

**PUBLIC ACCOUNTS COMMITTEE**  
**(1973-74)**

**(FIFTH LOK SABHA)**

**NINETY-NINTH REPORT**

**[Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 91st Report (Fifth Lok Sabha) on C. & A. G's Report for 1970-1971, Union Government (Civil)—relating to Department of Supply.]**



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**NEW DELHI**

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# **PUBLIC ACCOUNTS COMMITTEE**

**(1973-74)**

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## **SECRETARIAT**

**Shri M. S. Sundaresan—*Deputy Secretary***  
**Shri T. R. Krishnamachari—*Under Secretary.***

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\*Elected on 29-11-73 *vice* Shri D. S. Afzalpurkar died.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Ninety-ninth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 91st Report (Fifth Lok Sabha) relating to Ministry of Supply.

2. On the 20th May, 1973 an 'Action Taken' Sub-Committee was appointed to scrutinise the replies from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

Shri H. N. Mukerjee—*Convener*

2. Shri Sunder Lal	}	<i>Members</i>
3. Shri Biswanarayan Shastri		
4. Shri M. Anandam		
5. Shri Nawal Kishore		
6. Shri H. M. Patel.	}	

3. The Action Taken Sub-Committee of the Public Accounts Committee (1973-74) considered and adopted this Report at their sitting held on 19th February, 1974. The report was finally adopted by the Public Accounts Committee on the 11th March, 1974.

4. For facility of reference the main conclusions|recommendations of the Committee had been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations|observations of the Committee is appended to the Report (Appendix).

(vi)

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

JYOTIRMOY BOSU,

*Chairman,*

*Public Accounts Committee. .*

NEW DELHI;

*March 13th 1974.*

*Phalguna 22, 1895 (S)*

## CHAPTER I

### REPORT

1.1. This Report of the Committee deals with action taken by Government on the recommendations contained in their 91st Report (Fifth Lok Sabha) on C.&A.G.'s Report for 1970-71, Union Government (Civil) relating to Department of Supply which was presented to the House on the 25th April, 1973.

1.2. Action taken notes have been received in respect of all the 23 recommendations in the Report.

1.3. The Action Taken notes|statements on the recommendations have been categorised under the following heads:—

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

Sr. Nos. 1, 2, 6, 8, 9, 14, 15 and 20.

(ii) *Recommendations|observations which the Committee do not like to pursue in view of the replies of Government.*

1.5. The Committee will now deal with the action taken by Government have furnished interim replies.

3-5, 7, 10-13, 16-18, 21-23.

1.4. The Committee hope that final replies in regard to those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.

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

#### **Procurement of vests woollen white (Paragraph 1.32—Sr. No. 3)**

1.6. In paragraph 1.1 to 1.32, the Committee had dealt with the purchase by D.G.S.&D. of vests woollen white for Defence Services. The Committee made the following observations in paragraph 1.32:

“The Audit paragraph brings out the fact clearly that as the procurement of vests woollen white for Defence Services is not being programmed on a systematic basis, only a



small number out of the total requirements is covered against the rate contracts entered into by DGS&D from time to time and the balance quantity has to be procured by placement of tenders. The procurement of acceptance of tenders involves assistance to the manufacturers for procurement of wool tops on replenishment basis. However, since the wool tops are to be imported with only limited foreign exchange allocated by the Ministry of Foreign Trade, acceptance of contracts on assistance basis becomes difficult. Therefore, in cases of urgent ad hoc incidents from the Ministry of Defence, the DGS&D had to resort to purchases "at without assistance rates" which are inevitably high. The Committee desire that the Ministry of Defence should in consultation with the DGS&D, make an exhaustive review of the whole system of the procurement of the vital stores and lay down procedures which are more conducive to economy."

1.7. In their action taken note dated the 18th December, 1973, the Department of Supply stated:

"The recommendation of the Committee is being examined in depth and decision of the Government will be intimated in due course."

**1.8. The Committee would like the Ministry of Defence and Supply to complete the examination of the whole system of procurement of vital stores for Defence Services expeditiously and lay down procedures more conducive to economy. The Committee consider that even an examination in depth need not take more than twelve months at the outside and trust that the decision taken will be intimated to them without further delay.**

**Purchase of Ambassador Cars (Paragraph 1.56—Sr. No. 6)**

1.9. Dealing with the purchase of cars by DGS&D for Defence needs, the Committee had, in paragraph 1.56 observed as follows:—

"The Committee find that although the numbers of cars offered for inspection as per the firm's letter was 87, only 80 cars were actually tendered for inspection. Further, 36 cars rejected on inspection were not retendered by the firm after rectification of defects pointed out by the Inspector. They were disposed of in the open market. The Committee would like to know whether the failure of the firm in this regard was examined."

1.10 In their action taken note dated the 18th December, 1973, the Department of Supply stated:

"As per certain documents available with the Defence Inspectorate, although intimation about tendering of 87 cars was sent by the firm, yet the number of cars physically tendered for inspection was only 80.

Out of 80 cars tendered for inspection, 36 cars were rejected by the Defence Inspectorate. According to Defence Inspectorate resubmission after rectification is a normal practice. If a car tendered by a firm is not straightaway accepted due to presence of rectifiable defects, the same car is re-tendered after rectification of defects. Further, the firm is asked by the Inspector to re-submit only those cars after inspection where the defects are of a rectifiable nature; otherwise, a rejection notice is straightaway issued. The Defence Inspectorate have stated that the defects pointed out by the Inspector were of rectifiable nature."

"Regarding the observation of the Committee that the cars rejected on inspection were not re-tendered by the firm after rectification of the defects and were disposed of in the open market, it is stated that the DGS&D were not aware whether the defects pointed out by the Defence Inspectorate were of rectifiable nature or not. Hence the failure of the firm in this respect could not be examined by the DGS&D."

1.11. It passes the comprehension of the Committee how the Directorate General of Supplies and Disposals were not aware that the defects pointed out by the Defence Inspector were of rectifiable nature as a result of which the failure of the firm in not having retendered 36 cars after rectification of defects could not be suitably dealt with. As the contracting authority, the DGS&D ought to have ascertained the nature of the defects pointed out and ensured the due performance of the contract by the firm. The inspector also ought to have asked the firm to resubmit the cars for inspection after rectifying the defects noticed by him and advised the DGS&D accordingly. The Committee desire that responsibility should be fixed for these lapses. Further, lacuna in procedures, if any, which had led to this situation should also be remedied forthwith.

