



CENTRAL GOVERNMENT

AUDIT REPORT
DEFENCE SERVICES

1960

(Including Report on the Appropriation Accounts of the
Defence Services and the Commercial Appendix
thereto for the year 1958-59)

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AUDIT REPORT, 1960

CHAPTER 1

INTRODUCTORY

This Report recounts important financial irregularities etc. noticed in the course of audit of the accounts of the year 1958-59 and of previous years which could not be dealt with in the earlier Reports. Similarly, any irregularity of importance relating to the accounts of 1959-60 noticed in current audit has been included.

The Report refers to certain cases of overprovisioning of stores due to incorrect assessment of initial requirements. Even when the correct requirements were later established by reviews, timely steps to reduce or cancel the indents had not been taken resulting in the accumulation of unwanted stores, whose disposal involved or is likely to involve losses.

In one case disposal of unwanted stores retained unnecessarily for about 12 years resulted in a loss of about Rs. 12 lakhs which might have been reduced appreciably had timely action for disposal been taken. In another case, due to premature declaration of surplus, a certain store was sold at a loss of Rs. 1.2 lakhs and a part of the quantity was again purchased within a year at a higher price.

The Report mentions cases indicating bad planning and lack of foresight. In one case machinery worth Rs. 1.3 lakhs purchased during 1950-52 had not been installed till December, 1959; in another case, workshop building constructed in September, 1957 at a cost of Rs. 6.8 lakhs is lying unoccupied except for a small portion.

An earlier Audit Report had mentioned the lack of planning and coordination between purchase of chassis of motor lorries and their body building leading to locking up of huge capital. Similar instances continue to figure in this Report also.

A number of projects/schemes were abandoned in the Ordnance Factories at advanced stages after considerable expenditure had been incurred on them.

An aircraft was cannibalised for spares after a total expenditure of Rs. 1.3 lakhs in its overhaul etc. had been incurred.

In one case a foundry has yet to be commissioned though it was sanctioned nine years ago and a total expenditure of Rs. 5 lakhs had also been incurred thereon.

In two Field Ordnance Depots losses and irregularities affecting stores worth Rs. 7 crores due to unsatisfactory accounting of stores were noticed. No decision has so far been taken on these losses and irregularities though nine years have elapsed. Again, in one Ordnance Factory, losses amounting to Rs. 1.7 crores occurred during the period 1949—57.

Instances of delay in the finalisation of action in cases of losses continue to occur in spite of the repeated exhortations of the Public Accounts Committee.

Invoices of the value of \$32 million in respect of stores for which payments have been made were awaited on the 30th September, 1959 while invoices of the value of £17.7 million remained unlinked with packing accounts on the same date. Claims amounting to Rs. 26 lakhs in respect of stores supplied to other Government Departments and public bodies during the period 1946—59, have not yet been presented for want of receipted vouchers from the consignees, while, on the other hand, debits have been accepted on the strength of despatch advice instead of on the basis of consignees' receipts.

For want of covered accommodation vehicles valuing about Rs. 5 crores and stores worth Rs. 57 lakhs deteriorated and were rendered unserviceable.

CHAPTER 2

APPROPRIATION AUDIT

1. (i) *General results of appropriation audit.*—The following statement compares the total Grants and Appropriations for 1958-59 with the total disbursements:—

Particulars 1	Voted 2	Charged 3	Total 4
(In thousands of rupees)			
1. Original Grants and Appropriations .	3,26,91,47	97,50	3,27,88,97
2. Supplementary Grants and Appropriations	3,14	3,14
3. Aggregate Grants and Appropriations	3,26,91,47	1,00,64	3,27,92,11
4. Aggregate disbursements	3,04,28,36	96,20	3,05,24,56
5. Less (—) or more (+) than granted	(—)22,63,11	(—) 4,44	(—)22,67,55
6. Percentage of 5 to 3	6.92	4.41	6.91

(ii) *Savings on voted Grants.*—A comparison of the actual expenditure with the Grants is given below. Conspicuous savings occurred under Army and Air Force.

Number and name of Grant 1	Grant 2	Actual expenditure 3	Savings 4	Percentage of Savings 5
(In thousands of rupees)				
9—Army	1,78,08,25	1,67,62,53	10,45,72	5.87
10—Navy	16,65,08	16,37,66	27,42	1.65
11—Air Force	88,54,15	77,35,05	11,19,10	12.64
12—Non-Effective	13,70,49	13,29,56	40,93	2.99
108—Defence Capital Outlay .	29,93,50	29,63,56	29,94	1.00

(iii) *Savings in the provision for purchase of stores.*—There was a saving of about Rs. 22.77 crores in the provision for purchase of stores, which clearly indicates an overestimate and an inadequate appraisal of the availability of the requisite stores. Savings on stores meant to be purchased in India accounted for Rs. 6.28 crores, and it could not be said that market conditions in India were unknown at the time of preparing the Budget.

(iv) Statistics of savings or excesses on the voted Grants and charged Appropriations as compared with the previous two years:—

Year	Grants and/or Appropriations	Savings(—) or Excesses(+)	Percentage of savings or excesses
1	2	3	4
(In thousands of rupees)			
Voted—			
1956-57	2,60,21,60	(—)20,82,34	8.00
1957-58	3,15,60,06	(—)10,05,26	3.19
1958-59	3,26,91,47	(—)22,63,11	6.92
Charged—			
1956-57	1,08,66	(+) 3,81	3.51
1957-58	95,05	(+) 2,88	3.03
1958-59	1,00,64	(—) 4,44	4.41
Voted and Charged—			
1956-57	2,61,30,26	(—)20,78,53	7.95
1957-58	3,16,55,11	(—)10,02,38	3.17
1958-59	3,27,92,11	(—)22,67,55	6.91

The increased percentage of variation between Grant and Expenditure, as compared with that of the previous year, indicates that the standard of budgeting has gone down.

