



CENTRAL GOVERNMENT

AUDIT REPORT

DEFENCE SERVICES

1961

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AUDIT REPORT, 1961

CHAPTER I

INTRODUCTORY

This Report recounts important financial irregularities, etc. noticed in the course of audit of the accounts of the year 1959-60 and of previous years which could not be dealt with in earlier Reports.

Large savings in all the Grants have been a regular feature for several years. In 1959-60 also the savings on the Budget as a whole were Rs. 17.59 crores. These lapses show that estimates are prepared without properly assessing spending capacity.

The Report brings out certain instances of bad planning and lack of foresight. In one case, machinery and equipment worth about Rs. 17 lakhs, imported in connection with the construction of two vessels, were received in 1957, but are still lying in stock as contract for the building of the hulls has not yet been concluded. In another instance, equipment costing over Rs. 4 lakhs, purchased between 1955 and 1958, is still lying in stock. Similarly, a Power-house erected at a cost of Rs. 15 lakhs in 1945 has not been operating since 1947.

The Report also mentions cases of unnecessary acquisition and over-provisioning of stores and equipment due to lack of proper and accurate estimating of requirements. In one case, 5 sets of equipment costing Rs. 2.5 lakhs were received in 1956 and 1957, even though 7 similar sets were already available with the Naval authorities since 1952, but had not been put to any use. In another case, unwanted spare parts for mechanical transport vehicles worth Rs. 2.64 lakhs were ordered and subsequent efforts to cancel the order proved unsuccessful.

Rates of hire charges for military vehicles fixed in 1945 have not been revised since, though on the basis of progressively rising costs large increases in these charges would be justified. The loss to Government in the year 1959 due to the low rates charged was about Rs. 17 lakhs.

The Machine Tool-cum-Prototype Factory which went into production in January 1953 has not yet been able to show any return on the capital invested and has incurred losses aggregating Rs. 77 lakhs upto 1958-59.

Considerable delay is noticed in the completion of orders placed on the Ordnance Factories. Certain work orders for manufacture of stores taken up more than 6 years ago are still incomplete and the value of semi-finished stores locked up in such uncompleted work orders at the end of 1958-59 was Rs. 953 lakhs.

Nine aircraft were cannibalised for spares after an expenditure of Rs. 2.21 lakhs had been incurred on their partial overhaul.

The Report mentions cases of injudicious conversion/construction of water boats involving Rs. 20.69 lakhs and infructuous expenditure on conversion of a barge (Rs. 5.8 lakhs) and acquisition of a launch (Rs. 2 lakhs) lying practically unused since 1953. Defects in inspection before purchase resulted in a dredger purchased at a cost of Rs. 35 lakhs having had to be repaired soon after arrival in India at a cost of about Rs. 2 lakhs. Similarly, a newly-constructed mine sweeper had a major break down during its maiden voyage to India and its repairs cost about a lakh of rupees.

An instance of inordinate delay in settling a dispute is also mentioned in the Report. Timber worth about Rs. 34 lakhs received during 1951 and 1952 is lying unused in an Ordnance Factory pending settlement of dispute with the supplier.

CHAPTER 2

APPROPRIATION AUDIT

1. (i) *General Results of Appropriation Audit.*—The following statement compares Grants and Appropriations for 1959-60 with the total disbursements:—

(In thousands of rupees)			
Particulars	Voted	Charged	Total
1	2	3	4
1. Original Grants and Appropriations	3,05,16,23	99,09	3,06,15,32
2. Supplementary Grants and Appropriations	6,01,70	..	6,01,70
3. Aggregate Grants and Appropriations	3,11,17,93	99,09	3,12,17,02
4. Aggregate disbursements	2,93,65,38	92,35	2,94,57,73
5. Savings	(—)17,52,55	(—)6,74	(—)17,59,29
6. Percentage of 5 to 3	5.63	6.80	5.64

(ii) *Unnecessary/Excessive Supplementary Grants.*—Supplementary Grants totalling Rs. 6.02 crores were taken during the year viz. under Grant No. 9-Army, Rs. 0.02 crores in December, 1959, and under Grant No. 11-Air Force, Rs. 6 crores in March, 1960. At the close of the year, however, there were savings of Rs. 7.57 crores under Grant No. 9 and Rs. 4.88 crores under Grant No. 11. Thus the Supplementary Grant under Grant No. 9 was rendered wholly unnecessary and that taken under Grant No. 11 was not needed beyond 20 per cent.

(iii) *Savings in Grants and Appropriations.*—As in the previous year, savings occurred during this year also in all the Grants and Appropriations except in the Appropriation under Grant No. 12. The comparative position regarding the aggregate savings in the last three years is as follows:—

Year	Amount
	Rs.
1957-58	10.02 crores
1958-59	22.68 „
1959-60	17.59 „

It is clear from these figures that overbudgeting has been a regular feature for the last few years.

Analysing the position further, except under the Grant 108-Defence Capital Outlay, where the saving was only 73.51 lakhs (2 per cent.), under the other four Grants the savings were 4.36 per cent. under Grant No. 9, 17.89 per cent. under Grant No. 10, 7.42 per cent. under Grant No. 11 and 6.55 per cent. under Grant No. 12. The corresponding position during the year 1958-59 was that while under Grants No. 9 and 11, the savings were respectively 5.87 per cent. and 12.64 per cent., the savings under the other Grants were below 3 per cent. The reasons for the large savings during the year under Grants 9, 10 and 11, were mostly non-materialisation of supplies, non-receipt of debits and bills and less expenditure on works. As such reasons are regular features continuing from year to year, it is not clear why due allowance is not made for them while framing the Budget.

The following are the instances of overbudgeting in the Sub-heads under the various Grants:—

(In thousands of rupees)

Number and name of Grant	Sub-head	Budget provision	Actual expenditure	Excess provision (col. 3—4)	Remarks
1	2	3	4	5	6
9—Army	B—Pay and Allowances and miscellaneous expenses of Territorial Army, etc.	2,70,13	2,15,77	54,36	
	C (Voted)—Pay and allowances of civilians employed with or for the Army.	26,37,96	25,92,00	45,96	The Supplementary Grant of Rs. 43,000 taken under this Sub-head proved unnecessary.
	F (Voted)—Purchase and sale of stores [other than for Manufacturing Establishments and Military Engineer Services (excluding Engineer Store Depots)]	36,18,66	29,90,04	6,28,62	
	H—Charges in England	4,52,92	2,22,20	2,30,72	
10—Navy	E—Expenditure on stores	5,00,25	3,61,19	1,39,06	
	G—Charges in England	4,81,85	2,91,22	1,90,63	
108—Defence Capital Outlay.	A (Voted)—Army	11,85,00	9,06,85	2,78,15	
	C (Voted)—Air Force	4,10,00	3,34,48	75,52	

(iv) *Control over expenditure.*—(a) In the following cases reappropriations made were either unnecessary or excessive:—

(In thousands of rupees)

Number and name of Grant 1	Sub-head 2	Amount reappropriated 3	Saving 4
9—Army	A—Pay and Allowances of the Army	+42,11	—21,78
	D—Transportation and miscellaneous	+86,33	—1,26,52
10—Navy	C—Pay and allowances of civilians	+4,84	—4,58
	D—Transportation and miscellaneous	+3,22	—3,41

(b) The excesses in the following sub-heads were not covered by reappropriation, though there were large savings in the Grants, which were surrendered at the end of the year:—

(In thousands of rupees)

Number and name of Grant 1	Sub-head 2	Excess 3	Amount of saving in the Grant 4	Amount surrendered within the Grant 5
9—Army	E (Voted)—Expenditure on Manufacturing Establishments (including Stores and Works).	43,88	7,56,65	3,50,37
	G (Voted)—Expenditure on Works (Other than Capital Projects), Maintenance, etc.	11,85		

(c) The surrender of Rs. 2.27 crores made at the close of the year in sub-head E under Grant No. 11-Air Force was unduly large as there was ultimately an excess of Rs. 1.88 crores under the Sub-head.