### **Departmental quota for cars (Paragraph 1.58—Sr. No. 8)**

1.12 In paragraph 1.58 the Committee made following observations in regard to feasibility of having a special quota of cars for departmental use:

“Under the Car Distribution and Control Order, Government have powers to reserve quota for specified uses. In pursuance of this there is a Central Government quota which is used for allocation of cars to Government servants. But so far as purchase for departmental use is concerned, there is at the moment no special quota. In view of what has happened in this case, the Committee desire Government to examine the feasibility of having a special quota for departmental use”.

1.13 In their action taken note dated the 24th/26th November, 1973, the Ministry of Heavy Industry replied:

“The observations made by the Committee have been noted for action.”

1.14. The Committee would like to know the action taken by Government for fixing a special quota of cars for departmental uses. It seems strange that early decision in such an apparently simple matter should be delayed. Responsibility in the matter should be fixed. Cases of lapses, improprieties and neglect: (Para Nos. 1.55, 1.75, 1.76, 1.113, 1.114, 1.152, to 1.154, 1.181 and 1.183—Sr. Nos. 5, 10-13, 16-18, 21 and 23 respectively.

1.15 In paragraphs 1.55, 1.75, 1.76, 1.113, 1.114, 1.152 to 1.154, 1.181 and 1.183 of their 91st Report (Fifth Lok Sabha), the Committee had dealt with a number of instances of lapses, improprieties and neglect. The Committee had observed as follows:

1.55—Sr. No. 5: “According to the advance acceptance of tender placed on the manufacturer on 6th February, 1971, 199 Ambassador cars were to be tendered for inspection by 10 April, 1971 to meet the defence requirements. However, only 80 cars were tendered for inspection by the manufacturer out of which 44 cars were accepted. The extra expenditure on account of purchase of the balance of 155 cars at the higher price consequent on the Supreme Court order dated 16th April, 1971 was Rs. 2.95 lakhs. As the firm clearly failed to perform the contract and the vehicles within the stipulated date of delivery ending with

10-4-1971, action should have been taken to recover general damages. Instead the purchaser is stated to have acquiesced in the continuance of the contract by issuing a letter of extension unilaterally extending the date of delivery till 31st May, 1971. The Committee desire that the responsibility should be fixed for this lapse."

1.75—Sr. No. 10: "The Committee also feel that the placement of a big order valued at Rs. 39.59 lakhs on a new firm which had no previous experience of manufacturing trailers was not at all justified. It is pertinent to note in this connection that the order on this firm was placed in an effort to develop new sources of supply. In the opinion of the Committee the placement of an order of the magnitude of 865 trailers out of a total of 1045 was highly improper and calls for investigation."

1.76—Sr. No. 11: "It is seen that the inspection of the prototype submitted by the firm on the 23rd August, 1969 was completed by the Defence Inspectorate on 7-11-1969 and thereafter due to lay off in the firm's factory from 19-12-1969 the firm did not re-offer for inspection the prototype trailer. In view of the closure of the factory, the DGS&D should have taken necessary steps to safeguard their interests by cancelling the contract well in time. The delay in taking timely action has resulted in extra expenditure of Rs. 6.32 lakhs which the Committee cannot but deplore."

1.113.—Sr. No. 12: "The Committee take a serious view of the mistake in indicating the specification of antimony in the indent by the Ammunition Factory, Kirkee and the delay in appropriately amending the contract for the supply of the metal in the office of the DGS&D. These cost the exchequer additional expenditure of Rs. 12.05 lakhs. The Committee desire that responsibility should be fixed for the mistake that occurred in the Ammunition Factory. The delay in DGS&D's Office at each stage should also be investigated."

1.114.—Sr. No. 13: "It is surprising that at the time of entering into the contract for the purchase of antimony it was not noticed that the specification given was applicable to Aluminium. It was not for the first time that the DGS&D entered into a contract for the supply of Antimony. Further regrettably the Inspector also did not

attempt to correct the mistake. These lapses appear to the Committee to be of sufficiently grave nature and call for detailed investigation."

- 1.152.—Sr. No. 16: "The Committee note that an order for supply of 7,000 tents valued at Rs. 31.3 lakhs was placed on firm 'A' of Delhi in June, 1967 solely on the ground that the rate offered by the firm was the lowest. The past performance of the firm was not at all taken into consideration. The firm which was not registered with the Director General, Supplies and Disposals had failed to make supplies against three contracts placed by the Director of Supplies (Textiles) Bombay in August-September, 1966 and as a result the contracts involving Rs. 19 lakhs had to be cancelled. The firm's failure to keep up its contractual obligations in the past was not only overlooked at the time of awarding a new contract worth more than Rs. 31 lakhs but was in fact considered by DGS&D as a factor in favour of the firm. This was admittedly a wrong decision which the Committee desire should be gone into with a view to fixing responsibility."
- 1.153.—Sr. No. 17: "The Committee further note that as a result of the firm's failure to make supplies against the fresh contract involving more than Rs. 31 lakhs, the DGS&D placed a contract for risk purchase on firm 'B'. This firm was none other than firm 'A' under a different name. The fact that firm 'B' was the same as firm 'A' with only a difference in name was known to DGS&D but they nevertheless placed the contract with firm 'B' because the rates quoted by them were the lowest and a strict interpretation of law on the subject enjoined that that only the lowest offer was to be accepted. According to the representative of the Ministry of Law in a risk purchase tender the lowest offer could be ignored if it was established that the firm making the lowest offer had no capacity to supply. The Committee are of the opinion that keeping in view their past performance it could be safely presumed that the firm lacked adequate capacity. They, therefore, feel that instead of taking a firm decision on this aspect, the easier course of taking shelter behind the letter of the law was resorted to. In fact the Committee were informed that in the present case, the advice of the Law Ministry would have been that it should have been possible to ignore the offer of

firm 'B'. The Committee desire that a thorough investigation should be made with a view to fixing responsibility as also for laying down proper guidelines for the future."