(v) *Control over Expenditure.*—A few instances of defective control over expenditure noticed during the year are given below:—

(a) In the following cases re-appropriations made were unnecessary:—

Number and name of Grant	Sub-head	Grant	Amount re-appropriated	Total of cols 3 & 4	Actual expenditure	Savings
1	2	3	4	5	6	7
(In thousands of rupees)						
II—Air Force	D (Transportation and Miscellaneous)	2,08,16	(+)24,50	2,32,66	1,94,59	(—)38,07
Do.	F [Expenditure on Works (other than capital projects), Maintenance etc.]	2,65,26	(+)3,94	2,69,20	2,63,16	(—)6,04

(b) In the following case the re-appropriation made was inadequate:—

Number and name of Grant	Sub-head	Grant	Amount re-appropriated	Total of Cols 3 and 4	Actual expenditure	Excess
1	2	3	4	5	6	7
(In thousands of rupees)						
9—Army	D (Transportation and Miscellaneous)	15,35,09	(+)87,32	16,22,41	16,43,48	(+)21,07

(c) *Surrender of savings in voted Grants.*—Out of the total savings of Rs. 22,63,11,000 a sum of Rs. 19,38,94,000 was surrendered only on 31st March, 1959. Savings of Rs. 10 crores were known at the Revised Estimates stage and could have, therefore, been surrendered earlier. Surrenders on the last day of the financial year serve no purpose, as they cannot, at that stage, be diverted to the other spheres of activity of the Government.

CHAPTER 3

PURCHASES OF STORES

MASTER GENERAL OF ORDNANCE BRANCH

2. *Defects noticed after purchase.*—880 chassis of 3 Ton lorries valued at about Rs. 241 lakhs were purchased during the period from February to June, 1958 through the Central Purchase Organisation, after inspection by the Army technical authorities. Bodies on 100 chassis were built by one firm by October, 1958 and on 286 chassis by another firm by April, 1959. The remaining chassis were still awaiting body building in April, 1959. The 386 lorries received after body building could not, however, be issued to Army units because of certain defects in chassis noticed by the Electrical and Mechanical Engineer authorities during "Receipt-In" inspection. Some of the defects are being rectified by the suppliers of the chassis, while others are being remedied by the Electrical and Mechanical Engineer authorities.

Thus 100 new lorries have been lying idle since October, 1958, and 286 lorries since April, 1959. The expenditure on these 386 lorries amounted to Rs. 114 lakhs approximately.

3. *Overprovisioning of stores.*—From February, 1950 to December, 1951 four indents were placed by the Master General of Ordnance on the Director General, Ordnance Factories for the manufacture of 7,06,350 units of a certain item of snow equipment on the basis of the scale of issue fixed in 1950 and 1951. In May, 1952 the scale was drastically reduced and consequently the annual requirement was also reduced from 3,45,500 to 17,160 units. The provision review carried out in 1952 on the basis of the revised scale of issue disclosed a large surplus of over 6,00,000 units of the item. An attempt was made by the Master General of Ordnance in September, 1952 to cancel the outstanding quantity of 6,32,874 units ordered for manufacture but reduction of only 4,52,000 units could be effected. As a result, 44,418 yards of cotton fabric costing Rs. 1,96,024 acquired for the manufacture of the item were rendered surplus.

The subsequent provision review carried out in 1958 disclosed a surplus of 1,95,125 units valued at Rs. 3,90,250 after providing for requirements upto 31st March, 1961. As the annual consumption is

now only 14,144 units, the surplus cannot be utilised in the near future and is likely to deteriorate.

4. *Procurement of unwanted stores.*—In 1950 two demands were placed by the Master General of Ordnance on the Military Adviser to the High Commissioner for India in United Kingdom for 65 numbers of a certain item of store. The subsequent review as on 1st July, 1950 showed the requirement as nil. But the provision review relating to 1st April, 1951 showed the requirement as 182 units and two further demands were placed on United Kingdom in September, 1951 for the procurement of 116 numbers valued at £ 3,004 and contract was concluded on 11th September, 1953. The subsequent provision review as on 1st April, 1952 again showed the requirement as nil but no action was taken to cancel the demands. The supply of 65 units against the 1950 demands materialised in October, 1953 and in November, 1953 an attempt was made to cancel the demands placed in September, 1951; but subsequently in March, 1954 they were allowed to stand in view of the financial repercussion involved which was estimated at £ 628. The supplies against the demands placed in 1951 were received in July, 1955. The entire quantity of 181 numbers valued at £ 4,687 is now held surplus to requirement.

Had the requirements been correctly assessed or had the demands been cancelled when the reviews disclosed surpluses, the entire purchase could have been avoided.

QUARTER MASTER GENERAL'S BRANCH

5. *Loss due to acceptance of rice below specifications.*—During May to July, 1956 certain quantities of rice were purchased by the Ministry of Food and Agriculture for the Defence Services and the consignments were received for inspection by the Army Composite Food Laboratory. After inspection and acceptance of the consignments the rice was sent to various Army depots for issue to consuming units. As some of these units complained about the poor quality of the rice, further laboratory tests were held and 71 tons out of a total quantity of 301 tons received in four depots were declared as unfit for human consumption. The loss suffered by the Government on this account was Rs. 35,660 approximately.

On an investigation at one of the four depots a Court of Enquiry held a junior commissioned officer and a non-commissioned officer responsible for faulty inspection and despatch. The Court was of the opinion that a large scale fraud had been practiced by these two

persons with the connivance of the supplier. The Officer commanding the Composite Food Laboratory was also blamed by the Court for entrusting the entire work of inspection and despatch to these two persons.

Another Court of Enquiry was held in September, 1956 to investigate into the acceptance of sub-standard rice by the Composite Food Laboratory. This Court held the Officer Commanding primarily responsible, observing that in certain cases, the original inspection reports had been replaced by fictitious ones under instructions from the Officer Commanding. The Court also found that in some cases where, even the Composite Food Laboratory had rejected the supplies, these had later been accepted by officers at Army Headquarters who were blamed by the Court for not exercising adequate supervision. The Court's findings and observations were endorsed by the General Officer Commanding-in-Chief concerned on 4th December, 1956 who recommended that disciplinary action should be taken against those held responsible by the Court. However, on considerations undisclosed, Government have dropped the charges against the Officer Commanding. No action has been taken against the other officers also.

In August, 1958 the Court of Enquiry was reconvened to assess the total amount of loss involved in all the depots where rice below specification has been received, and to fix responsibility on the persons concerned. The findings of this Court and the final action taken thereon by the Government have not been communicated to Audit, till now.

The loss has not been written off though the transaction is three years old.

ENGINEER-IN-CHIEF'S BRANCH

6. *Overprovisioning of stores.*—To meet the requirements of the Military Engineer Services during 1952-53, the Engineer-in-Chief placed demands on a central ordnance depot during September, 1950 to June, 1951, for 7,000 and 71,610 gallons of two different kinds of paint. These demands were said to be based on anticipated requirements. Necessary action to get the supplies to cover these demands was taken by the depot between December, 1950 and November, 1951. But against the estimated requirements of 7,000 gallons of the first type of paint no quantity was drawn by the Military Engineer Services formations during 1952-53 and against 71,610 gallons of the second type only 615 gallons were drawn.