CHAPTER 3

MINISTRY OF DEFENCE

2. *Loss due to delay in revision of hire charges for Government transport.*—Under existing orders, military vehicles can be hired by Government departments, State Governments, Local bodies, contractors, etc on payment of hire charges. Separate rates to be recovered for the hire of different types of vehicles were laid down by Government in 1945, with reference to the then prevailing costs of the various elements comprising the hire charges.

In 1947, the Ministry of Finance (Defence) suggested the withdrawal of the concessional rates of 1945, but no decision was taken by the Government. Fresh rates were worked out by the Ministry of Finance (Defence) in 1950 on the basis of costs then obtaining. They were higher than the rates fixed in 1945 but no decision to revise the rates was taken. The rates worked out on the basis of the cost obtaining in 1955 revealed that the 1945 rates needed in the case of some vehicles, an upward revision by about 235 per cent.

The rates were again calculated in the Ministry of Finance (Defence) in 1959, on the basis of current costs. On the basis of the 1959 costs, the total amount recovered in 1959 at 1945 rates was less than the cost borne by Government, by about rupees seventeen lakhs. Urgent action is required to revise the existing rates and prescribe rates having a more reasonable relationship to the actual costs incurred by Government, so that the heavy recurring annual loss to Government may be avoided.

It may also be stated that Service Officers under the existing orders are entitled to the use of military vehicles for private purposes at rates which are substantially below the 1945 rates referred to above. These concessional rates also would seem to require revision, like the 1945 rates.

3. *Transport charges for Canteen Stores Department (India).*—During the audit of bills of hired transport in an operational area, it came to notice that transport hired by Government for the conveyance of Defence Stores, was allowed to be used free by the Canteen Stores Department. The authority quoted for this free use of hired transport was a Government sanction of January, 1956. This, however, authorised the free use of Government Vehicles only when available and not as a regular measure. The hire charges borne by the Government amounts to Rs. 10.65 lakhs, upto the year 1959-60.

Apart from the fact that this order does not contemplate that Government should pay hire charges for the conveyance of Canteen Stores, there appears to be little justification for the Government bearing any such charge for a concern which is run on commercial lines, and has been making large profits.

4. *Irregular payment of Pay and Allowances.*—In paragraph 31 of the Audit Report, 1960, mention was made of an unusual financial assistance of Rs. 10,000 given to an officer of the Indian Navy towards his expenses for self defence against a charge of murder.

The officer was under suspension from 28th April, 1959 and was tried first by a Sessions Court and then by the Bombay High Court which on the 11th March, 1960 awarded to the officer a sentence of imprisonment for life. During the entire period of his suspension from 28th April, 1959 to 11th March, 1960, while the officer was held in naval custody, he was paid full pay and allowances of his rank.

Under the Navy Act, all pay and allowances of an officer for the period while he is in custody or under suspension, on a charge for an offence of which he is afterwards convicted and sentenced to imprisonment by a competent Court, should be deducted. Therefore, in order to comply with this requirement, the pay and allowances of the officer should have been withheld provisionally pending the verdict of the Court.

On the 11th March, 1960, the sentence of life imprisonment awarded to the officer by the Bombay High Court was suspended by an order of the Governor of Bombay. From that date till the Governor vacated his order and the officer surrendered himself to civil custody (i.e. from 11th March, 1960 to 8th September, 1960), the officer was paid half the pay and allowances of his rank, under an order issued by the Ministry of Defence. This payment is not admissible either under the Navy Act or the Navy Regulations. The concurrence of the Finance Ministry is necessary for such unusual payments, which was not given in this case.

5. *Purchase of jeeps in the United Kingdom.*—Reference is invited to paragraphs 54 of the Audit Report, 1950, 53 *ibid* 1951 and 21 of the Fourteenth Report of the Public Accounts Committee, 1954-55 on the contracts for the purchase of Jeeps in the United Kingdom. The proposed legal and arbitration proceedings in connection with these contracts were later dropped and a sum of £. 3483 was paid during the year as miscellaneous expenses and fees to the solicitors and counsels engaged by the High Commission for India in the United Kingdom. The write off of the total loss to Government under these contracts is still awaited.

CHAPTER 4

ARMY

ADJUTANT GENERAL'S BRANCH

6. *Infructuous expenditure due to illegal discharge of Havildar Clerks.*—In November, 1952, an order was issued by Government that Havildar clerks who were at the time held supernumerary to the establishment should either revert to the ranks of Naik or Sepoy, according to the available vacancies, or be released. Such of those clerks who were unwilling to revert to lower ranks were to be granted on release mustering out concessions (i.e. pension/gratuity), as a special case. On the basis of this order, 842 Havildar clerks were released from service in 1953 by the Commanding Officers of the Units concerned.

On a reference made by one of the Units, in June, 1953 regarding the validity of the discharge of 14 supernumerary Havildar clerks by the Commanding Officer of the Unit, the Adjutant General's Branch on 11th August, 1953, gave the ruling that the discharges effected by the Commanding Officer were illegal. It was stated that under the Army Rules, discharges carried out for reasons other than "at their own requests" should be carried out under the authority of the Brigade/Sub-Area Commander. The Branch, therefore, ordered that the discharges already effected would have to be legally regularised afresh from a current date by obtaining the sanction of the Brigade/Sub-Area Commander concerned, as retrospective discharge was not legally permissible. It was also ordered that no pay and allowances were to be admitted for the intervening period. The sanction of the Brigade Commander was obtained in these 14 cases in November, 1953.

The ruling given was not, however, circulated to the other Units concerned and no action was taken by them to regularise the release of Havildar clerks with the authority of the Brigade/Sub-Area Commander.

In January, 1954, the Controller of Defence Accounts (Pensions) made a reference to the Controller General of Defence Accounts challenging the decision of the Adjutant General's Branch that no pay and allowances should be admitted for the intervening period between

the original date of discharge by the Commanding Officer of the Unit and the subsequent date of release by the Brigade/Sub-Area Commander. The matter remained under correspondence with the administrative and financial authorities till September, 1957. It was then decided that all cases of discharge effected by Commanding Officers of Units, under the Government orders of November, 1952, should be reviewed and orders of the Brigade/Sub-Area Commander obtained for release from a current date.

