution the B.E.L. against extravagance in their working. Already the overheads are rather high to which attention has been drawn in para 49 of their 6th Report. Too much overheads will tend to inflate the price of the manufactured products. The Committee would, therefore, urge that the overheads are kept under constant review to see that costs of indigenous equipments are comparable, if not competitive, with the imported ones. The Committee trust that by utilising their full capacity and reducing the overheads, the B.E.L. will soon become an economic a efficient production unit.
33	49	Do.	The Committee are concerned at the drawal of huge funds by H.A.L. (Hindustan Aircraft Ltd.) in excess of their requirements and thus locking them up in their bank account. They feel that the scrutiny exercised by the Ministries of Defence and Finance (Defence) at present over the ways and means statements of H.A.L. before sanction of expenditure is not adequate and the matter should be reviewed.

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34	51	Defence	<p>The Committee had desired to be furnished with the break-up of the outstanding debts due to H.A.L. for the years 1956-57 and 1957-58 under the amounts relating to the three month old period and more than three month old period. The Committee regret to observe that this information has not so far been made available to them.</p> <p>The Committee are concerned at the increase in the accumulation of outstandings year after year. They would reiterate the recommendation made in para 37 of their 6th Report (Second Lok Sabha) that a procedure should be evolved for the timely realisation of outstandings. The Committee understand that the Ministry of Defence have constituted a Committee in October, 1958, to go into the question of expeditious recovery of outstandings. The Committee would suggest that in order to reduce the outstandings because of the "inevitable" time-lag of three months in costing under the 'cost plus contract' system, dues be realised on provisional prices fixed subject to final adjustment being made later on.</p>
35	53	Do.	<p>The Committee would like to know the progress made by Government in the matter of standardisation of types and designs of aircraft required for internal services.</p>
36	55	Do.	<p>The Committee regret to observe that stock verification which is an essential adjunct of effi-</p>

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cient administration of stores has not been carried out fully in a number of cases. Failure to verify the stock physically at periodic intervals detracts from the value of the ledgers and also causes delay in bringing to light discrepancies which may call for early preventive and corrective action. They trust the Ministry would ensure that the authorities concerned attend to this important task continuously in accordance with the time-schedule laid down.

The Committee are distressed to note that considerable discrepancies continue to be a feature of the result of stock verification in the depots. While they appreciate that discrepancies cannot be entirely ruled out, they would sound a note of warning against the authorities taking up a complacent attitude towards discrepancies which were substantial and which would call for further investigations. It is needless to point out that stores are cash in another form.

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Defence

The Committee are concerned to find that a considerable quantity of valuable Defence Stores were lying in the open exposed to the inclemencies of weather. In evidence, the Committee were informed that the main difficulty in providing covered accommodation was lack of funds. The Committee are unable to accept this, as there were large savings in the sums provided for works expenditure. They urge, therefore, that effective measures should be initiated urgently to provide covered accommoda-

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			tion for valuable stores to save them from deterioration.
37	58	Defence	The Committee regret to observe that the verification of stock in Ordnance and Clothing factories did not receive the attention it deserved. They once again stress the need for prompt verification of stores so that unfinished items of work pertaining to a year carried over do not adversely affect the programme of verification of future years.
38	60	Do.	The Committee are surprised to note that in the case referred to in para 21 of the Audit Report, certificates of stock verification had been furnished for a number of years without actual stock verification. The Officers concerned not only neglected their duties, but were also guilty of furnishing incorrect certificates. In the opinion of the Committee the action of the Officers concerned merits deterrent disciplinary action. They would like to know the action taken.
39	61	Do.	The Committee have no doubt that the losses mentioned in Appendices A, B and C in the Appropriation Accounts could have been considerably reduced if not altogether eliminated, had those concerned adhered to the normal rules and procedure laid down. They also notice that even cases involving misappropriation and grave irregularities leading to loss, which called for prompt disciplinary action, were dealt with in a halting manner.