- 1.154.—Sr. No. 18: "The Committee find that orders issued by the DGS&D in 1969 debarring the firm from future contracts were not communicated to the National Small Industries Corporation with whom the firm was registered. The Matter came to the notice of NSIC only in 1972 through the Audit Report. This is a serious lapse for which the responsibility should be fixed."
- 1.181.—Sr. No. 21: "Between 3rd May, 1968 to 18th May, 1968 the Director of Supplies (Textiles), Bombay placed four contracts valued at Rs. 28.10 lakhs on firm 'A' for supply of 12,49,824 metres of netting mosquito round mesh Khaki/white. As per the contracts deliveries were to be completed by the firm in instalments between June, 1968 and 31st August, 1969. On the 30th May, 1968, i.e., just after 12 days after the execution of the four contracts, the firm informed the Director of Supplies (Textiles) Bombay that as their mill was closed temporarily, the deliveries against these contracts were likely to be delayed. However, as the firm failed to effect the supplies by the stipulated date, the Director of Supplies (Textiles) cancelled these contracts in December, 1968 and April-June, 1969 at the risk and expense of the firm and issued notices to the firm in July-September, 1969 for depositing Rs. 3,33,548 towards the extra cost of re-purchase. This was contested by the firm. The Ministry of Law to whom the matter was referred for advice held that since in 3 out of 4 cases the risk purchase contracts had been placed even before the defaulted contracts were cancelled, Government was not entitled to claim any risk-purchase loss in these cases. In the fourth case, the Ministry of Law expressed the opinion that out of risk purchase of 4,00,000 metres the Government was entitled to recover the loss on 1,75,000 metres only. The omission to cancel the contracts placed on the firm before new contracts for risk purchase were placed is a serious lapse for which the Committee desire that responsibility should be fixed."
- 1.183.—Sr. No. 23: "From the information made available to the Committee it is seen that in 21 contracts placed on the firm between April, 1965 and April, 1968 for the sup-

ply of mosquito netting the firm had completed deliveries in time only in 5 cases. In the light of this background the Committee fail to understand why such huge orders worth more than Rs. 28 lakhs were placed on this firm. Further, even after terminating all the contracts with firm in 1968-69 because of the firm's inability to cope with the requirements of the DGS&D, the firm was again selected for award of another contract in November, 1970. This had also to be cancelled subsequently at the risk and cost of the firm. The Committee desire that the circumstances leading to the award of 4 contracts to the firm in 1968 and another contract in 1970 may be gone into to see how far was it justifiable to have dealings with a firm whose past record was not at all satisfactory."

1.16. In their action taken notes dated the 4th October, 1973, the Department of Supply stated as follows seriatim:

1.55. —Sr. No. 5: "The question regarding fixation of responsibility is under examination in the Vigilance Wing of D.G.S.&D. The Committee would be informed of the decision in the matter in due course."

1.75-1.76.—Sr. Nos. 10 and 11: "The matter is under investigation in the Vigilance Wing of the DGS&D. The findings of vigilance probe would be reported to the Committee in due course."

1.113.—Sr. No. 12: "The case has been investigated. Copies of the indents relating to the Aluminium, Antimony and Lead Ingots were despatched to DGS&D under the same letter in one cover and the Amendments relating to Aluminium Ingots were erroneously entered on the indent pertaining to Antimony. Enquiries made have confirmed that this was a clerical error. The responsibility for checking and ensuring correctness of the amendment was, however, that of the Store holder. The Store holder concerned retired from service w.e.f. 10-5-70 and no action can be taken against him.

Action on the portion relating to the DGS&D is to be taken by Ministry of Supply." [Ministry of Defence (Department of Defence Production) O.M. No. 26(4)/73[D(PA) dated 19-12-1973].

1.113. and 1.114.—Sr. Nos. 12 and 13: "So far DGS&D is concerned, the matter is being investigated by its Vigilance

Wings. The findings of the Vigilance probe would be reported to the Committee in due course."

1.152. to 1.154.—Sr. Nos. 16—18: "The matter regarding fixation of responsibility is under examination in the Vigilance Wing of the DGS&D. The Committee would be informed of the decision in the matter in due course."

1.181. and 1.83.—Sr. Nos. 21 and 23: "The matter is under investigation in the Vigilance Wing of the DGS&D. The findings of the Vigilance probe would be reported to the Committee in due course."

1.17. On an enquiry about the latest position in regard to these cases, the Department of Supply stated in their further reply dated the 3rd January, 1974, that these "recommendations involve investigations from vigilance angle and efforts are being made to finalise the cases as expeditiously as possible."

1.18. The Committee had highlighted a number of instances of serious lapses, improprieties and grave neglect, and had suggested investigation with a view to fixing responsibility. After a lapse of nearly six months the Committee were informed that the matters were under examination in the Vigilance Wing of the DGS&D. From a communication received two months later in January 1974 in reply to a query about the latest position, the Committee are distressed to find that the examination has not yet been completed. Thus even after eight months the Government are not able to let the Committee know of the bonafides or otherwise of the lapses/irregularities, not to speak of the conclusive action taken against the concerned officials. The Committee cannot view with equanimity such an apparently irresponsible attitude. They do not think departmental probe should ordinarily take so much time. In order to have the desirable deterrent effect it is necessary that such serious observations of the Committee are processed within the time-limit of six months. The Vigilance Wing of the DGS&D should be geared up to expeditiously investigate such matters. A report on the outcome of the examination of the issues raised by the Committee should be given within three months.

1.19. As regards the observation of the Committee contained in paragraph 1.153 the Government, at the very least, could have laid down proper guidelines for the future in regard to risk purchases. But unfortunately even this does not appear to have been done. The Committee desire that this should be done forthwith and reasons for the lapse may be reported immediately.



## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation

Vocab-cum-programme books which enable the indenting Ministries to make a definite forecast of their requirements of various stores for two or three years are being maintained by the Ministries like Railways and Posts and Telegraphs. The maintenance of such books also enables the D. G. S. & D. to plan procurement of vital stores on a more rational basis by entering into running contracts with the suppliers instead of the rate contracts which are more expensive. The Committee regret to observe that the Ministry of Defence have not been maintaining vocab-cum-programme books with the result that the procurement of even the vital stores which are in regular demand of Defence Services was not being arranged on any programmed basis. The Committee were given to understand that in respect of certain items such as clothing, tool and hardwares the Ministry of Defence intimated their requirements to D. G. S. & D. 21 months in advance. From the information made available by the D.G.S.&D. it is seen that during the period 1966 to 1972 in respect of hosiery items viz., socks, woollen jerseys etc., in only one case a lead of 21 months was allowed to D. G. S. & D. In other cases the lead time varied from a few days to 16 months. This only underscores the need for better planning for the purchase of Defence stores.

[Sr. No. 1 (Para 1.30) of Appendix V to 91st Report (5th Lok Sabha)].

#### Action taken

The recommendation of the Committee on the need for better planning for the purchase of Defence stores has been noted. Action for the early finalisation of the Vocab-cum-Programme book for Defence stores has been taken by the D. G. S. & D., in consultation with the Ministry of Defence.