The review revealed that excluding the 14 cases, there were 828 cases of discharge of Havildar clerks by Commanding Officers of other Units in 1953. The sanction of release from Brigade/Sub-Area Commanders was obtained in all these cases on various dates during November, 1957 to January, 1959 and the Havildar clerks were deemed to have been legally discharged from the latter dates. The arrears of pay and allowances between the two dates of discharge were authorised by the Controller General of Defence Accounts without a formal sanction of the Government though a formal sanction was needed if for no reason than that the arrears were in each case more than three years' old. The arrear payments are likely to be Rs. 45 lakhs approximately.

The authority for discharge of the supernumerary Havildar clerks in these cases was contained in the Government order of 13th November, 1952 and the Commanding Officers of the Units in effecting the release of the Havildar clerks concerned only implemented the Government order. The ruling given by the Adjutant General's Branch without approaching the Government that the releases effected by the Commanding Officers of the Units were irregular lacks any rationale.

This infructuous expenditure could have been largely though not wholly avoided if the Adjutant General had circulated his letter of 11th August, 1953 to all the other Units concerned, and asked them to take action immediately to regularise the discharges already made. Much of the infructuous expenditure could also have been avoided if after the question of payment for the intervening period had been raised in January, 1954 by the Controller of Defence Accounts (Pensions), the authorities had come to a decision expeditiously.

MASTER GENERAL OF ORDNANCE BRANCH

7. *Downgradation of vehicles due to improper maintenance.*—At the time of their receipt in a Central Ordnance Depot from 1945

onwards, most of the vehicles were Class III/IV (*i.e.* repairable and capable of being made fit *without a major overhaul*), and some of them were even Class I/II (*i.e.* fit for active service).

A Board of three technical officers constituted in June, 1957 by the Army Headquarters for inspecting and classifying certain types of vehicles held in stock in different depots for more than 6 months however found on an examination of 2,623 vehicles in this Depot that 2,380 vehicles had to be downgraded to Class V, *i.e.* repairable necessitating major overhaul, and 159 to Class VI, *i.e.* beyond economical repairs.

The Board observed that no proper pre-storage maintenance had ever been carried out on these vehicles, as required under Regulations, and that, even though the Vehicles Maintenance Records Cards showed that periodical maintenance had been completed, yet physical inspection of the vehicles by the Board revealed that this had not been done. About 50 per cent. of the vehicles were neither jacked up nor were their tyres inflated thereby damaging about 1,300 tyres. Some petrol tanks were found full of water, most of the vehicles had rusty petrol tanks, bodies, roadsprings, shock absorbers and rings. Even nests of birds with eggs laid in them were found on engines and battery cradles.

No action has yet (October, 1960) been taken, to fix responsibility for the faulty maintenance pointed out by the Board, and no loss statement has been prepared.

8. *Acquisition of unwanted spares.*—In paragraph 13 of the Audit Report, 1959, mention was made of a case where shortly after a contract had been finally concluded with a foreign firm on 18th December, 1957 attempts were made for the cancellation of a part of the quantities on order, but without success. It is noticed that contracts still continue to be placed without a proper and accurate estimate of the requirements. As an instance, in respect of certain other contracts placed during January, 1958 to July, 1959 with the same foreign firm and for similar items, *viz.* spare parts of mechanical transport vehicles, unsuccessful attempts were made to reduce the quantities in respect of 140 items within a period ranging from one month to 22 months of the placing of the contract. This has resulted in unnecessary acquisition of spares worth over Rs. 2.64 lakhs.

9. *Crane lying idle in stock.*—A crane of ten ton capacity was purchased by the Master General of Ordnance in 1954, at a cost of Rs. 1.05 lakhs. It was kept unused at an Ordnance Depot, till

September, 1955. It was then despatched to a Central Ordnance Depot where it has not yet (September, 1960) been installed and put to use. Why it was ever purchased is not clear.

QUARTER MASTER GENERAL'S BRANCH

10. *Uneconomic acquisition of land.*—In November, 1959, Government sanctioned the acquisition of 770 acres of land at a station, at a cost of Rs. 7.02 lakhs. This land had been originally requisitioned in 1941, and had ever since been in occupation of the Army Authorities, on an annual rent of Rs. 2,920. The station has not been declared as a permanent one for the location of Defence Establishments. There was, thus no compelling necessity for acquiring the land; and it is not clear why the *status quo* could not have been continued, as the life of the "Requisitioning and Acquisition of Immovable Property Act", under which this land was requisitioned, extends upto 1964. The expenditure of this sum appears to lack justification particularly as it is 240 times the annual rent.

11. *Avoidable expenditure incurred on storage of petrol and aviation fuel.*—In 1956, Government decided to utilise two existing bulk storage tanks of petrol for holding reserve stocks of aviation fuel. Accordingly, the two tanks were emptied during January and June 1957 of their contents and an approximate amount of Rs. 1,90,500 was paid to three Oil Companies to whom the stocks were handed over for storage as storage and handling charges.

In June, 1957, aviation fuel costing about Rs. 18.40 lakhs was purchased and stored in one of the tanks without examining the suitability of the tank for its storage. The fuel got contaminated in the tank within a short period. In September, 1957, it was decided that the tank was unsuitable for storage of aviation fuel, and that the stock of fuel would become unfit for use if it continued to be stored in the tank. The filled tank was, therefore, emptied of its contents by April, 1958 and the stock of aviation fuel handed over to one Oil Company for storage. In August, 1958, modifications were carried out in the two tanks to make them suitable for storage of aviation fuel at a cost of Rs. 62,000. But these tanks have so far not been used for storage of aviation fuel. It is understood that they were recently transferred to another Oil Company for use.

The entire expenditure totalling over Rs. 2,52,000 incurred in emptying the two tanks of ordinary petrol, storage and handling charges paid to Oil Companies, and refitting them for storage of aviation fuel should be regarded as infructuous. It may also be mentioned that the stock of aviation fuel handed over to the Oil

Company in 1958, is still held by it. At the same time, fresh purchases of aviation fuel continue to be made from the same Oil Company. The reasons for adopting this course are not clear. The non-utilisation of the Defence stocks of aviation fuel has resulted in the locking up of Government funds to the extent of Rs. 18.4 lakhs.

12. *Delay in rent recovery.*—Upto April, 1952, the rent for Government buildings let out to private parties used to be calculated on the capital cost exclusive of the departmental charges for establishment, tools and plants, etc. In April, 1952, by an amendment to the rules, it was prescribed that full departmental charges should be taken into account for the purpose of arriving at the capital cost of such buildings. Re-assessment of rent under the revised rules was not made in most of the garrisons in one Command until 1958; and meantime, rents continued to be recovered at the pre-revised rates. Revised rent bills were issued mostly in 1958 and as a result, an amount of Rs. 1.53 lakhs was outstanding for recovery on 30th November, 1958 representing the difference between the revised rents from April, 1952 and the rents already recovered. As the amounts pertain to old periods, it is doubtful if full recovery will be possible.

13. *Irregular retention of Government accommodation.*—Junior Commissioned Officers on transfer to another station are permitted to retain family accommodation at the old station, free of rent, only if the new station is in an operational area; otherwise rent is recoverable for the family accommodation at market rate or assessed rate whichever is higher.