During the subsequent years 1953-54 to 1958-59 also, the off-take of these paints by the Military Engineer Services was small, being only 660 gallons of the first type and 2,385 gallons of the second type, on the whole. Consequent on the serious over-estimation of his requirements by the Engineer-in-Chief, large stocks valued at about Rs. 4 lakhs of these paints which are liable to deteriorate are still held on charge by the depot.

DIRECTOR GENERAL, ORDNANCE FACTORIES

7. *Avoidable expenditure incurred in the procurement of material for mosquito nets.*—In view of import difficulties involved in the procurement of olive green dye, and on grounds of economy, it was decided by Government in January, 1958 to fabricate mosquito nets in khaki colour instead of olive green. The Director General, Ordnance Factories was asked by the Army Headquarters on 28th February, 1958 to procure netting etc., in khaki against indents not already covered by contracts specifying olive green. The Director General, Ordnance Factories did not, however, take action to amend his indents on the Central Purchase Organisation although there was time to effect the change, as the contracts for olive green material were concluded only during May to August, 1958.

Had prompt action been taken by the Director General, Ordnance Factories to obtain the material in khaki colour, instead of olive green, a saving of about rupees three lakhs could have been effected in procurement costs.

8. *Overprovisioning of stores.*—In May, 1950, an ordnance factory placed a demand on the Director General, Ordnance Factories for 8,820 reams of paper-kraft-ammunition required for the manufacture of ammunition containers. The demand was covered by an indent placed by the Director General, Ordnance Factories on the Deputy Controller of Stationery, Calcutta in September, 1951. The paper valued at Rs. 2,91,000 was received in June and July, 1952 but the entire quantity is surplus to requirements.

9. *Acceptance of defective stores by an ordnance factory.*—A contract for the supply of certain imported stores valued at Rs. 97,000 was placed by the Central Purchase Organisation in September, 1954, against an indent from the Director General, Ordnance Factories, dated 15th May, 1954. The stores were received in a particular factory in 3 consignments between October, 1955 and June, 1956. In February, 1957, a final inspection by the Director of Inspection, Bombay, as provided for in the contract of supply, revealed that the

stores were unserviceable. 10 per cent. of the payment which had been withheld has since been paid after the suppliers had served legal notice.

10. *Disposal and subsequent purchase of the same store by a factory.*—1,500 cwts. of glycerine was declared for disposal in October, 1956, by a factory. The entire quantity was sold off by December, 1957, for Rs. 1,81,400 resulting in a loss of Rs. 1,20,114. In October, 1958, however, the same factory placed a demand for 400 cwts. of the same material.

As glycerine has a long shelf life if properly stored, it is not clear why the stock of 1,500 cwts. had to be sold at such a heavy loss, when within eight months of the sale, a fresh indent for glycerine had to be made.

NAVY

11. *Purchase of stores at high prices.*—The Captain Superintendent of a naval dockyard purchased through a contractor 8 $\frac{3}{4}$ tons of one item of store and 5 tons 14 lbs. of another, during 1958-59 at a cost of Rs. 2,30,300 and Rs. 1,26,157 respectively. Enquiries made by Internal Audit in March 1959, after the payments had been made, revealed that these were imported stores and that their market prices were about Rs. 720 and Rs. 4,816 per ton as against Rs. 26,320 and Rs. 25,200 respectively at which they were purchased by the Naval Officer. On the basis of these market rates, the cost of these two items works out to Rs. 30,410 as against a sum of Rs. 3,56,457 paid.

These stores which were ostensibly purchased for the maintenance and repair of plant, machinery and buildings of the dockyard had not been considered necessary in earlier years.

The purchase of these stores at abnormally high prices is said to be under investigation.

12. *Non-utilisation of overhead cranes purchased for the Navy.*—Two overhead cranes with a lifting capacity of 20 tons were imported in October, 1950 and December, 1952 respectively at a total cost of Rs. 1,30,889 for installation and use in two naval workshops. But they have not been installed till now (December, 1959). In one case, the workshop was shifted in 1952, to another building where crane facility already existed and in the other, the workshop building was not wide enough to accommodate the crane.

Apart from the locking up of funds the failure to install the second crane is causing avoidable expenditure on manual labour in the handling of heavy equipment.

AIR FORCE

13. *Overprovisioning of stores.*—(a) In January, 1954, an indent for 2,87,900 cartridges of a certain type was placed on the High Commissioner in London, to meet training requirements for the period February to August, 1954. Another indent was placed on the Director General, Ordnance Factories, in the same month for 5,64,300 cartridges of the same type to meet training requirements from September, 1954 to August, 1955.

Out of 2,87,880 cartridges costing £ 39,519 received from England in December, 1954 only 6,030 cartridges have been utilised by February, 1959 and 2,35,289 units have deteriorated. The indent on the Director General, Ordnance Factories was cancelled in September, 1956 with a financial repercussion of Rs. 5,93,062. It is apparent that the two indents were largely unnecessary and have resulted in a loss of about Rs. 10 lakhs.

(b) In March, 1958, a demand was erroneously placed by the Air Headquarters, for the procurement from United Kingdom of 2,600 lbs. of silk thread, in place of 2,600 cops of $\frac{1}{2}$ lb. each. This resulted in an excess acquisition of 1,300 lbs. of imported material valued at Rs. 55,200.

MINISTRY OF WORKS, HOUSING AND SUPPLY

14. *Loss due to cancellation of a contract agreement.*—In March, 1953, the Central Purchase Organisation entered into a contract with a certain firm for the supply of packing cases at a total cost of Rs. 19,585 for delivery by 30th April, 1953. According to the terms of the contract the firm was to submit in advance a sample for approval before starting bulk manufacture. The sample submitted by the firm on 5th March, 1953 was not approved. When a fresh sample was submitted on 27th April, 1953, the Inspector of the Defence Organisation suggested the rectification of certain defects, and some improvements in the original specification; the latter, however, were not acceptable to the supplier. The matter remained under correspondence till 15th June, 1954, when the delivery period was extended upto 15th July, 1954 and the firm was asked to make supply at the original price and after making the rectifications agreed to by them, without any improvement in the specification. On 21st June, 1954, the firm requested for extension of delivery period upto 31st December, 1954. The Law Ministry advised on 27th September, 1954 that an extension upto 30th November, 1954 be allowed with the clear stipulation that the delivery period had

been fixed under the powers vested in the Secretary of the Ministry under a special clause in the general conditions of the contract relating to alteration of specifications etc. No stipulation to this effect was, however, made in the letter issued by the Central Purchase Organisation to the firm extending the delivery period upto 30th November, 1954. The firm failed to supply the stores within the stipulated period and on 10th December, 1954 the contract was cancelled at the risk and expense of the firm in consultation with the Ministry of Law, and the stores were purchased elsewhere.