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			<p>The Committee trust that Government would review the existing procedure, codal formalities etc. in the light of these cases and take action to streamline them. They hope that the Ministry would take suitable remedial steps to avoid their repetition.</p>
40	63	Defence	<p>The Committee regret to note that in the case referred to in S. No. 10 (page 39 of the Appro. Accounts), the officers concerned had grievously erred in not ensuring that the specifications in the contract were free from defects and its terms adequately safeguarded the interests of Government. The Committee would suggest that the provisions in the standard form of contracts at present in use may be scrutinised by the Ministry in consultation with the Ministry of Law to see if they are adequate and afford necessary protection to the interests of Government.</p>
			<p>The Committee desired to have information regarding cases where contractors rectified the defects and where such defects were rectified departmentally during 1956-57 and 1957-58 and the cost debited to the contractors. This information is still awaited.</p>
41	64	Do.	<p>In the case referred to in S. No. 10 at page 43 of Appropriation Accounts apart from the fact that while placing the contract care was not taken to see that the contract was not defective the Committee feel unhappy over the delay in taking disciplinary</p>

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			<p>action against the guilty officials. They are surprised to note that the matter was reviewed six years after the case had occurred but no particular action was suggested by the Committee reviewing the case. This in the opinion of the Committee is regrettable. They have from time to time stressed that disciplinary action to be effective and to be deterrent should be prompt and they trust that steps would be taken by the Ministry to ensure quicker action in such cases.</p>
42	65(1)	Defence	<p>In the Committee's view a delay of three years in taking disciplinary action in the case referred to in S. No. 4 at page 50 of the Appropriation Accounts was not justified.</p>
	(2)	Do.	<p>In the case referred to in S. No. 6 at page 51 of the Appropriation Accounts it was admitted that hundred per cent check of the stock required to be carried out physically once a year was not done. This is obviously a case of neglect of duty which the Committee feel deserved serious notice.</p>
43	67	Do.	<p>In the case referred to in S. No. 16 at page 44 of the Appropriation Accounts the Committee are unable to understand why the normal procedure of settling the recoveries before disbandment of units was not adhered to. They recommend that steps should be taken to ensure that all rules and procedures laid down are strictly followed by the authorities concerned.</p>

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44	68	Defence	While appreciating the difficulty in providing covered accommodation for all stores the Committee suggest that in order to make the best possible use of the covered accommodation available, pending further construction, the Defence authorities should issue instructions to ensure that all key items of stores the deterioration of which is likely to prejudice the operational efficiency of the Defence Forces, should be stored under covered accommodation. Also the stores which are liable to damage or deterioration under inclement weather conditions should be given regular preservative treatment and stored under proper conditions.
45	69	Do.	In the light of the case referred to in S. No. 83 at page 69 of Appropriation Accounts, the Committee suggest that the Indian Naval Fleet Order, 1953 may be suitably amended to make the presence of an officer compulsory in the towed vessel.
46	70	Do.	The Committee feel that the fire fighting machinery which is of vital importance in depots containing large quantities of valuable stores is not receiving the attention required. They would urge that the Commanding Officers of depots etc. should be instructed to hold fire fighting exercises periodically.
47	71	Do.	The Committee suggest that in order to avoid the variations in the issue of stores, costly materials should not be issued on the basis of wagon weight or lorry weigh-bridge readings. For non-ferrous



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			metals, accurate beam scales or platform weighing machines should be used.
48	72	Defence.	The Committee are unhappy at such instances, as the one referred to in S. No. 7 at page 51 of the Appropriation Accounts, of failure on the part of the Administration to take prompt action against officials found guilty. This case discloses that even when criminal proceedings were initiated, they were nullified because of inexplicable delays in Administration in according sanction for prosecution. The Committee would like to know why no responsibility was fixed for the failure. They would, therefore, impress upon the Defence Authorities the need for taking prompt action in disciplinary cases against delinquent officials, if the Administration is to be toned up.
49	73	Do.	It is obvious that in the case referred to in para 22 of the Audit Report regarding the purchase of a building in Bombay the decision of Government to negotiate direct with the owner without participating in the auction was deliberate and imprudent.
50	77	Do.	It passes their comprehension how the owner of this building at Bombay came to know that Government would need this building and what prompted him to address the Quarter Master General of Defence Headquarters, New Delhi, in June, 1949 direct instead of to any other authority. The decision taken in 1949 to ne-