A Junior Commissioned Officer was transferred in November, 1955 to a station which is not in an operational area, but the officer applied for permission to retain his quarters at his old station, by representing that he was proceeding to an operational area. This misrepresentation of facts was endorsed by his Commanding Officer while forwarding the application. The mistake came to light in June, 1956 but even then no action was taken against him for prevarication, or to get the quarters vacated or rent realised at market rate. The first action to realise rent at market rate was taken in September, 1958. The officer continued to retain the quarter and he was reposted to his old station in December, 1959.

The rent recoverable from November, 1955, to December, 1959, was Rs. 13,433 out of which only Rs. 5,563 was recovered till June, 1960. Thereafter, further recovery of the arrears has been suspended under the orders of the Government on the ground that it was causing financial hardship to the officer. The officer is due to retire

in May, 1961 and the arrears of rent due from him amount to Rs. 7,870.

ENGINEER-IN-CHIEF'S BRANCH

14. *Weigh bridges lying idle in stock.*—A proposal was made in September, 1954 to instal weigh bridges at the gates of Engineer Stores Depots and Parks, for weighing lorry loads of outgoing stores. A decision was, however, taken in February, 1955 by the Engineer-in-Chief's Branch to purchase a type of weigh bridge which could serve the dual purpose of weighing wagon loads as well as lorry loads. Purchase was eventually made in 1957 of five 60 ton rail wagon weigh bridges, valued at Rs. 1,25,500. It was subsequently (September, 1959) found that the bridges purchased could not serve the purpose of weighing lorry loads, and they are lying idle in stock.

CHAPTER 5

DIRECTOR GENERAL, ORDNANCE FACTORIES

15. *Rejections in Ordnance Factories.*—In the Ordnance Factories, all manufacture starts with an estimate of the cost which includes also an estimate of the rejections likely to be involved in the process. If the actual rejections exceed the estimate, then the rejections upto 20 per cent. of the cost of production are also treated as production cost; the remainder is kept out of the cost of production and shown as a separate item in the Accounts of the Factory.

A statement of the rejections thus kept out of production cost in the Ordnance Factories as a whole, and those in one particular Ordnance Factory is given below. A comparison of the two sets of figures would show that this Ordnance Factory has been responsible for a major portion of rejections above the estimate. Urgent and effective steps are needed to arrest the recurring waste in this factory:—

Year	Cost of rejections kept out of production costs in the Ordnance Factories as a whole Rs.	Cost of rejections kept out of production costs in one particular Ordnance Factory Rs.	Percentage of (3) to (2)
1	2	3	4
1949-50 . . .	6,02,279	3,96,909	65·90
1950-51 . . .	6,69,587	6,55,554	97·90
1951-52 . . .	10,76,573	10,33,667	96·02
1952-53 . . .	2,67,648	2,26,678	84·69
1953-54 . . .	1,88,999	1,66,498	88·09
1954-55 . . .	5,86,241	5,04,862	86·12
1955-56 . . .	5,27,783	4,48,824	85·04
1956-57 . . .	3,87,056	1,66,647	43·06
1957-58 . . .	5,44,176	3,88,867	71·46
1958-59 . . .	4,12,733	3,71,097	89·91

16. *Accumulation of semi-finished stores in Ordnance Factories and unsatisfactory accounting.*—No work can be undertaken in the

Ordnance Factories without an authority from the Director General, Ordnance Factories in the form of "Extracts". Against each 'Extract', the factory management issues to the production shops one or more "Warrants" indicating the items and quantity to be manufactured, etc. These Warrants form the authority on which the shops in the factory take up the work.

(a) According to the prescribed procedure, Warrants are normally to be completed in a period of three months and stores which could be produced during this period only are to be included in the Warrants. This is essential to prevent accumulation of semi-finished stores and also to facilitate quick working out of the cost. Despite repeated instructions issued by the Director General, Ordnance Factories stressing the need for prompt completion of work and closure of Warrants, it has been observed that considerable delay occurs in the completion of the Warrants. At the end of the financial year 1958-59, the total value of semi-finished stores on the uncompleted Warrants in the Ordnance Factories was Rs. 953 lakhs, out of which an amount of Rs. 355 lakhs was in respect of Warrants opened prior to 1958-59. Warrants which were opened during and prior to 1953-54 and on which an expenditure of Rs. 93 lakhs had been incurred upto the end of March, 1954 remained uncompleted on 31st March, 1959. Out of this amount, Rs. 74 lakhs pertain to two factories only. Apparently these stores, the manufacture of which was taken up more than six years back, are not required by the indentors and the expenditure is likely to prove infructuous.

(b) Valuation and accounting of semi-manufactured articles and components in some factories was also not satisfactory.

In one factory, the value of semi-manufactured articles as on 31st March, 1957 was written down by Rs. 17.5 lakhs, in the accounts of 1957-58, on the ground that the amount pertained to jobs already completed in the previous years and should have, therefore, been correctly included in the cost of articles manufactured in the previous years. To this extent, therefore, the customers have been undercharged in respect of stores issued to them.

In another factory, the value of components, etc. shown in the accounts as on 31st March, 1958, was found to be in excess of the value of the physical balance by Rs. 5.86 lakhs. This amount was written down in the accounts of 1958-59.

17. *Establishment of a Machine Tool-cum-Prototype Factory.*—Mention was made in paragraph 13 of the Audit Report, 1954, of the 429 DAD—3

establishment of a fully equipped Machine Tool-cum-Prototype Factory. The factory was scheduled to go into full production by May, 1951 but was opened for production only in January, 1953.

The factory has three main Sections viz. (i) Prototype Section, (ii) Machine Tool Section, and (iii) Artisan Training School.

(a) *Prototype Section*.—No definite programme for development and manufacture of prototypes of arms and ammunition, for which the Prototype Section is intended, has so far been laid down by Government. The development of indigenous designs for 14 items of arms and ammunition were entrusted to this Section, from time to time. But only in seven cases has the development work been completed. Of the remaining seven items, work on three items was discontinued after incurring an expenditure of Rs. 1,33,723 approximately on one item. The other four items are stated to be still under development. An expenditure of Rs. 8.03 lakhs has been incurred till the end of 1958-59 on development work.

(b) *Machine Tool Section*.—The manufacture of (i) 1,152 units of eighteen types of machine tools and (ii) the design, development and prototype manufacture of seven other types of machine tools during the six years ending March, 1959 was originally contemplated. Out of this, the manufacture of only 784 units of fourteen types of machine tools and manufacture of prototype of one type of machine tool had been completed by the end of March, 1960. Production of one type of machine tool and development of four other types taken up by this Section were subsequently abandoned after an expenditure of Rs. 3.26 lakhs had been incurred on them.

(c) *The Artisan Training School*.—This started functioning in 1950 but due to defection of skilled artisans after completion of training, the factory has not been able to have the full complement of trained personnel required. According to the Director General, Ordnance Factories the defection of trained artisans is the main contributory cause for the delay in the production of machine tools. In this connection attention is invited to para. 93 of the Seventeenth Report of Public Accounts Committee (Second Lok Sabha).

(d) Due to non-utilisation of the full capacity of the factory, the entire amount of Rs. 86.76 lakhs in the nature of "Preliminary Expenses" incurred on the project and an amount of Rs. 23.52 lakhs representing a portion of the "Development Charges" in the Machine Tool Section remain unabsorbed in the production costs upto the end of 1958-59. Taking into account the expenditure of Rs. 8.03 lakhs

incurred on the development of arms and ammunition, in the Prototype Section the total expenditure on "Preliminary Expenses" and "Development Charges" which has yet to be absorbed in production, six years after the factory had started functioning, works out to Rs. 118.31 lakhs. Out of the "Preliminary Expenses" it was proposed by the Director General, Ordnance Factories to write off an amount of Rs. 45.18 lakhs.