On 23rd February, 1955, the firm was called upon to deposit a sum of Rs. 19,331 representing the difference between the contract price and the price at which the stores were repurchased, but the firm on its part claimed on 18th March, 1955 a sum of Rs. 5,000 as compensation and 6 per cent. interest on a sum of Rs. 19,331 which had meanwhile been deducted by Government from its bills against certain other contracts. The case was referred to arbitration and the Umpire gave his award on 30th April, 1956 making Government liable for the refund of Rs. 19,331 deducted from the firm's bills, with Rs. 1,300 as interest thereon and also to pay Rs. 5,000 as compensation and Rs. 1,226 as cost of legal proceedings. This award was contested by Government in a Civil Court which confirmed the award and added Rs. 1,104 as additional cost and Rs. 322 as further interest. Government thus suffered a loss of Rs. 28,283 in all on this deal. The grave displeasure of the Head of the Purchase Organisation was conveyed to the officer who failed to specially warn the firm in accordance with the Law Ministry's advice given on 27th September, 1954.

CHAPTER 4

WORKS EXPENDITURE

MINISTRY OF DEFENCE

15. *Avoidable outlay on a workshop building.*—The construction of a workshop building at a station was sanctioned by Government in July, 1951 and was completed in September, 1957, at a cost of Rs. 6,84,100. The building was not put to any use till January, 1959 and even from that date only about one-fifth of the total area of the building is being used. The construction of the building was apparently undertaken without a proper assessment of requirements.

16. *Construction of an Auditorium.*—In connection with the "India 1958" Exhibition, the Ministry of Defence accorded sanction, in August, 1958, to the construction of an auditorium with a floor area of 7,000 sq. ft., at an estimated cost of about Rs. 1.05 lakhs, at the exhibition grounds, New Delhi. Later, the floor area was increased to 14,000 sq. ft., and the building was completed in October, 1958 at a cost of about Rs. 4.3 lakhs.

During the exhibition which lasted from October, 1958 to January, 1959 only nine shows were held in the auditorium, and the net amount realised through admission fees was Rs. 2,997. After the exhibition, the auditorium has been lying unused, and is being looked after by the Security Staff.

ENGINEER-IN-CHIEF'S BRANCH

17. *Infructuous expenditure incurred on a work.*—In December, 1952, Government sanctioned the construction of certain roads approximating in length to 308 miles, at an estimated cost of Rs. 304.47 lakhs. By December, 1958, 98.11 miles only were constructed, at a cost of Rs. 392.64 lakhs. One of the reasons contributing to the increase in cost was the excessive expenditure on explosives. Against the original estimate of Rs. 19.99 lakhs worth of explosives for the entire work, the cost of explosives used, on the portion completed, was Rs. 154.84 lakhs.

In the same project, some stretches of roads were abandoned after construction as detailed below:—

- (a) 3.2 miles of road in various stretches had to be abandoned as a result of realignment necessitated by the initial gradients being too steep and unsafe.
- (b) 2 more miles of road, constructed on the left bank of a river, had to be abandoned as linking this part with the main road required the construction of two bridges. The road was subsequently taken to the right bank of the river.
- (c) Connecting road of about 2 miles constructed on the left side of the river had also been abandoned and a fresh one constructed on the right side.

The total infructuous expenditure incurred as a result of these abandonments has yet to be worked out and regularised.

18. *Avoidable expenditure on waterproofing.*—(a) Three buildings constructed at a cost of Rs. 17.67 lakhs during 1953 to 1955 developed leaks during the monsoon in 1955 and the roofs of the buildings had to be re-waterproofed at an additional cost of Rs. 72,140.

Had adequate specifications for waterproofing been adopted in the initial stage and the work done properly, the additional expenditure of Rs. 72,140 could have been largely avoided.

(b) The construction of certain buildings was completed by the Military Engineer Services during February, 1956 to February, 1957. The building specifications included waterproofing of the roofs. Nevertheless, large leaks developed in the roofs during the rains and in April, 1957 the roofs had to be treated with tarfelt at a cost of about Rs. 97,600 to stop the leaks.

The Chief Technical Examiner has stated in this connection that had the original specification for waterproofing been sound and the work executed well with adequate slope, there would have been no need for a second waterproofing with tarfelt which was conceived only when the roofs, already constructed, were found to leak.

If due care had been taken by the Military Engineer Services at the initial stage, this expenditure could have been avoided.

19. *Avoidable expenditure incurred on a work.*—In connection with the construction of two airstrips in an area, 4,921 prefabricated bituminised surface rolls were obtained by the Military Engineer Services during December, 1953 and January, 1954. 2,500 rolls were

utilised in the construction of one airstrip, and 2,000 rolls were transferred in May, 1954 to another area to meet immediate requirements there. The construction of the second airstrip was postponed *sine die* in May, 1954; yet 1,500 additional rolls were obtained for the purpose subsequently in July, 1954.

The construction of the second airstrip was finally abandoned in September, 1956 but a quantity of 1,590 rolls continued to be held in stock under adverse storage conditions which ultimately rendered the entire quantity (valued at about Rs. 1.14 lakhs) unfit for use.

CHAPTER 5

DEFENCE FACTORIES

DIRECTOR GENERAL, ORDNANCE FACTORIES

20. *Abandonment of factory projects.*—(a) In September, 1951, Government accepted the proposal of the Director General, Ordnance Factories, to undertake the manufacture of steel ammunition boxes in an ordnance factory and sanctioned an expenditure of Rs. 10 lakhs for the purchase of the requisite plant and machinery.

In pursuance of this sanction, an expenditure of Rs. 6.53 lakhs was incurred on plant and machinery till December, 1957, when the Director General, Ordnance Factories, ordered suspension of the project on the ground that the requirements of steel boxes could be better met by purchase from the trade. A sum of Rs. 13.67 lakhs had also been spent in the meantime on construction of buildings for the project.

The plant and machinery and the buildings on which Rs. 20.20 lakhs were spent have not been put to any alternative use.