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			<p>gotiate direct with the owner without bidding at the auction was imprudent. The decision to pay Rs. 5½ lakhs to the owner for the property taken on 14th December, 1950 despite the fact that the property was knocked down for Rs. 3½ lakhs at the auction on 20th November, 1950 was, to say the least, questionable. It was urged in evidence that the Ministry did not know the actual price at which the auction was closed although they were aware of the auction. The Committee cannot but dismiss this as unbelievable.</p>
	78		<p>The unseemly haste displayed in December, 1950 in the week before the last date fixed for setting aside the auction in finalising the deal and the subsequent course of events cannot but leave an impression in the mind of the Committee that there had been a calculated attempt to drag Government into the purchase of this property with encumbrances which could have been foiled had the Ministry cared to do. The Committee desire that a detailed enquiry be made into this case.</p>
	79		<p>The Committee would like to know the progress made in evicting the tenants by Government and utilisation of the building.</p>
51	81	Defence.	<p>The Committee deprecate the inordinate delay in finalising the action against the officers responsible for losses in the case referred to in para 24 of Audit Report. They see no justification for the Sub-Area Commander sitting over the case for</p>

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			<p>three years. The Committee observe that such delays not only result in the distortion of evidence but also enable the delinquents to escape punishment. The Committee, therefore, stress that the existing procedure for holding inquiries into such cases of losses, etc., should be reviewed with a view to fixing time-limits for submission of findings at the various levels, so as to ensure that the whole process is simplified and expedited. The Committee would like to be informed, as soon as possible, of the action taken against the store-keeper and the Garrison Engineer in the present case.</p>
52	82	<p>Defence  <hr/> Finance (Defence)</p>	<p>The Committee are unhappy at the continuous loss disclosed in the working of the Garrison Cinemas run by the Canteen Stores Deptt. They feel that the establishment charges of the Administrative Officer, Cinemas, are on the high side. They suggest that the reasons for these losses should be investigated by the Ministry of Defence, and steps taken to reduce the establishment charges and run this enterprise on business principles.</p>
53	83	Do.	<p>The Committee agree with the suggestion made by the Comptroller and Auditor General that a Canteen Stores Fund, outside the Consolidated Fund of India but within the Public Account of India may be created with the approval of Parliament. The Committee trust that Government would expedite a decision on the future set-up of the Canteen Stores Department which had been pending their consideration for the last four years.</p>

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54	85	Defence <hr/> Finance (Defence)	The Statement showing profit/loss made by the individual military farms devised more than a decade ago did not give a correct picture of the financial results of the working of the individual farms. The Committee desire that the existing form of the statements showing the profit/loss should be revised in consultation with Audit in order to make a realistic comparison between the financial results of the working of the Farms individually and collectively from year to year.
	(11)	Do.	The Committee suggest that the Ministry of Defence should examine the desirability of reviewing the present system of providing for depreciation with a view to avoiding burden on the farms as a result of abnormal casualties and condemnation of the cattle.
55	86	Do.	The Committee understand that a Departmental Committee has been appointed by the Government to examine the various matters relating to the working of Military Farms including their financial policy and price structure etc. The Committee would like to know, in due course, the action taken by Government on the findings of this Committee.
			The Committee regret that certain information called for by their sub-Committee during the course of examination of accounts of the military farms and also as a result of their visit to the Military farms at Meerut, Bareilly and Lucknow in November and December, 1958, has not

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			been furnished to them so far.
56	87	Defence	The Committee suggest that with a view to ensuring that the Departmental Committee entrusted with condemnation of animals did not err on the wrong side, an outsider especially an expert from the I.A.R.I. (Indian Agricultural Research Institute) should be associated with it. Further, it might be worthwhile to declare surplus calves and incurable live-stock of Military Farms only when a sizeable number thereof is available as in that case the chances of their getting a better deal are more favourable.
57	88	Do.	The Committee would like to know the progress made by the Military Farms in the utilisation of fallow lands which are at present lying unutilised.
58	89	Do.	The Committee were surprised to find at the Bareilly Farm that for want of repairs to the tractors for many months no more land could be brought under cultivation. In one plot an area of 170 acres was lying uncultivated for want of fence posts.
59	90	Do.	While dealing with the Pasteurisation plant at Bareilly, which is not working upto its capacity, the Committee suggest that the Local Commissioner and Co-operative Officials and Community Development authorities might be contacted to help local peasants to organise their Milk Supply Co-operatives and thus encourage