[Deptt. of Supply O.M. No. P III-23 (28)/73 dt. 6-12-73].

### Recommendation

The Committee were informed that a decision had been taken as far as in May 1970 by the Ministry of Defence to examine the feasibility of preparation of vocab-cum-programme books. It took the D. G. S. & D. more than two years to persuade the Ministry of Defence to be convinced about the need for the preparation and maintenance of such books. The Ministry of Defence have now agreed to prepare vocab-cum-programme book in respect of some selected items. The Committee need hardly emphasise that the proposals aiming at better planning and economy should be examined expeditiously.

[Sr. No. 2 (Para 1.31) of Appendix IV to 91st Report (5th Lok Sabha)].

### Action taken

The preparation of vocab-cum-programme books for a few selected items, where Defence planning and indenting was possible, has been undertaken and Services Headquarters have sent the requisite material to D. G. S. & D. These books will be finalised by the Services Headquarters in consultation with the D. G. S. & D. Further items, as and when they come to light, will also be included in such books.

2. The peculiar conditions in which it took some time to finalise the question of introduction of vocab-cum-programme book on the Defence side had been explained in the note containing information on Point 1 of the List of Points relating to Audit Para 38—Procurement of Vests Woollen White, submitted to the P.C. by the Department of Supply under their O.M. No. P.III-19(18)/71, dated 29th March, 1973. The observations of the Committee that proposals aiming at better planning and economy should be examined expeditiously have been noted.

[Mo Defence (Deptt. of Def. Organisation) O.M. No. 11(37)/72/D (Budget) dt. 21-2-74].

### Recommendation

The Committee find that although the number of cars offered for inspection as per the firm's letter was 87, only 80 cars were actually tendered for inspection. Further, 36 cars rejected on inspection were not retendered by the firm after rectification of defects pointed out by the Inspector. They were disposed of in the open

market. The Committee would like to know whether the failure of the firm in this regard was examined.

[Sr. No. 6 (Para 1.56) of Appendix IV to 91st Report (5th Lok Sabha)]-

### **Action taken**

As per certain documents available with the Defence Inspectorate, although intimation about tendering of 87 cars was sent by the firm, yet the number of cars physically tendered for inspection was only 80.

Out of 80 cars tendered for inspection, 36 cars were rejected by the Defence Inspectorate. According to Defence Inspectorate re-submission after rectification is a normal practice. If a car tendered by a firm is not straightaway accepted due to presence of rectifiable defects, the same car is re-tendered after rectification of defects. Further, the firm is asked by the Inspector to re-submit only those cars after inspection where the defects are of a rectifiable nature; otherwise, a rejection notice is straightaway issued. The Defence Inspectorate have stated that the defects pointed out by the Inspector were of rectifiable nature.

Regarding the observation of the Committee that the cars rejected on inspection were not re-tendered by the firm after rectification of the defects and were disposed of in the open market. It is stated that the DGS&D were not aware whether the defects pointed out by the Defence Inspectorate were of rectifiable nature or not. Hence the failure of the firm in this respect could not be examined by the DGS&D.

[Deptt. of Supply O.M. No. III-19(22)/73 dt. 18-12-73].

### **Recommendation**

Under the Car Distribution and Control Order, Government have powers to reserve quota for specified uses. In pursuance of this there is a Central Government quota which is used for allocation of cars to Government servants. But so far as purchase for departmental use is concerned, there is at the moment no special quota. In view of what has happened in this case, the Committee desire Government to examine the feasibility of having a special quota for departmental use.

[Sr. No. 8 (Para 1.58) of Appendix IV to 91st Report (5th Lok Sabha)]-

### Action taken

The observations made by the Committee have been noted for action.

[M/o Heavy Industries O.M. No. 1(14)14/72-AEI(I) dt. 24/26th Nov., 1973].

### Recommendation

The Committee are unhappy to note that after placement of the indent with the DGS&D in April, 1968, the Defence Department changed the specifications and drawings for the trailers thrice between May, 1968 and January, 1969. As a result the tenders invited in May, 1968, had to be cancelled. In the retenders invited in December, 1968, the specifications and drawings were also changed twice before the finalisation of the contract in March, 1969. The changes in the specifications not only contributed to the delay in the purchase of trailers but also resulted in avoidable loss as the extra expenditure incurred on risk purchase could not be recovered from the defaulting firm due to trailers repurchased being of different specifications. The Committee need hardly stress that indents should be placed with DGS&D only after the specifications of requisite stores have been finally decided upon. They trust that the present instances will not be allowed to be repeated.

[Sr. No. 9 (Para 1.74) of Appendix IV to 91st Report (5th Lok Sabha)].

### Action taken

The directions of the Public Accounts Committee are noted:

It has been decided that the concerned authority Holding Sealed Particulars, while forwarding indents to the Purchase Officer, will ensure that all specifications and paper particular quoted in the indent are correct and up-to-date. It has also been decided that when once an indent is thus placed on the Purchasing Agency, no amendments to the specifications pertaining to the indent in question will be made unless such amendments are justified on exceptional grounds to avoid hazards or for operational reasons. However, cases where amendments to specifications are likely to involve vitiation of risk purchase with attendant financial loss to the Government will be reported to this Ministry for taking a decision in the matter, in consultation with the users and the Ministry of Finance

(Defence). A copy of the instructions issued by the Director General of Inspection in this connection is enclosed (not printed).

[M/o Defence (Deptt. of Defence Production) u/o No. 4(13)/73-D(Prod.)dt.18-12-73].

### **Recommendation**

Antimony, an essential raw material for Defence Production, storage batteries and vital alloy metals, is produced by a Single firm in the country. The fair selling price of the metal is fixed by the Department of Mines and Metals. The selling price which ranged from Rs. 8828 per tonne to Rs. 10,560 per tonne during the period 1st January, 1968 to 30th September, 1970, jumped to Rs. 46,532 per tonne with effect from 1st October, 1970. The supplies against the DGS&D's contracts were erratic, the figures being 218 tonnes in 1968, 57 tonnes in 1969, 64 tonnes in 1970 and 406 tonnes in 1971. The annual production of the metal by the firm ranged from 568 tonnes to 731 tonnes during the period 1968-69 to 1971-72. The obvious inference is that when the price fixed is low, the firm find it profitable to divert the supplies to the open market. The Committee understand that there is no control over distribution of the metal. They desire that the feasibility of imposing some control should be considered in view of the vital Government needs.

[Sr. No. 14 (Para 1.115) of Appendix IV to 91st Report (5th Lok Sabha)].