(b) In November, 1951, Government approved the construction of a timber seasoning kiln in a factory, at a total estimated cost of Rs. 2,21,819. The construction of the kiln building was entrusted to the Military Engineer Services and the manufacture of the plant for the kiln to another factory. The kiln building was completed in August, 1955 at a cost of Rs. 2,37,047. After an expenditure of Rs. 59,361 had been incurred on the plant till November, 1958, further work was suspended on the project which had dragged on for 7 years without any sense of urgency. The total expenditure of Rs. 2,96,408 on this project has thus been of no utility.

In the same factory, the construction of buildings for a smithy shop, at an estimated cost of Rs. 5,50,000 was sanctioned by Government in December, 1951. An additional expenditure of Rs. 1,08,100 was authorised for the same work in September, 1953. The buildings were completed at a total cost of Rs. 6,84,241 in October, 1957, but were eventually not brought into use, as the idea of having a smithy shop in these buildings was abandoned in May, 1958.

(c) In January, 1952, Government sanctioned a scheme of Rs. 5.04 lakhs for the mechanical handling of timber between the saw mill

and the seasoning kilns in a factory. Accordingly an indent for the import of a shunting tractor and 600 Rft. of power roller conveyer was placed by the Director General, Ordnance Factories, on the India Store Department, London, in October, 1952. At the same time the factory was also authorised to manufacture 110 trollies estimated to cost Rs. 1,75,300 and to purchase a 15 H.P. Motor.

In December, 1952, the factory management considered certain modifications to the scheme and in July, 1955 put up detailed proposals to the Director General, Ordnance Factories, accordingly. This revision is yet to be approved by Government (October, 1959). Meanwhile the shunting tractor imported at a cost of Rs. 14,724 was received in May, 1954 and 300 Rft. of power roller conveyer costing Rs. 16,961 has also been erected in February, 1958 at an additional expenditure of Rs. 1,400. Further, a sum of Rs. 1,25,107 has been spent on the manufacture of 60 trollies of which only 2 had been completed in October, 1956 while the rest are at various stages of manufacture. The further manufacture of the trollies has been discontinued from October, 1956 and it is also proposed to dispose of the two completed trollies.

The factory had also commenced in December, 1952 the manufacture of 1520 Rft. of roller conveyer though this was not included in the scheme approved by Government in January, 1952 but after spending a sum of Rs. 1,27,041, discontinued the manufacture in October, 1956. 696 Rft. of roller conveyer had been completed by that time and the balance quantity of 824 Rft. is stated to be in different stages of manufacture.

It would appear that Rs. 2.85,233 have been spent between 1952 and 1956 on a scheme which seems to have been abandoned in 1956 as unsuitable.

CHAPTER 6

STORE KEEPING AND STORE ACCOUNTING

MASTER GENERAL OF ORDNANCE BRANCH

21. *Irregularities in the store accounts of two Field Ordnance Depots—Delay in regularization by Government.*—Prior to March—April, 1948, proper store accounts were not maintained in two Field Ordnance Depots, due to the operational conditions under which the stores were initially received and issued. In November, 1948, Government issued orders condoning the non-maintenance or incomplete maintenance of accounts in these depots upto 18th March and 14th April, 1948, respectively. They also decided that the ground balances of stores found on these two dates should be regarded as the basis for future accounting in the two depots.

Proper accounts of stores were, however, not maintained by these depots even after those dates and serious irregularities in store accounts continued, affecting stores to the value of about Rs. 7 crores, as indicated below:—

- (a) Stores worth Rs. 380·82 lakhs despatched to these depots by other depots were not taken on ledger charge.
- (b) In respect of stores worth Rs. 304·97 lakhs, the certified receipt vouchers on which they were taken on charge could not be linked with the consignors' issue vouchers. The correctness of the receipts taken on charge could not, therefore, be verified.

Apart from these two major irregularities covering about rupees seven crores, the following deficiencies, losses and irregularities were also noticed.

- (i) In respect of stores worth Rs. 3·47 lakhs charged off from the ledgers as issued to other units, receipted copies of the issue vouchers were not available.
- (ii) Stores valued at Rs. 5·03 lakhs issued on loan to units were not received back in the depots.
- (iii) In one of the depots fictitious job cards and transfer vouchers for stores were found to have been prepared resulting in a loss of Rs. 4·91 lakhs approximately.

Although these irregularities pertain to the period prior to May, 1950, no decision on these losses and the non-maintenance and incomplete maintenance of accounts has been taken by Government even after a lapse of nine years.

22. *Delay in provision of covered accommodation for ammunition.*—An ammunition depot was shifted from one station to another in August, 1948. No covered accommodation was available at the new station and the entire ammunition was stored in the open under tarpaulin covers and in tents, with the consequence that ammunition worth Rs. 45 lakhs (approximately) had to be downgraded as either unserviceable (Rs. 23 lakhs) or as requiring repairs (Rs. 22 lakhs) during the period August, 1948 to March, 1959. In addition, tentage and tarpaulins valued at Rs. 12·12 lakhs were also rendered unserviceable during this period.

A proposal was made by the depot authorities in September, 1950 for provision of 274 Nissen huts at a cost of Rs. 6·85 lakhs to provide cover for the ammunition but this was not accepted. Although such Nissen huts have been available in stock in Engineer Store Depots in sufficient quantities since the last war, it was only in October, 1958, that Government sanction was accorded for provision of 184 Nissen huts in the depot at a cost of Rs. 5·6 lakhs but the work is yet (December, 1959) to be taken in hand. Had Nissen huts been provided in time for the storage of ammunition held in the depot the loss of over Rs. 57 lakhs could have been largely avoided.

DIRECTOR GENERAL, ORDNANCE FACTORIES

23. *Unsatisfactory storage conditions in an ordnance factory and consequent losses.*—A Board of Enquiry was convened by the Director General, Ordnance Factories, in November, 1956, to investigate into the heavy losses of stores in an ordnance factory during the period 1949—57. The Board reported in 1957, that an overall loss of over Rs. 174 lakhs had occurred and that the factory management was to a great extent responsible for the loss.

The loss can be classified under the following categories:—

	Rs.
(a) Losses on account of deterioration of stores	76,62,485
(b) Losses on account of stores declared obsolete	48,62,764
(c) Losses detected during stock verification	19,61,216

(d) Losses due to unsatisfactory accounting of stores involving procedural irregularities	14,99,795
(e) Other losses, including those written off by Government from time to time	14,56,099

The Board found that the bulk of the loss was avoidable and that the factory had not taken suitable action to review the stock and dispose of surplus stock in time. The receipt and issue of stores was not properly recorded and a large volume of stores was irregularly written off on "expense vouchers". Out of the total loss of Rs. 174 lakhs, loss to the extent of Rs. 42 lakhs pertain to post-war stocks.