(e) According to commercial accounting principles, the entire "Overhead" expenses incurred after 13th January, 1953, the date the factory started production, should have been taken into account in arriving at the cost of production of the machine tools, etc. manufactured. But an amount of Rs. 68.63 lakhs incurred as "Overheads" during 1953-54 to 1955-56 was excluded from the cost of production. This amount has to be viewed as a virtual loss in running the factory.

(f) The cost of production of machine tools manufactured during the years from 1953-54 onwards as exhibited in the accounts of the factory, is as under:—

Year	Amount in lakhs of rupees
1953-54	6.00
1954-55	3.23
1955-56	2.83
1956-57	7.64
1957-58	21.48
1958-59	21.40

In working out these figures, the "Preliminary Expenses" and expenditure on "Overheads" and a portion of the "Development Charges" have not been taken into account as indicated in subparagraphs (d) and (e). As a result, the cost of production of machine tools as exhibited in the factory accounts is considerably less than their true cost of production. The sale prices fixed by the Director General, Ordnance Factories in respect of the machine tools sold to civil indentors are even lower than the cost of production as exhibited in the accounts. Upto the end of 1958-59, even on the basis of this reduced cost of production, a loss of Rs. 8.13 lakhs has been incurred in the sale of these machine tools.

(g) The total capital outlay on the establishment of the factory stands at Rs. 436.80 lakhs. Even after six years of commencement of production, the factory has not been able to show any return on

the capital invested. On the contrary, it has actually incurred a loss of Rs. 68·63 lakhs (overheads) plus Rs. 8·13 lakhs or Rs. 77 lakhs approximately.

18. *Purchase of timber by an Ordnance Factory.*—Between August, 1951 and June, 1952 contracts were executed by the Director General of Supplies and Disposals with three firms for supplying Burma Teak Squares to an Ordnance Factory. Out of the total quantity of 2,78,457 cft. received from the firms between November, 1951 and October, 1952, 1,63,664 cft. was found on detailed inspection at the Ordnance Factory to be much below specifications and was rejected by the factory. The suppliers, however, refused to take back the rejected quantities and insisted on full payment as the timber had been duly inspected and accepted by factory's Inspecting staff prior to despatch. The entire stock has been lying unused at the factory for 8 years, pending a settlement with the suppliers and the case is pending with arbitration. The value of this timber, in terms of the contracts, is about Rs. 34 lakhs, out of which payment to the extent of 90 per cent. has already been made to the firms.

The inordinate delay in settling the dispute has resulted in a large capital remaining locked up entailing deterioration of the timber lying exposed to the hazards of weather for eight years. Meanwhile, two Inspectors and one Asstt. Works Manager have been dismissed from service and criminal cases have also been instituted against them by the Special Police Establishment.

19. *Delay in disposal of unwanted machinery.*—A Power-house was erected at an Ordnance Factory in 1945, at a cost of about Rs. 15·04 lakhs including plant and machinery worth about Rs. 7·81 lakhs and was supplying power till September, 1947. In September, 1947, an agreement was made with an Electric Supply Administration for supply of power to the Ordnance Factory. The Power House at the factory was therefore put out of commission in that month. Since then, no action has been taken to put either the building or the plant and machinery to alternative use, though the plant is not required even as a standby. The expenditure of Rs. 15·04 lakhs has been largely infructuous, as the plant has not been used for more than two years in the last sixteen years.

20. *Delay in manufacture and loss incurred due to heavy rejections.*—In June, 1948 and August, 1950 three orders for the supply of a total quantity of 69,000 units of an ammunition item, were placed by the Master General of Ordnance on the Director General, Ordnance Factories. The orders were to be completed by March, 1952. In connection with these orders, an Ordnance Factory placed

demands for empty cast iron bodies on two other factories. One of these factories started manufacture in 1949 and the other in 1952. As the progress of manufacture in these two factories was not satisfactory, the indenter factory itself undertook manufacture of the empty bodies, in 1954.

Upto end of May, 1960, the first factory was able to complete only 8,120 units, 8,619 units being the rejections. Upto the same period, the second factory completed only 1,853 units, 8,526 units being the rejections. The indenter factory which commenced production of the empty bodies in 1954 was, however, able to complete 34,400 units, the rejections being 4,915 units. Thus, in respect of the same item of production there have been rejections in two factories representing 106 per cent. and 460 per cent. of the number successfully completed, in the third factory, the corresponding rejection was only about 14 per cent. The loss due to the rejections amounts to about Rs. 1.8 lakhs.

Though the ammunition was required by the Master General of Ordnance by March, 1952, the requirement had not been fully met by the factories till August, 1960.

21. *Failure to revise sale price of barrels sold to civil trade.*—Acetone manufactured in one Ordnance Factory is sold to civil trade in barrels manufactured in another. The sale price of the barrels was fixed, in 1955, at Rs. 30 based on the then cost of production. In subsequent years, the cost of production of barrels ranged from Rs. 34 to Rs. 39 for one type of barrel and Rs. 35 to Rs. 46 for another and the cost cards showed the increase from year to year. In spite of this, the recovery continued to be made from the trade, at the old rate of Rs. 30, till it was provisionally raised in June, 1960, to Rs. 40 for one type of barrel and Rs. 44 for another. The revision not having been made *pari passu* with the rise in the cost of production of barrels, Government have lost a sum of Rs. 2 lakhs approximately, and this has been an unjustified benefit to the civilian purchasers.

22. *Wasteful expenditure incurred in manufacture.*—An order for the manufacture of 900 units of a component was distributed in August, 1956 by the Director General, Ordnance Factories between two Ordnance Factories. Upto end of March, 1959, the factories had manufactured 650 and 166 units at a cost of Rs. 914 and Rs. 1,978 each respectively. The additional cost in the second Ordnance Factory was Rs. 1.77 lakhs, which was caused mainly by heavy rejections.

23. *Delay in Manufacture.*—A Central Ordnance Depot placed five orders between December, 1947 and 1949 for 401 numbers of a particular store on the Director General, Ordnance Factories. In

September, 1955, the Depot proposed the cancellation of 341 numbers out of the order. But the Director General, Ordnance Factories did not accept the reduction on the plea that the parts were already at an advanced stage of manufacture. However, only 20 numbers were supplied upto January, 1960.

Expenditure of over Rs. 1.5 lakhs has already been incurred in the manufacture.

CHAPTER 6

NAVY

24. *Injudicious conversion/construction of water boats.*—The Navy had been using two water boats, each of 150 tons capacity for supplying fresh water to the naval ships in anchorage at Bombay. In July, 1957, Government agreed to a proposal of the Naval Headquarters to convert a surplus vessel into a water boat on the ground that the two existing water boats could not meet the entire requirement. Conversion of the vessel was completed in April, 1958, at a cost of Rs. 3.49 lakhs, but it was used only very sparingly as during the period of about 2 years from May, 1958 to March, 1960, only 9,520 tons of water was supplied by this water boat. In terms of its daily capacity of 220 tons, the boat thus worked only for 44 days.