### **Action taken**

At present there is no control either formal or informal over the distribution of Antimony metal. The Company mainly supplies Antimony metal to battery, alloy and cable manufacturers whose requirements have been generally met by the company in full. The DGS&D, who purchase Antimony on behalf of the Government Departments, were also consulted in regard to the difficulties experienced by the Government users in getting Antimony metal from the Company. The DGS&D have stated that much difficulty has not been experienced by the users viz., the Indentors in getting antimony metal except in one case. They are, accordingly, of the view that imposition of control over distribution of Antimony metals does not seem to be called for. As the Ministry of Steel and Mines have also not come across any serious complaint in regard to the supply of Antimony metal by the Company, imposition of

control over distribution of Antimony metal is not considered necessary at present. In case the supply position deteriorates in future, control over distribution of metal could be imposed.

[M/o Steel & Mines (Deptt. of Mines) O.M. No. 22/11/28/73-Met. I dated 14-12-73].

### **Recommendation**

The Committee understand that the firm is now getting imported antimony through the Minerals and Metals Trading Corporation. They desire that the Ministry of Industrial Development should explore other sources for the manufacture of the metal so as to end the present monopoly.

[Sr. No. 15 (Para 1.116) of Appendix IV of 91st Report (5th Lok Sabha)].

### **Action taken**

A feasibility report has been prepared for setting up a Second unit for the manufacture of Antimony metal based on imported ore in the public sector by the Hindustan Zinc Ltd., at Visakhapatnam (A.P.), where the company is setting up a new zinc smelter. The new Antimony smelter will have a capacity of 1500 tonnes per annum and the project cost is estimated at about Rs. 18.50 lakhs. The Company propose to synchronise the setting up of the Antimony smelter with the new zinc smelter which is scheduled to be commissioned during 1975-76. With the commissioning of the Antimony plant of the Hindustan Zinc Ltd., the Star Metal Refinery will no longer hold a monopoly position as the sole manufacturer of the metal.

[M/o Steel & Mines (Deptt. of Mines) O.M. No. 22/11/28/73-Met.-I dt. 14-12-73].

### **Recommendation**

"From the information before them, the Committee find that the DGS&D failed to handle the deal in a business like manner. The fresh indent had been received by the DGS&D on 5th May, 1970 and as a result of their negotiations with the firm on the basis of the earlier tenders the firm had on 18th May, 1970 agreed to keep open up to 15th June, 1970 its old offer with an increase of Rs. 25,000 over the price quoted earlier. Had this offer of the firm valid upto 15th June, 1970 been accepted the extra expenditure involved in the purchase of the boiler could have been avoided. It has been

stated that as per the DGS&D manual the revised offer of the firm could have been accepted only on the consideration of want of adequate competition. Keeping in view the fact that even at the time of the initial tender out of the three offers only one was technically acceptable and in the retender only two firms sent offers it would have been reasonable to presume that there was not much competition. At the same time the prices had been showing a marked trend upwards from November, 1969. In the circumstances better offers could not have been expected. In any case the way this case has been handled proved to be costly to the public exchequer.

[Sr. No. 20 (Para 1.167) of Appendix IV to 91st Report (5th Lok Sabha)].

#### **Action taken**

The observation of the Committee has been noted.

[Deptt. of Supply O.M. No. P. III-22(28)/73 dt. 27-12-73].

### CHAPTER III

#### RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF GOVERNMENT

##### Recommendation

The National Sugar Institute, Kanpur, placed an indent on Directorate General of Supplies and Disposals for the procurement of one water tube boiler without making necessary arrangements for the funds required for the purchase. The indent placed sometime in April, 1969 had to be cancelled by Directorate General of Supplies and Disposals in November, 1969. Against the fresh indent received from the National Sugar Institute, Kanpur, in May, 1970, the boiler was purchased at an extra expenditure of Rs. 2.65 lakhs. The Committee consider it essential that the circumstances leading to the placement of an indent without making provision for funds are looked into with a view to fixing responsibility.

[Sr. No. 19 (Para 1.166) of Appendix IV to 91st Report (5th Lok Sabha)].

##### Action taken

The water Tube Boiler is a part of the machinery and plant required) for the experimental sugar factory which is being set up at the National Sugar Institute, Kanpur, as a Plan Project under the Fourth Five-Year Plan duly approved by the Government of India on the 17th June, 1968. Necessary provision of funds for the purchase of machinery and plant (including the Water Tube Boiler) had been made in the budget for 1969-70. The Director, National Sugar Institute, while placing the indent on Directorate General of Supplies and Disposals on 25th February, 1969 for purchase of Water Tube Boiler, had therefore rightly confirmed the availability of funds. In a later letter dated 5th April, 1969 the Director, National Sugar Institute, informed the Directorate General of Supplies and Disposals that "the financial sanction of the Government of India for the purchase of the Water Tube Boiler for the experimental sugar factory has been sought and the same is expected to be received shortly. The financial certificate on the indent has, therefore, not been signed. It may be stated that neces-



sary provision in the budget for financial year 1969-70 has already been made. It is requested that the quotations may kindly be called from the parties and the tenders be accepted after we had conveyed to you the financial sanction of the Government which is expected shortly. By doing so, some time would be saved." This was followed by another letter dated 12th August, 1969 wherein the Director, National Sugar Institute, again explained to the Directorate General of Supplies and Disposals that "the expenditure sanction for the purchase of the Water Tube Boiler which has been sought from the Government is expected shortly and soon after its receipt the financial certificate on the last page of the indent form shall be prepared and furnished to you, as desired to enable you to enter into a firm contract."

2. It would appear from the above that the Director, National Sugar Institute, Kanpur, while placing the indent on the Directorate General of Supplies and Disposals for purchase of the boiler, sincerely believed that expenditure sanction for this purchase would be available soon and that the Directorate General of Supplies and Disposals could meanwhile initiate necessary purchase action to save time. In this connection it may be stated that according to the provisions contained in para 42 of the Manual of Office Procedure for Supplies, Inspection and Disposals of the Directorate General of Supplies and Disposals, in case of really urgent requirements preliminary action can be initiated regarding purchase of stores in anticipation of getting the necessary financial sanction and an indent, in anticipation of the financial sanction, can be placed if it can be certified that there is a reasonable certainty of getting the necessary financial sanction and that the specifications of the stores are sufficiently detailed and firm and not likely to be achieved. The Director, National Sugar Institute had accordingly certified the reasonable certainty of getting the financial sanction and he acted in good faith while anticipating receipt of financial sanction. It is, therefore, submitted that the indenting authority was mainly anxious to save time and had acted throughout with the best of intentions.