Action taken on the findings of the Board is still awaited.

NAVY

24. *Store accounting in a naval dockyard.*—In an electronic workshop of a naval dockyard a physical check of stores carried out in January, 1957, revealed that 3,695 items of stores had been kept unaccounted for.

A Board of Enquiry which investigated the irregularity in December, 1957, had remarked that

- (i) a large number of items of electronic stores and equipment had been accumulating in the naval dockyard over a number of years without their being accounted for;
- (ii) no records were kept of items which were returned to the dockyard after work at outstations was completed;
- (iii) the procedure for carrying out private work on payment in the dockyard during the years preceding 1953 was not satisfactory; and
- (iv) supervision on the part of supervisory officers of the workshop was not adequate.

The Board was of the opinion that there was a possibility of the unaccounted stores being smuggled out by the staff and that evidence existed to show that some individuals had misappropriated Government stores for personal use. Even though the extent of such misappropriation was not assessable, there was a definite risk of misappropriation resulting from the accumulation of valuable stores which were neither accounted for nor disposed of by auction.

The Board held two supervisory officers responsible for the bad state of affairs and recommended that action should be taken against them and that two other employees should be dismissed from service. Government have not yet taken a decision on the case.

CHAPTER 7

MISCELLANEOUS IRREGULARITIES

MINISTRY OF DEFENCE

25. *Delay in the investigation of losses.*—In dealing with cases of losses it is of the utmost importance that investigations are completed and suitable remedial and disciplinary action taken promptly. The Public Accounts Committee have also stressed the necessity for quick action in such cases. Despite exhortation by the Public Accounts Committee and orders issued by Government from time to time, delay in the investigation and finalisation of cases of losses, still continues. A limited review carried out in audit has disclosed that about 63 cases which occurred during the period 1947 to 1956, and where the financial effect is more than Rs. 10,000 in each case, have yet to be finalised.

26. *Loss of Public money.*—A loss of Rs. 5,162/12/- from the treasure chest of a Field Ordnance Depot was detected on the 24th January, 1955. A Court of Enquiry which investigated the loss held that the loss was due either to theft or fraud. The Station Commander, however, discounted the possibility of theft by outsiders and suspected the Accounts Officer of the depot of having committed a theft. The Corps Commander also suspected the Accounts Officer, but recommended that disciplinary action should be taken against him only as regards his failure of responsibility for security measures and for the safe custody of cash. The Chief of Staff, in August, 1956, ordered that his 'severe displeasure' should be conveyed to the Accounts Officer and that in addition the full amount of the loss should be recovered from him. But the recovery has not so far been effected as the Officer has appealed against the decision.

Government's order on the appeal is still awaited after the lapse of three years.

27. *Payment of outstation allowance by Hindustan Aircraft (Private) Limited.*—Since 1951, the maintenance of Indian Air Force aircraft, at certain stations outside Bangalore, has been entrusted to the Hindustan Aircraft (Private) Limited. Employees of the Hindustan Aircraft (Private) Limited deputed for maintenance work to these outstations are paid a daily allowance, at the rate of two per cent of monthly pay, subject to a minimum of Rs. 6 per day for the first 15

days of halt, and at two-thirds of that rate thereafter subject to a minimum of Rs. 4 per day, irrespective of the period of absence from their headquarters which in many cases extend to three years. The payment of minimum rate of Rs. 4 as daily allowance, unrelated to pay, and for continuous halts lasting months and even years appears to be unjustified. In many cases the daily allowance per month works out to more than 100 per cent of the basic pay of the individual, which is charged to the maintenance budget of Indian Air Force. The number of persons, so detailed, has increased from 310 in 1951-52 to 1,050 in 1958-59.

Even if the absence were to be treated as on deputation and the usual 20 per cent of pay were to be given as deputation allowance, the debit to the Indian Air Force during the year 1958-59 alone would have been reduced by about Rs. 8 lakhs.

28. *Grant of leave travel concession to Service Officers.*—Commissioned Officers and their wives are entitled to free conveyance, once every year, to and from the leave station, subject to the journey not exceeding 600 miles in each direction. Where the officer and/or his wife have to travel over 600 miles, to reach the leave station, each of them is entitled to draw cash compensation at the rate of Rs. 140 if the officer is of or above the rank of colonel—or equivalent ranks in the Navy and Air Force—and Rs. 70 if he is of a lower rank. The quantum of compensation was fixed with reference to the fare for first and second class respectively in vogue in 1945 for a return journey of 1,200 miles.

Consequent on the reclassification of passenger traffic in the Railways, the fares for first and second class were drastically reduced with effect from 1st April, 1955. A corresponding reduction in the quantum of cash compensation has, however, not been effected so far. This has resulted in an unintended monetary benefit to Commissioned Officers in all cases where cash compensation has been allowed since April, 1955.

29. *Overpayment of compensation.*—In February, 1947, Government sanctioned the acquisition of certain property comprising 147.38 acres of land with some buildings, etc. thereon, at a cost not exceeding Rs. 46,00,910. Government authorised 'on account' payments aggregating Rs. 46,21,447 (Rs. 36 lakhs in December, 1948 and Rs. 10,21,447 in July, 1949) to the managing agents of a Company who were considered to be the owner of this property. These advance payments were made between December, 1948 and November, 1949 without an indemnity bond or a stipulation that necessary refunds shall be made in case the

ultimate compensation fixed by agreement or awarded by law was found to be less than the sums paid. Contrary to the normal procedure both the payments were made to the party direct by the Defence authorities, instead of through the Land Acquisition Collector of the State Government concerned, and without waiting for the latter's award which was to be the basis for payment of compensation.

In September, 1950, the Ministry of Defence came to know that some persons with a superior right on the land had also preferred claims for a share in the acquisition value of the land. Subsequently, it came to light that the Company had been paid Rs. 1,54,438 in excess of their dues. The excess payment has yet (October, 1959) to be recovered but in the meanwhile the Company had gone into liquidation. This excess payment could have been avoided, had the normal procedure of payment of compensation on the basis of Land Acquisition award been followed by the Defence authorities.

The entitlement to compensation due to one of the superior landlords was decided by the Land Acquisition Collector in August, 1951 and the final amount was assessed as Rs. 3,04,002 in July, 1956. The payment was made to him in March, 1957 only. Because of the belated payment of compensation, Government had also to pay the claimant, *ex gratia*, interest amounting to Rs. 46,718.