The Naval authorities stated on 31st October, 1958 that the third water boat could be used only to a limited extent because the supply of water received from the shore hydrants available to the Navy was hardly sufficient even to fill the two old water boats and that there was also some difficulty in finding a suitable berth for the converted water boat from where it could be filled with water. It is not clear why these difficulties were not foreseen. Since the supply of water from the sources available to the Navy was not adequate, the action of the Naval authorities in converting the vessel into a water boat, at considerable cost, cannot be considered to have been judicious unless there was an assurance of the increased sources of fresh water available to the Navy.

While the Naval authorities could not secure an adequate load for their own water boats, a contractor engaged by them was able to supply water regularly to the Naval ships in anchorage, in his private boats. During the period of three years ending March, 1960, this contractor supplied 27,400 tons of water and was paid about Rs. 1.64 lakhs.

On the same ground *viz.* inadequate capacity of water boats available with the Navy, it was proposed by Naval Headquarters, in December, 1957, that a new water boat of 500 tons capacity should be constructed. This was sanctioned by Government in March, 1958 at a cost of Rs. 17.20 lakhs and a contract has been concluded for its construction. In view of the limited use to which the existing water boats could be put, it is not clear how this sanction to incur an expenditure of Rs. 17.20 lakhs has been given.

25. *Purchase of a defective dredger.*—For carrying out dredging operations in a dockyard area, Government sanctioned in August, 1956, the purchase of a new dredger from a foreign country at a cost of Rs. 35.51 lakhs. The dredger was received in India in September, 1957.

According to the terms of the contract the dredger was to be inspected and approved by an English firm appointed as the Government's Naval Architects in London, after necessary trials at a site convenient to the works of the builders. Further trials were required to be carried out in Bombay before the dredger was finally accepted by the Naval authorities in India. Despite the fact that the trials conducted abroad were not satisfactory and modifications to the propeller design were required, the Naval Architects in London accepted the dredger after the builders had made some rectifications to the existing propellers instead of replacing them altogether. During the trials in Bombay in September, 1957, the dredger was found to have unacceptable vibrations and the Naval authorities did not consider the rectifications already made in the propellers as satisfactory. A set of newly designed propellers had, therefore, to be shipped to Bombay by the builders in September 1957. But even before the receipt of these new propellers, the Director of Naval Construction, without any ostensible justification, communicated a provisional acceptance of the dredger to the builders, in September, 1957. The new propellers were received and fitted to the dredger in December, 1957 and after trials on 9th and 10th December, 1957, the dredger was finally accepted by the Naval authorities on 10th December, 1957. In May, 1958, *i.e.* within six months of the final acceptance of the dredger, it was found to have gone seriously out of order and had to undergo major repairs lasting till September, 1959, and involving an expenditure of about Rs. 2 lakhs.

The contract included a guarantee clause according to which the builders were required to guarantee the efficient working of the dredger and its machinery for a period of six months after being set to work in India, and make good, at their expense, any parts or defects in the vessel or its machinery attributable to faulty design, material or workmanship. The dredger, with replaced propellers was finally accepted and set to work only in December, 1957. Therefore, when it went out of service for major repairs, in May, 1958, the defect could be claimed to have occurred within six months of the dredger being set to work in India and the guarantee clause invoked. This claim could not, however, be pressed, by the purchaser (the Director General, India Store Department) as the Director of Naval Construction had already issued a certificate to the builders that the guarantee period had expired on March 10, 1958, *i.e.* 6 months from the date of

his *provisional* acceptance of the dredger. Apart from the fact that the contract did not require him to issue any certificate, there was no provision in the contract for a provisional acceptance of the dredger. The contract only contemplated the final acceptance of the dredger by the Naval authorities and the guarantee clause should not have been deemed to be operative from any date earlier than the date of final acceptance of the dredger. The action of the Director of Naval Construction in communicating a provisional acceptance thus appears to have operated to the financial disadvantage of the Government.

The Ministry of Defence is, however, of the opinion that even if the guarantee period of six months had been counted from the date of final acceptance of the dredger, Government would have gained no financial advantage as the breakdown did not occur due to faulty design, material or workmanship.

It appears, however, that the Board of Enquiry which was convened in June, 1958 to investigate into the case, made the observation that the conditions that led to the damages had perhaps existed ever since the ship was taken over by the Navy, that the ship had been accepted without a proper examination of its boilers by the Engineer Officer, and further that no examination had been carried out to ascertain the state of the ship's machinery and the boiler before the expiry of the guarantee period. The Board also found that there had been faulty maintenance leading to excessive accumulation of oil and hard carbon deposits. They did not, however, find it possible to blame anybody in particular, as in their opinion, many diverse factors, both administrative and technical, contributed to the collapse of the boiler which rendered the vessel non-operational.

The fact remains that within six months of purchase the dredger went out of order and an amount of about Rs. 2 lakhs had to be spent on the repairs of the dredger. If this was not due to faulty design or workmanship, the extent of faulty maintenance was serious enough to justify a penalty greater than a mere communication of displeasure which is all that appears to have been done.

26. *Infructuous expenditure on conversion of a barge.*—In order to increase the existing capacity of maintenance dredging in the Naval Dockyard, a hopper barge was converted into a dredger in March, 1958 by fitting it with suction dredging equipment. An expenditure of Rs. 5.80 lakhs was incurred in this connection, the cost of the equipment alone being Rs. 3.80 lakhs approximately.

During the twelve months from August, 1958 to July, 1959 this barge was in use only for 94 days, as a dredger. Even during this

limited use the dredger was not found to work efficiently. The Captain Superintendent, Naval Dockyard reported in November, 1959 that the vessel had not proved a successful dredger, since its capacity was to dredge upto 20 per cent. liquid mud only, which being too thin could not be retained in the hopper due to leakage through the hopper doors. The Captain Superintendent, Dockyard has also remarked that the barge being too old suffers from frequent breakdowns. Judging from these facts, the outlay of Rs. 5.80 lakhs on this barge to convert it into a dredger appears to have been largely infructuous.

27. *Acquisition of a mine sweeper.*—A newly constructed mine sweeper acquired from the United Kingdom Government at a cost of about Rs. 48 lakhs started on her maiden voyage to India in August, 1955. On the 9th October, when the ship was nearing the harbour, the star board engine suffered a major breakdown.

A Board of Enquiry convened in the same month to investigate into the case, was unable to come to any definite conclusion as to the cause of the damage to the engine; that, they said, could be ascertained only by a careful and detailed examination. They were, however, of the opinion that no blame could be attached to any individual and that the failure was purely mechanical and all ratings in the engine and the control room had acted correctly and promptly. It came out during the enquiry that the Stoker Mechanics borne on the vessel had had only 10 days' course at the works of the engine manufacturers and the Board actually made a separate recommendation that in future these men should be given a thorough course in internal combustion engines before appointment. But the Naval Headquarters maintained that so far as the particular accident was concerned, no amount of training could have prevented the damage, as the failure of the engine was purely mechanical.