3. The Director, National Sugar Institute, Kanpur, has been advised to ensure in future that financial sanction is invariably obtained before an indent for purchase of any stores is placed with the Directorate General of Supplies and Disposals.

[M/o Agriculture (Deptt. of Food u/o No. G/25015/2/73-IF-II dt. 24-1-74].

## **CHAPTER IV**

**RECOMMENDATIONS/ OBSERVATIONS REPLIES TO WHICH  
HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND  
WHICH REQUIRE REITERATION**

**NIL**

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

#### Recommendation

The Audit paragraph brings out the fact clearly that as the procurement of vests woollen white for Defence Services is not being programmed on a systematic basis, only a small number out of the total requirements is covered against the rate contracts entered into by DGS&D from time to time and the balance quantity has to be procured by placement of tenders. The procurement by acceptance of tenders involves assistance to the manufacturers for procurement of wool tops on replenishment basis. However, since the wool tops are to be imported with only limited foreign exchange allocated by the Ministry of Foreign Trade, acceptance of contracts on assistance basis becomes difficult. Therefore, in cases of urgent *ad hoc* indents from the Ministry of Defence, the DGS&D had to resort to purchases "at without assistance rates" which are inevitably high. The Committee desire that the Ministry of Defence should in consultation with the DGS&D, make an exhaustive review of the whole system of the procurement of the vital stores and lay down procedures which are more conducive to economy.

[Sr. No. 3 (Para 1.32) of Appendix IV to 91st Report of (5th Lok Sabha)].

#### Action taken

The recommendation of the Committee is being examined in depth and decision of the Government will be intimated in due course.

[Deptt. of Supply O.M. No. P. III-22(28)/73-dt. 18-12-73].

#### Recommendation

The Committee note that against an estimated requirements of about Rs. 2.5 crores worth of foreign exchange for import of wool tops for defence requirements, foreign exchange of Rs. 1 crore only has been allocated. The Committee desire that the feasibility of

setting aside a portion of the total production of wool tops in the country for meeting the urgent requirements of the defence forces may be examined.

[Sr. No. 4 (Para 1.33) of Appendix IV to 91st Report (5th Lok Sabha)].

### Action taken

The position in regard to the allocation of foreign exchange for the import of wool during the Wool Year 1973-74 has been explained by the Ministry of Commerce in their O.M. No. 12(4)/72-EI-WT dated 10th October, 1973 addressed to the Lok Sabha Secretariat (*see Annexure*). The feasibility of setting aside a portion of the total production of wool tops in the country for meeting the requirements of the defence forces is being further examined in the Department of Supply in consultation with the other Departments concerned.

[Deptt. of Supply O.M. No. P. III-22(28)/73 dt. 27-12-73]

### ANNEXURE

(Copy)

No. 12(4)/72-EI-VI

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

*New Delhi, the 10th October, 1973.*

### OFFICE MEMORANDUM

**SUBJECT.**—*Action taken on para 1.33 of C.&A.G.'s Report (Civil) for the year 1970-71 relating to the Department of Supply—Setting aside a portion of total production of wool tops in the country for meeting Defence requirements—Recommendations of Public Accounts Committee—91st Report of P.A.C. (5th Lok Sabha).*

Attention is invited to Department of Supplies O.M. No. P III-22 (28)/73, dated the 8th May, 1973, on the above subject. It is stated in this connection that the foreign exchange ceiling for import of wool during the last two years has been of the order of Rs. 15 crores. Ministry of Finance have, however, not agreed to release any foreign exchange for import of wool in the wool year 1973-74. It has, therefore, been decided that the raw material requirements of the woolen industry for this year would be met by re-allocation of the unutilised allocations of the last three years. This factor, combined

with nearly three fold increase in the price of wool in the international market during the last one year, has considerably reduced the availability of wool to the woollen industry and it is apprehended that the raw wool available to the woollen industry in the coming year may not be much more than 1/3rd of the quantity that was available an year back. In the context of this reduced availability of raw wool, the combing position has considerably eased. Therefore, while there would be no problem in regard to combing, unlike the previous years when the limited combing capacity proved to be very inadequate and led to a bottleneck, it would not be possible to spare any quantity of wool from out of the allocations meant for civilian use, for meeting Defence requirements. The anticipated production of wool tops would fall far short of the requirements of the woollen industry. In these circumstances, the most desirable course would be for the Department of Supply to approach the Ministry of Finance (Deptt. of Economic Affairs) for getting additional foreign exchange allocation to meet the full Defence requirements. Once this additional foreign exchange for meeting the Defence requirements is available and raw wool is imported against it, no difficulty is envisaged in regard to getting the wool combed as it has been decided to create an additional combing capacity of the order of 25 million lbs.

In the light of the above, it is felt that no further action is called for on the part of this Ministry in regard to the recommendation of the Public Accounts Committee mentioned above.

Sd/- (P. N. KAPUR),

*Joint Secretary to the Govt. of India.*

To

Lok Sabha Secretariat, (Shri Avtar Singh Rikhey, Jt. Secy.).  
Parliament House, New Delhi.

Copy to:—Ministry of Supply

#### **Recommendations**

According to the advance acceptance of tender placed on the manufacturer on 6th February, 1971, 199 Ambassador cars were to be tendered for inspection by 10th April, 1971 to meet the defence requirements. However, only 80 cars were tendered for inspection by the manufacturer out of which 44 cars were accepted. The extra expenditure on account of purchase of the balance of 155 cars at the higher price consequent on the Supreme Court order dated 16th April, 1971 was Rs. 2.95 lakhs. As the firm clearly failed to perform the contract and deliver the vehicles within the stipulated date

of delivery ending with 10-4-1971, action should have been taken to recover general damages. Instead the purchaser is stated to have acquiesced in the continuance of the contract by issuing a letter of extension unilaterally extending the date of delivery till 31st May, 1971. The Committee desire that the responsibility should be fixed for this lapse.

[Sr. No. 5 (Para 1.33) of Appendix IV to 91st Report (5th Lok Sabha)]

#### **Action taken**

The question regarding fixation of responsibility is under examination in the Vigilance Wing of D.G.S. & D. The Committee would be informed of the decision in the matter in due course.

[Deptt. of Supply O.M. No. P. III-22(28)/73 dated 27-12-73].