30. *Short recovery of electric and water charges.*—(i) Under the rules, if the supply of electric energy to officers' messes is non-metered, they have to pay as electric charges a prescribed percentage of the "mess maintenance" allowance paid to them by the Government, but if the supply is metered recovery is to be effected for the actual consumption. In two messes, even though the electric energy consumed was metered, charges were recovered only at a percentage of the "mess maintenance" allowance, as for non-metered supply. This has resulted in a short recovery of Rs. 30,000 from these messes during the period 1953-54 to 1956-57. The incorrect method of recovery is still continuing.

(ii) The rules also provide that in respect of officers' residential accommodation, where supply of water and electricity is non-metered, the monthly recovery of charges from the occupants concerned should be in accordance with certain prescribed scales (units) depending on the type of the quarter. In cases where the consumption of electricity and water for a group of quarters is registered by a common meter, if the actual consumption registered is more than the quantity charged for at flat rates, a recovery is to be made from the occupants for the excess consumption. This procedure has not been followed

in the case of three Government hostels with the result that the recoveries effected fell short of the charges due on actual metered consumption by Rs. 42,000 during the period 1954-1957. The short recoveries from the officers are still continuing.

(iii) In two hostels 145 water sub-meters were installed during 1952 to 1954 for assessing the actual consumption of each individual consumer. The consumption as shown by these meters does not appear to have been taken into account at all, as the consumers continued to be charged at flat rates only. A sum of Rs. 17,000 paid by Government to the supplying agency as meter hire for the period May, 1952 to April, 1958 became thereby unnecessary.

31. *Financial aid to an officer.*—An officer of the Indian Navy, who was held under naval custody pending trial of a charge of murder, applied for legal aid at State expense. Government granted him, as a special case, a sum of Rs. 10,000 as financial assistance towards the expenses for defence.

The charge was for an offence alleged to have been committed by the officer as an ordinary citizen, while he was on leave. In such a case which had no connection with the official duties of the officer, the financial aid for defence seems unusual and unjustified.

32. *Grant of Special Family Pension.*—Mention was made in paragraph 25 of the Audit Report, Defence Services, 1952 of the case of an Accounts Officer of a unit who embezzled public funds to the extent of Rs. 33,014 but who could not be tried by a Military Court as he had been undergoing sanatorium treatment and was invalided out of service on 31st January, 1952. The case against him which was handed over to the Police had to be closed as the officer died in August, 1956.

The pay and allowances due to the officer upto 31st January, 1952 amounting to Rs. 2,348 were set off against the embezzled amount of Rs. 33,014 and the balance written off by Government, on 27th October, 1956. Though the physical disability, because of which he was invalided, was accepted by Government as attributable to military service, an application for disability pension was refused in May, 1954, as the officer's service was not considered satisfactory. Nevertheless, on the case being represented again in April, 1958, by the widow of the deceased, an *ex gratia* award of special family pension of Rs. 100 p.m. for five years was granted to the family, from 29th June, 1959.

As the right of the family for pension in this case can derive only from the officer's own right to a pension while alive—and this was

not accepted by the Defence Ministry—the grant of the family pension from the Defence Estimates, was wrong in principle.

33. *Outstanding invoices in respect of stores imported through India Supply Mission, Washington.*—Debits for costs including advance payments for stores imported through India Supply Mission are received by the Defence Accounts authorities from the Pay and Accounts Officer of the Ministry of Works, Housing and Supply. These debits are to be supported by invoices showing details of the quantities of the stores shipped to India. In respect of a large number of transactions, however, invoices have not been received but the debits have been accepted provisionally pending receipt of the invoices. Invoices of the value of \$ 3,15,46,547 were outstanding on 30th September, 1959. Some of the outstanding invoices relate to payments made in 1950-51. As the outstandings are large and in many cases several years old, immediate action is required to be taken to obtain the wanting invoices so that it can be ensured that the stores paid for have actually been shipped to India and have been received and taken on charge by the consignee depots.

34. *Arrears in the linking of invoices with Packing Accounts.*—The unsatisfactory state of linking of invoices with packing accounts received from the United Kingdom in respect of stores procured through the Director General, India Store Department, London, was last commented upon in paragraph 23 of Audit Report, Defence Services, 1955. The position has shown no improvement as invoices of the value of £ 1,77,42,722 as detailed below remained unlinked on 30th September, 1959.

Year to which invoices pertain	No. of invoices outstanding on 30th September, 1959	Amount
		£ Sh. d.
1948-49	36	11,688 19 11
1949-50	60	17,591 13 9
1950-51	33	9,003 6 2
1951-52	36	10,842 4 4
1952-53	9	4,625 19 7
1953-54	31	72,041 11 6
1954-55	33	8,676 2 7
1955-56	56	3,41,068 4 9
1956-57	132	20,33,629 7 4
1957-58	833	42,28,488 11 5
1958-59	3,084	1,10,05,065 17 10
	4,343	1,77,42,721 19 2

35. *Outstanding dues on account of supplies made and services rendered by the Defence Services.*—Under existing rules, costs of stores supplied to other Government departments and public bodies have to be recovered either by book adjustment or in cash on the authority of vouchers receipted by the parties concerned in token of their having received the supplies. In one Command, claims amounting to Rs. 26 lakhs for about 1,700 consignments of stores, supplied by the Defence Services from 1946-47 to 1958-59 have not been presented, for lack of receipted vouchers from the consignees.

36. *Non-recovery of hire charges.*—Under an agreement entered into by the Defence authorities, during the last war, the work of storing and handling of Government stocks of aviation fuel and lubricants and of refuelling Service aircraft at certain air-fields was entrusted to two Companies. Certain equipment like storage tanks, pumps and trailers as well as accommodation for the Company's watchmen were provided free of rent in this connection.

The agreement in respect of one air-field was terminated on 26th February, 1947, but one of the Companies was allowed to retain and use the Government equipment till 17th October, 1955, without any arrangement regarding payment of rent. On the basis of capital cost of the equipment, etc., a rent bill for Rs. 40,588 was preferred against the Company in January, 1957 but the Company has not accepted responsibility for the payment till now (December, 1959).

Similarly, the second Company was also permitted to retain certain Government assets at another station between May, 1946 to January, 1956 without any agreement as regards rent. A rent bill for Rs. 6,022 preferred in March, 1956 against the Company has not yet (December, 1959) been accepted by it.