The contractual responsibility of the builders in respect of defects of this nature coming to notice in the maiden voyage, was not, however, known either to the Government of India or to the Naval Adviser in United Kingdom. On a reference to the United Kingdom Admiralty in January, 1957, it became known that the guarantee period of 12 months expired after a year of the basin trial which had been carried out on the vessel, long before the maiden voyage was completed. It is strange that at the time of purchase, this was not known to the Government of India and that the question of suitable guarantees for the satisfactory performance of the mine sweeper during the maiden voyage were not made conditions to the purchase.

The Naval Headquarters decided in January, 1957, that the engine was beyond any possible repair. But very soon thereafter, in April.

1957, they came up with the proposal to despatch the damaged engine to United Kingdom for a check up, as the engine could be shipped without payment of freight, in one Indian vessel. The engine was accordingly shipped to the makers. Subsequently, in August, 1957, it was decided to get the engine repaired by the makers at an estimated cost of about Rs. 30,000 as against £ 10,000, the cost of a new engine.

But the makers, on opening the engine, found that a number of parts had been removed from the engine prior to shipment, without the knowledge of the Government. The cost of the repair when completed was found to be Rs. 85,384 against the estimate of Rs. 30,000. The unauthorised removal of the parts also prevented the makers from determining the cause of the damage to the engine during the maiden voyage.

28. *Equipment lying idle.*—(a) In December, 1954, Government sanctioned the construction of two vessels of a particular type, at a total cost of Rs. 82 lakhs. Machinery and equipment for the vessels were to be purchased from the United Kingdom and the hulls were to be built in India. Machinery and equipment worth about Rs. 17 lakhs were indented for in January, 1955 and received in 1957. They are lying in stock since then, as a contract for the building of the hulls has not yet (September, 1960) been placed.

(b) Certain equipment was imported from United Kingdom, partly in 1955 and partly in 1956, at a cost of £ 31,000 (Rs. 4,13,333). It has been lying idle in stock since receipt, as the Naval authorities have not yet (December, 1960) finalised their plan for fitting the equipment.

29. *Absence of control over production costs in the Naval Dockyard.*—In Paragraph 52 of the Audit Report, 1952, comments were made on the non-preparation of estimates in respect of jobs executed in the Naval Dockyard and the consequent absence of control over production costs. In para. 63 of their Ninth Report (First Lok Sabha) the Public Accounts Committee while expressing the view that absence of estimates provided opportunities for all kinds of evils, recommended that Government should take steps to train sufficient manpower in cost accounting and estimating work. They were informed by the Ministry of Defence in July, 1953 that the Captain Superintendent of the Dockyard was building up data for the preparation of correct estimates and that a "Library of Costs" based on the statistics of the past expenditure was being compiled. A Statistical Section was also formed in the Dockyard in 1954 to collect data regarding past actual expenditure.

But in May, 1960, the Ministry of Defence informed Audit that the question of preparation of estimates in respect of repair jobs is to be referred to a Technical Committee, the appointment of which is under consideration of the Government. The position, thus, is that the preparation of estimates for repair and refit works which was dispensed with in 1942, for the duration of the war, has not so far been re-introduced.

30. *Non-utilisation of equipments purchased from the United Kingdom.*—The Naval Headquarters, in June, 1952, placed an indent on the Director General, India Store Department, London, for five sets of an equipment, at an estimated cost of Rs. 50,400 each, for use at five stations. The indent was not covered by Government sanction at the time. The sets were received in 1956 and 1957 but only one set was installed, till September, 1960; the other four sets are lying in stock, as suitable sites for their installation have not yet been selected. Seven sets of similar equipment of American origin were already available with the Naval authorities at the time of indenting in 1952 but were not being put to any use.

31. *Over-provisioning of stores.*—45 amplifiers of a particular type were purchased from United Kingdom in December, 1955, at a cost of Rs. 54,900 when 29 similar amplifiers were already in stock. Only three of the new purchases were used upto 31st August, 1960. The balance of 71 amplifiers are surplus to requirement.

Had the requirement been worked out on a realistic basis in 1955 the purchase of 45 amplifiers at Rs. 54,900 could have been avoided.

CHAPTER 7

AIR FORCE

32. *Infructuous expenditure on uncompleted overhaul of aircraft.*—Nine aircraft, of a certain type, were sent to Hindustan Aircraft, Ltd. between October, 1955 and October, 1958 for overhaul. In November, 1958, while the overhaul work was in progress, the Air Headquarters issued orders for the reduction of five of these aircraft to spares. The remaining four aircraft were also ordered to be reduced to spares, in May, 1959. An expenditure of Rs. 2.21 lakhs incurred on the partial overhaul of the nine aircraft up to end of 1959 has thus served no useful purpose and has to be viewed as infructuous.

33. *Infructuous expenditure on a Launch.*—A Twin Screw Launch fitted with marine diesel engines, was purchased in 1953 by the Air Force at a cost of £ 14,935 (Rs. 1,99,000) for use at a particular station for air-sea rescue work. But ever since the receipt of the launch, it could be used for a total period of about 238 hours upto August, 1960. It was found that the launch was not capable of operating in shallow waters due to the propellers being fitted lower than the keel, which makes it a hazard to take it out on a coast full of submerged rocks just below water level. Nor was the launch seaworthy to be used in the open sea. In May, 1959 the Air Force authorities recommended the disposal of the launch on the ground that because of its operational limitations, it would not serve any useful purpose for air-sea rescue work anywhere.

The expenditure on the purchase of the launch and also a recurring annual expenditure thereon of Rs. 30,000 on account of pay and allowances of the crew, maintenance of launch and dock charges, have thus proved infructuous.

34. *Irregular payments of Daily Allowance.*—In March 1955, Controller of Defence Accounts (Air Force) noticed certain overpayments of daily allowance made by a Unit in 1954-55, to a large number of Air Force Officers, and asked the Unit to recover the overpayments from the officers concerned. The total overpayment was about Rs. 28,600.

While the Unit forthwith took steps to disallow similar claims of daily allowances, it did not take any steps to recover the overpayments. The case was reported to the Air Headquarters in May, 1956,

and they decided in January, 1957, that the amounts in question should be recovered as the payments were not covered by any existing rule. But soon afterwards, in June 1957, the Air Headquarters ordered the recoveries to be withheld, pending a final decision which has not yet (November, 1960) been reached. Some of the officers who had overdrawn daily allowance retired in the meantime.

The Individual Running Ledger Account system of payment in the Defence Services made it possible for the Unit to disregard the orders of the Accounts authorities to effect recoveries of overpayments. It is strange that although the Air Headquarters also did at one stage issue instructions to the Unit for the recovery of the clearly established overpayments, the overpayments have not been regularised even after the lapse of six years. It seems necessary that suitable safeguards should be introduced in the Individual Running Ledger Account system to prevent such disregard of retrenchment orders from the Accounts authorities.

35. *Unnecessary purchase of stores.*—Two indents for 56 numbers of an equipment were placed in March and September, 1956 and a contract for the supply was concluded on the 11th February, 1957 at a cost of £ 7,651. Meanwhile, in January, 1957 it was decided to replace this equipment by another and on the 20th February, 1957 an indent for 54 numbers of the latter was also placed. On the 23rd August, 1957 an attempt was made to cancel the contract for the original equipment but in view of a sum of £ 500 being demanded by the contractors as compensation for the cancellation of the contract, it was allowed to stand. This resulted in the unnecessary purchase of 56 numbers of the original equipment valued at £ 7,651 (Rs. 1,02,013).