#### **Recommendations**

The Committee are not happy over the high rate of rejections (45 per cent). As the firm was presumably aware of the impending revision of the price of car, deliberate manipulation by them to keep the number of accepted cars to the minimum cannot be ruled out. It is unfortunate that there was no commitment on the part of the firm to deliver all the cars by the stipulated date in good condition. The lacuna in the contract was that the terms 'delivery' was defined as "tendered for inspection".

The assumption that "when stores are put up for inspection they will be of acceptable quality in terms of the contract" did not prove to be correct. The Committee do not appreciate the helplessness of the Government in persuading the firm to accept a firm delivery clause. The Committee suggest that Government should examine this question in all its aspects to see how their interests could be safeguarded although Ambassador car is a proprietary item.

[Sr. No. 7 (Para 1.57) of Appendix IV to 91st Report (5th Lok Sabha)]

#### **Action taken**

The matter is under consideration of the Government. The Committee would be informed of the further development, in due course.

[Deptt. of Supply O.M. No. P. III-22(28)/73 dated 27-12-73]

#### **Recommendations**

The Committee also feel that the placement of a big order valued at Rs. 39.59 lakhs on a new firm which had no previous experience

of manufacturing trailers was not at all justified. It is pertinent to note in this connection that the order on this firm was placed in an effort to develop new sources of supply. In the opinion of the Committee the placement of an order of the magnitude of 865 trailers out of a total of 1045 was highly improper and calls for investigation.

It is seen that the inspection of the prototype submitted by the firm on the 3rd August, 1969 was completed by the Defence Inspectorate on 7-11-1969 and thereafter due to lay off the firm's factory from 19-12-1969 the firm did not re-offer for inspection the prototype trailer. In view of the closure of the factory, the DGS&D should have taken necessary steps to safeguard their interests by cancelling the contract well in time. The delay in taking timely action has resulted in extra expenditure of Rs. 6.32 lakhs which the Committee cannot but deplore.

[Sr. Nos. 10 and 11 (Paras 1.75 and 1.76) of Appendix IV to 91st Report (5th Lok Sabha)].

### **Action taken**

The matter is under investigation in the Vigilance Wing of the DGS&D. The findings of vigilance probe would be reported to the Committee in due course.

[Deptt. of Supply O.M. No. P. III-22(28)/73 dated 27-12-73].

### **Recommendation**

The Committee take a serious view of the mistake in indicating the specification of antimony in the indent by the Ammunition factory, Kirkee and the delay in appropriately amending the contract for the supply of the metal in the office of the DGS&D. These cost the exchequer additional expenditure of Rs. 12.05 lakhs. The Committee desire that responsibility should be fixed for the mistake that occurred in the Ammunition Factory. The delay in DGS&D's Office at each stage should also be investigated.

It is surprising that at the time of entering into the contract for the purchase of antimony it was not noticed that the specification given was applicable to Aluminium. It was not for the first time that the DGS&D entered into a contract for the supply of Antimony. Further regrettably the Inspector also did not attempt to correct the mistake. These lapses appear to the Committee to be of sufficiently grave nature and call for detailed investigation.

[Sr. Nos. 12 and 13 (Paras 1.113 and 1.114) of Appendix IV to 91st Report (5th Lok Sabha)].

### **Action taken**

So far DGS&D is concerned, the matter is being investigated by its Vigilance Wing. The findings of the Vigilance probe would be reported to the Committee in due course.

[Dep'tt. of Supply O.M. No. P. III-22(28)/73 dt. 27-12-73]

The case has been investigated. Copies of the indents relating to the Aluminium, Antimony and Lead Ingots were despatched to DGS&D under the same letter in one cover and the Amendments relating to Aluminium Ingots were erroneously entered on the indent pertaining to Antimony. Enquiries made have confirmed that this was a clerical error. The responsibility for checking and ensuring correctness of the amendment was, however, that of the Store holder. The Store holder concerned retired from service w.e.f. 10-5-70 and no action can be taken against him.

[M/o Defence (Dep'tt. of Defence Production) O.M. No. 26(4)/73]D  
(PA) dt. 19-12-73].

### **Recommendations**

The Committee note that an order for supply of 7,000 tents valued at Rs. 31.3 lakhs was placed on firm 'A' of Delhi in June, 1967 solely on the ground that the rate offered by the firm was the lowest. The past performance of the firm was not at all taken into consideration. The firm which was not registered with the Director General, Supplies and Disposals had failed to make supplies against three contracts placed by the Director of Supplies (Textilies), Bombay in August-September, 1966 and as a result the contracts involving Rs. 19 lakhs had to be cancelled. The firm's failure to keep up its contractual obligations in the past was not only overlooked at the time of awarding a new contract worth more than Rs. 31 lakhs but was in fact considered by DGS&D as a factor in favour of the firm. This was admittedly a wrong decision which the Committee desire should be gone into with a view to fixing responsibility.

The Committee further note that as a result of the firm's failure to make supplies against the fresh contract involving more than Rs. 31 lakhs, the DGS&D placed a contract for risk purchase on firm 'B'. This firm was none other than firm 'A' under a different name. The fact that firm 'B' was the same as firm 'A' with only a difference in name was known to DGS&D but they nevertheless placed the contract with firm 'B' because the rates quoted by them were the lowest



and a strict interpretation of law on the subject enjoined that only the lowest offer was to be accepted. According to the representative of the Ministry of Law in a risk purchase tender the lowest offer could be ignored if it was established that the firm making the lowest offer had no capacity to supply. The Committee are of the opinion that keeping in view their past performance it could be safely presumed that the firm lacked adequate capacity. They, therefore, feel that instead of taking a firm decision on this aspect, the easier course of taking shelter behind the letter of the law was resorted to. In fact the Committee were informed that in the present case, the advice of the Law Ministry would have been that it should have been possible to ignore the offer of firm 'B'. The Committee desire that a thorough investigation should be made with a view to fixing responsibility as also for laying down proper guidelines for the future.

The Committee find that orders issued by the DGS&D in 1969 debarring the firm from future contracts were not communicated to the National Small Industries Corporation with whom the firm was registered. The matter came to the notice of NSIC only in 1972 through the Audit Report. This is a serious lapse for which the responsibility should be fixed.

[Sr. Nos. 16-18 (Para Nos. 1.152 to 1.154) of Appendix IV to 91st Report (5th Lok Sabha)].

### **Action taken**

The matter regarding fixation of responsibility is under examination in the Vigilance Wing of the DGS&D. The Committee would be informed of the decision in the matter in due course.

[Deptt. of Supply O.M. No. P. III-22(28)/73 dated 27-12-73].