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			the local milkmen to get their milk pasteurised at this Farm.
60	92	Defence	<p>The Committee are concerned at the delay in the settlement of recoveries from certain parties for the stores supplied or services rendered to them by Ordnance Factories concerned during the period 1944—48.</p> <p>The Committee desire that the procedure in this respect should be reviewed with a view to seeing whether a system of advance payments or cash and carry basis can be introduced so as to avoid such outstandings.</p>
61	93	Do.	<p>The Committee would like to know the measures taken by the Ministry of Defence to check the continued defection of trained personnel from the Machine Tool Prototype Factory, Ambarnath, and thus avoid set-backs in the production programmes. Further the possibility of co-ordinating the training facilities in the machine tools industry available in the Hindustan Machine Tools Ltd. with those for the specialised training in the Machine Tool Prototype Factory, Ambarnath may be examined by the Ministries of Defence and Commerce and Industry.</p>
	94	Do	<p>The Committee are anxious that the idle capacity at Machine Tool Prototype Factory, Ambarnath, should be utilised to the maximum extent by exploring constantly the avenues of production, which the factory can undertake and thus conserve foreign exchange being spent at present on the import of</p>

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			plant and machinery required by the various ordnance factories. They suggest that a phased programme of production by the factory should be carefully worked out after assessing the requirements of machines and tools by the various Ordnance Factories and Defence Installations.
62	95	Defence	The Committee suggest that the expenditure on designing in the Machine Tool Prototype Factory, Ambarnath, should be kept separate from that incurred on production for purposes of comparison.
63	97	Do. Finance (Defence)	The Committee would like to know in due course the procedure laid down in the matter of declaring equipment/stores, obsolescent/obsolete to ensure greater control and closer scrutiny in such matters so that available resources were not frittered away.
64	98	Do.	While the Committee appreciate that in the case of expendable stores like ammunition, some allowance can be made for certain unforeseen factors, they feel that in case of non-expendable stores, the provision reviews should not normally reflect wide fluctuations. Another factor that the Committee would emphasise is the importance of making an up-to-date and correct assessment of stock at the time of the provision reviews. The Committee, therefore, desire that the system of provisioning should be suitably modified and in all cases of failures to make correct provision reviews with consequential

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			loss to Government, responsibility should be fixed and suitable action taken against the individuals concerned.
65	100	Defence.	The Committee would like to know the action taken against the other Deputy Naval Stores Officer and the Store Receiver, responsible for the purchase of unwanted stores.
66	101	Do.	The Committee would like to know the final outcome of the proposal to increase the extent of manufacture of items of spare parts required in petty quantities for repair of equipment/vehicles, by the Army Base Workshops in order to relieve the Ordnance Factories from the responsibility for planning and execution of petty orders.
67	102	Do.	While the Committee appreciate the anxiety to keep the existing stocks for a longer time, they stress that necessary precautions should also be taken to prevent over-provisioning in the Ordnance Depots and over-production in factories and efforts should be made to ensure overall economic utilisation of capacity and economic production both for maintenance purposes and reserves.
68	103	Do. Finance (Defence)	The Committee would like to know the final decision taken in fixing a limit on the financial powers of the D.G.O.F. in incurring expenditure on the manufacture of components for stock purposes as desired in para 34 of their Sixth Report (Second Lok Sabha).



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69	104	Defence Finance (Defence)	The Committee would like to know the final outcome of the procedure that is being worked out for carrying out development work separately from regular manufacture of new stores and the economies effected in the implementation of this procedure.
70	105	Do.	The Committee desire that the incorporation of a rule similar to that applicable to the Civilian personnel in the Defence regulations <i>re</i> allotment of accommodation should be considered by the Ministry of Defence. They would also like to know whether the scales of accommodation in respect of civilians paid from Defence Estimates have been laid down.
71	106	Defence.	The Committee would like to know the up-to-date position* of the advance made to the U.K. Government in respect of the indents placed by the three Services and the supplies received against them.
72	107	Do.	The Committee would like to know, in due course, the progress made in production of trucks in the Ordnance Factories.
	108	Do. Finance (Defence)	The Committee suggest that in view of the magnitude of the capital outlay on the purchase of vehicles the existing procedure of classification, condemnation and disposal of vehicles should be examined by the Ministry of Defence in consultation with the Financial Adviser with a view to removing any defects and chances of malpractices and

\*Please see foot-note at p. 60.

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73	109	Defence	<p>achieving economy and preventing avoidable waste.</p> <p>The Committee would like to know the final outcome of the claim for refund of Sales Tax in the case referred in this para, wherein an <i>ex-gratia</i> payment of Rs. 10,51,084 was made to a private firm towards reimbursement of sales tax in respect of Jeeps supplied by the Bombay firm.</p>