36. *Purchase of a Crash Barrier.*—In March, 1957, Government sanctioned the purchase of one set of Crash Barriers with maintenance spares, for use at a particular air-field, to minimise risks of damage to aircraft, due to break-failures or overshoots at take off or landing. The purchase was considered to be urgent and a contract was placed in June, 1957, for a set of Crash Barriers, for £ 9036-11-1 (Rs. 1,20,487). The set was received at the air-field in October, 1958, but because of its peculiar design and other technical difficulties, it has not been possible to utilise the set at that air-field. The expenditure seems to have been incurred without an adequate appraisal of the technical suitability of the set for the requirements of that air-field.

37. *Acceptance of defective boxes.*—An indent was placed by the Director General, Ordnance Factories, on the Director General of

Supplies and Disposals in February, 1952, for 25,000 steel ammunition boxes required by the Air Force. The boxes were supplied by three different firms and were accepted by the Air Force Inspection staff, without testing them for air-tightness. At the time of packing ammunition, 7,740 boxes did not stand the air-tightness test, and could be utilised only after modifications at a cost of Rs. 10,899. Another batch of 851 boxes costing about Rs. 50,000 could not, however, be utilised at all, due to improper fabrication, defective welding, and rusty material used.

CHAPTER 8

OTHER TOPICS OF INTEREST

DIRECTOR GENERAL, ORDNANCE FACTORIES

38. *Execution of civil trade orders by the Ordnance Factories.*— At the end of the last War, there was a sudden reduction in the demand for Defence stores resulting in a considerable amount of idle labour and capacity in the Ordnance Factories. Government decided in May, 1953 that the idle labour and capacity should be utilised for civil trade purposes, to the extent possible. To attract civil trade orders, it was also decided that only direct charges *viz.* cost of labour and material at current rates, and a percentage of variable overheads only as distinguished from fixed overheads, should be charged as price. Every civil trade product is at the same time costed in the usual manner as for Defence stores, so that the difference could show the short recovery from civil trade. During the six years from 1953-54 to 1958-59 the amount short recovered is Rs. 2.06 crores.

As against this short recovery some factories showed an excess recovery or profit. The total excess recovery during the same period amounts to Rs. 1.64 crores. A large part of this profit is, however, due to sale of ferrous and non-ferrous products such as ingots, billets, rods, strips, etc. where the value of raw materials is the major item in the cost of production. And the raw material used has been diverted from stocks acquired for Defence purposes in the days of low prices. These profits are, therefore, more apparent than real.

39. *Contracts with foreign firms for the manufacture of tractors and trucks in Ordnance Factories.*—(a) Mention was made in Audit Report, 1960, about the conclusion of a contract in September, 1958, with a Japanese firm for the purchase and manufacture of certain types of tractors.

The assembly/manufacture started in May, 1959, instead of in April 1959, as planned. Against the production programme of 370 tractors to end of December, 1960 only 135 were assembled/manufac-

tured in the Ordnance Factory. Another 103 tractors were also imported in a "ready for road" condition, for supply to indentors. The programme of assembly/manufacture thus fell far short of the target.

In the planned programme it was also envisaged that 750 tractors would be completed by the end of December 1962, and the indigenous content therein would be progressively increased from 10 per cent during 1959 to 70 per cent. by the end of 1962. It was claimed that this would result in a saving of Rs. 320 lakhs in foreign exchange. The factory has so far (June 1960) placed orders on the foreign firm for components for 265 tractors, and the saving in foreign exchange in regard to these tractors works out to Rs. 18.35 lakhs. Even if for the remaining 485 tractors the indigenous content reaches the targets contemplated, which seems unlikely, the total saving in foreign exchange that could be achieved, would be far below that envisaged in the programme.

(b) For the manufacture of three types of motor trucks in Ordnance Factories, an agreement was concluded by the Defence Ministry with Messrs. M. A. N. of Germany on 11th September 1958. Under the terms of the agreement, the firm is to provide all technical assistance and information for the progressive indigenous manufacture of these trucks in India.

The target for manufacture in India during 1959 and 1960 was 1,200 trucks each year. Manufacture commenced in July, 1959 against January, 1959 and upto end of December 1960, 1,264 trucks were only completed, indicating a heavy shortfall in the production programme.

AIR FORCE

40. *Loss due to fire in a Wireless Transmitting Station.*—A fire broke out on the night of 29th/30th October, 1958 in an Air Force Signal Station causing damage to the buildings and equipment. A Court of Inquiry convened on 31st October, 1958 under the orders of the Air Headquarters, assessed the loss at Rs. 12,67,290 out of which Rs. 10,78,248 represented the value of 63 wireless transmitters and Rs. 1,88,132 the value of buildings, fixtures and furniture. The Court in its report dated 18th December, 1958 attributed the fire to intense prolonged sparking in the worn out weather proof electric

cable and held the Military Engineer Services responsible for the fire for the following reasons:—

- (i) using of weather proof cable instead of conduit wiring;
- (ii) failure to carry out the prescribed insulation and continuity tests on the mast obstruction light wiring; and
- (iii) entrusting the replacement of fuses to an unskilled Class IV employee.

The Engineer-in-Chief's Branch did not accept the conclusions of the Court that the Military Engineer Services was responsible for the accident. A special committee under the chairmanship of a Joint Secretary of the Ministry of Defence was, therefore, appointed by Government on 30th June, 1959 to investigate the circumstances under which the fire broke out. The Committee while submitting their report to Government on 1st August, 1959 *inter alia* observed that "as a whole the witnesses tried to shield themselves and their respective services, failing in their primary duty to assist in unravelling the cause of the fire.....An independent inquiry immediately after the fire may have been able to lay its hands on more information". Based, however, on the available evidence the Committee suggested that the fire was possibly caused by short circuit in the electrical installations though they also considered that sabotage or wilful arson as a possible cause of the fire cannot be ruled out. Since the cause of the fire could not be precisely ascertained, the Committee could not fix responsibility unreservedly on anyone. They, however, held the Military Engineer Services and the user services responsible for various lapses.

The cost of replacing the wireless transmitters lost due to the fire has been estimated to be Rs. 55 lakhs by the Committee. They also observed that if the replacement cost of buildings and other allied services is taken into account, the total cost of erecting a similar station, would be in the neighbourhood of Rupees one crore.

The report of the Committee has since been considered by the Defence Minister's Inter Services Committee which came to the conclusion that the building, wiring and other fittings were defective in many respects and that there were some omissions and defects in the day to day supervision of this building and its fittings by the Services concerned and it has since been decided that individual officers responsible should be dealt with and remedial measures taken. The

particulars of the departmental action taken against the officers responsible and the remedial measures adopted are not yet known to Audit. Government have since sanctioned the purchase of 37 wireless transmitters at a total cost of Rs. 59,24,350 to replace those lost by the fire.

P. D. SETH,
Director of Audit, Defence Services.

NEW DELHI;
Dated the 20 MAR 1961

Countersigned.

A. K. ROY,
Comptroller and Auditor General of India.

NEW DELHI;
Dated the 21 MAR 1961