### **Recommendations**

Between 3rd May, 1968 to 18th May, 1968 the Director of Supplies (Textiles), Bombay placed four contracts valued at Rs. 28.10 lakhs on firm 'A' for supply of 12,49,824 metres of netting mosquito round mesh Khaki|white. As per the contracts deliveries were to be completed by the firm in instalments between June, 1968 and 31st August, 1969. On the 30th May, 1968 i.e. just after 12 days after the execution of the four contracts, the firm informed the Director of Supplies (Textiles), Bombay, that as their mill was closed temporarily the deliveries against these contracts were likely to be delayed. However, as the firm failed to effect the supplies by the stipulated date,

the Director of Supplies (Textiles) cancelled these contracts in December, 1968 and April-June, 1969 at the risk and expense of the firm, and issued notices to the firm in July-September, 1969 for depositing Rs. 3,33,546 towards the extra cost of re-purchase. This was contested by the firm. The Ministry of Law to whom the matter was referred for advice held that since in 3 out of 4 cases the risk purchase contracts had been placed even before the defaulted contracts were cancelled Government was not entitled to claim any risk-purchase loss in these cases. In the fourth case, the Ministry of Law expressed the opinion that out of risk purchase of 4,00,000 metres the Government was entitled to recover the loss on 1,75,000 metres only. The omission to cancel the contracts placed on the firm before new contracts for risk purchase were placed is a serious lapse for which the Committee desire that responsibility should be fixed.

[Sr. No. 21 (Para 1.181) of Appendix IV to 91st Report (5th Lok Sabha)]

#### **Action taken**

The matter is under investigation in the Vigilance Wing of the DGS&D. The findings of the Vigilance probe would be reported to the Committee in due course.

[Deptt. of Supply O.M. No. P. III-22(28)/73 dt. 27-12-73]

#### **Recommendation**

The Committee were informed that on the advice of the Ministry of Law DGS&D have initiated arbitration proceedings in respect of all the 4 contracts entered into with the firm. The Committee would like that the out-come of the arbitration proceedings be intimated to them in due course.

[Sr. No. 22(Para 1.182) of Appendix IV to 91st Report (5th Lok Sabha)]

#### **Action taken**

The matter is still under arbitration. The outcome of the arbitration proceedings would be intimated to the Committee in due course.

[Deptt. of Supply OM. No. P. III-22(28)/73-dt.. 27-12-73]

#### **Recommendations**

"From the information made available to the Committee it is seen that in 21 contracts placed on the firm between April, 1965 and April, 1968 for the supply of mosquito netting the firm had completed

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deliveries in time only in 5 cases. In the light of this background the Committee fail to understand why such huge orders worth more than Rs. 28 lakhs were placed on this firm. Further, even after terminating all the contracts with the firm in 1969-69 because of the firm's inability to cope with the requirements of the DGS&D, the firm was again selected for award of another contract in November, 1970. This had also to be cancelled subsequently at the risk and cost of the firm. The Committee desire that the circumstances leading to the award of 4 contracts to the firm in 1968 and another contract in 1970 may be gone into to see how far was it justifiable to have dealings with a firm whose past record was not at all satisfactory.

[Sr. No. 23 (Para 1.183) of Appendix IV to 91st Report (5th Lok Sabha)]

### **Action taken**

The matter is under investigation in the Vigilance Wing of the DGS&D. The findings of the Vigilance probe would be reported to the Committee in due course.

[Dep't. of Supply O.M. No. P. III-22(28)/73 dt. 27-12-73]

NEW DELHI;  
13th March, 1974  
Phalgun 22, 1895 (S).

JYOTIRMOY BOSU,  
Chairman.  
Public Accounts Committee.

## APPENDIX

### *Summary of main Conclusions/Recommendations*

Sr. No.	Para No.	Ministry/Department Concerned	Conclusions/Recommendations
1	2	3	4
1.	1 4	Supply Defence Production	The Committee hope that final replies in regard to those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.
2.	1.8	Supply Defence	
3.	1.11	-do-	<p>The Committee would like the Ministry of Defence and Supply to complete the examination of the whole system of procurement of vital stores for Defence Services expeditiously and lay down procedures more conducive to economy. The Committee consider that even an examination in depth need not take more than twelve months at the outside and trust that the decision taken will be intimated to them without further delay.</p> <p>It passes the comprehension of the Committee how the Directorate General of Supplies and Disposals were not aware that the defects pointed out by the Defence Inspector were of rectifiable</p>

nature as a result of which the failure of the firm in not having retendered 36 cars after rectification of defects could not be suitably dealt with. As the contracting authority, the DGS&D ought to have ascertained the nature of the defects pointed out and ensured the due performance of the contract by the firm. The inspector also ought to have asked the firm to resubmit the cars for inspection after rectifying the defects noticed by him and advised the DGS&D accordingly. The Committee desire that responsibility should be fixed for these lapses. Further, lacuna in procedures, if any, which had led to this situation should also be remedied forthwith.

#### 4. 1.14 Heavy Industries

The Committee would like to know the action taken by Government for fixing a special quota of cars for departmental uses. It seems strange that early decision in such an apparently simple matter should be delayed. Responsibility in the matter should be fixed.

#### 5. 1.18 Supply

The Committee had highlighted a number of instances of serious lapses, improprieties and grave neglect, and had suggested investigation with a view to fixing responsibility. After a lapse of nearly six months the Committee were informed that the matters were under examination in the Vigilance Wing of the DGS&D. From a communication received two months later in January, 1974 in reply

to a query about the latest position, the Committee are distressed to find that the examination has not yet been completed. Thus even after eight months the Government are not able to let the Committee know of the bonafides or otherwise of the lapses/irregularities, not to speak of the conclusive action taken against the concerned officials. The Committee cannot view with equanimity such an apparently irresponsible attitude. They do not think departmental probe should ordinarily take so much time. In order to have the desirable deterrent effect it is necessary that such serious observations of the Committee are processed within the time-limit of six months. The Vigilance Wing of the DGS&D should be geared up to expeditiously investigate such matters. A report on the outcome of the examination of the issues raised by the Committee should be given within three months.

6. 1. 19 Do. As regards the observation of the Committee contained in paragraph 1.153 the Government, at the very least, could have laid down proper guidelines for the future in regard to risk purchases. But unfortunately even this does not appear to have been done. The Committee desire that this should be done forthwith and reasons for the lapse may be reported immediately.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	T. S. United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	83
26.	Atma Ram & Sons, Kashmeri Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	MANIPUR		
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42 Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	59
32.	Jayana Book Depot, Chapparrwala Kuan, Karol Bagh, New Delhi.	66			

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