MINISTRY OF FINANCE (DEFENCE)

37. *Overpayment of bonus to the Defence Services personnel.*—With a view to encouraging thrift amongst Defence Services personnel, bonus is paid to them at the rate of 6 annas for each complete sum of Rs. 50 standing to the credit of their individual ledger accounts at the end of each quarter.

Under the existing regulations, pay and allowances for a month are payable on the first day of the following month. In conformity with this, a particular month's pay and allowances should be credited in the Individual Running Ledger Accounts in the next month. It has, however, been the practice to credit the account not in the next but in the same month. This system of advance credit inflates the

credit balance in an Individual Running Ledger Account to the extent of one month's pay and allowances in the first quarter of an individual's employment and the effect of the extra credit continues throughout the service. As the bonus is paid on the credit balance carried forward from quarter to quarter an excess payment of bonus occurs all through.

The total excess payment of bonus since the irregular procedure was introduced in 1942, is estimated to amount to more than a crore of rupees.

38. *Improper acceptance of food debits.*—From December, 1956 to June, 1958 debits for food grains totalling Rs. 91 lakhs were accepted by a Controller of Defence Accounts, on the strength of despatch advice instead of on the strength of consignees' receipts as required by the rules. Consignees' receipts were not obtained in these cases till December, 1959 even though some of the despatches pertain to the year 1956. Urgent action to get the consignees' receipts is called for, in these and other similar cases, to ensure that the stores paid for have actually been received and accounted for.

MASTER GENERAL OF ORDNANCE BRANCH

39. *Downgradation of vehicles.*—About 15,500 pre-1958, but post-war 'B' category mechanical transport vehicles were held in the various vehicle depots, in a condition described as Class V, i.e., repairable. As a result of cent per cent examination of these vehicles by a Board of three Electrical and Mechanical Engineer Officers during September to December, 1956, about 8,500 of these vehicles valued at more than Rs. 5 crores, were downgraded to class VI, i.e., unserviceable and beyond economical repair.

The Ministry of Defence stated in March, 1959 that in spite of periodical/technical maintenance of these vehicles while in storage, deterioration occurred due to their long retention in open, though the normal precautions like jacking up and covering with tarpaulins had been taken. It has been further stated that an improved system of inspection and maintenance of such vehicles lying in the open as well as under cover, has been introduced recently. It is not clear why these steps were not taken much earlier to avoid 8,500 vehicles with a depreciated value of Rs. 5 crores approximately being completely scrapped.

40. *Infructuous expenditure caused by unwarranted downgradation of vehicles.*—In April, 1954, the Master General of Ordnance

issued an instruction that all vehicles found having loose rivets should be downgraded to Class V, and ordered for 4th Echelon repair. This order was amended in December, 1954, to prescribe that where loose rivets were reasonably accessible for repairs they should be replaced by Fitted H.T. steel bolts; but if the replacement of rivets was estimated to take a period longer than 14 days due to the necessity for considerable stripping in order to get access to the rivets, the defective vehicle would be downgraded to Class V.

Both these orders were issued without financial concurrence and without an assessment of the financial implication. Further, the amended order made the down-gradation of vehicles depend not on their mechanical condition but on the time likely to be taken in their repair by Field Workshops.

Vehicles downgraded to Class V are put to the "Strip and Rebuild" overhaul programme which costs on an average about Rs. 14,000 per vehicle. The classification of vehicles to Class V, merely or mainly because of loose rivets, therefore, meant;—

- (a) the transfer of these vehicles to Unfit Vehicle Park where they are usually held for about two years involving further deterioration, and
- (b) their being put through a complete "Strip and Rebuild" programme, though the mechanical condition of the vehicles might not warrant this treatment.

If the rectification of loose rivets was beyond the scope of Field repairs, it should have been economical and practicable to provide 2nd Echelon Workshops with the necessary machinery to attend to this defect, or alternatively to order that such vehicles with loose rivets should be attended to in the 4th Echelon Workshops for a restricted repair concerning merely or mainly the loose rivets without being subjected to the costly "Strip and Rebuild" programme.

It is understood that the vehicles downgraded to Class V for loose rivets numbered about 1,700 in 1956. The number of such vehicles which were downgraded thereafter is not known. The expenditure on stripping and rebuilding 1,700 vehicles alone, at the rate of Rs. 14,000 per vehicle, would exceed Rs. 2 crores.

41. *Disposal of stores by auction.*—An auction for the sale of 16 lots of deteriorated stores of a particular category was held at an ordnance depot on the 13th May, 1958. The highest bid of Rs. 16,000 was accepted by the Commandant although the amount of the bid was less than even half the amount of the reserve price (Rs. 39,480) fixed.

A sale release order was issued on the same day after the amount of the bid had been deposited. Soon after the auction, representations alleging certain irregularities in the conduct of the auction were received by Government and a Court of Enquiry which investigated these allegations in June, 1958 found that the Commandant had exceeded his powers in accepting the bid for Rs. 16,000. The sale release order was cancelled by Government in June, 1959, and the same lots were sold by negotiation in July, 1959 for Rs. 67,000.

No disciplinary measure has yet been taken against the Commandant who had irregularly accepted the bid of Rs. 16,000.

QUARTER MASTER GENERAL'S BRANCH

42. *Delay in the release of a hired building at a station.*—An office which occupied a hired building on a monthly rent of Rs. 2,164 moved to a Government building on 15th December, 1958. The vacated hired building was, however, released to the owners only on 30th June, 1959 and an avoidable expenditure of Rs. 22,484 was incurred on rent and caretaking of the building.

43. *Short recovery of rent.*—(a) Two Government buildings with a floor area of 6,000 sq. ft. and adjoining land measuring about 29,000 sq. ft. were occupied by an ex-Army Officer, without proper authority, from January, 1951. In May, 1955, the Station Commander issued an *ex-post-facto* sanction authorising the occupation of the buildings by the officer from January, 1951 at a concessional rent of Rs. 1/8/- per mensem for the two buildings.

The fixation of rent at Rs. 1/8/- per mensem was objected to in Internal Audit in November, 1955, as under the rules rent was recoverable at market rate, which according to Military Engineer Services authorities was Rs. 160 in January, 1951 and Rs. 250 per mensem in 1955. Despite the audit objection the individual has been allowed to continue till now (July, 1959) in occupation of the buildings and the land at the concessional rent of Rs. 1/8/- per month.

On the basis of the market rate a sum of Rs. 22,976 is due for recovery for the period January, 1951 to July, 1959.

(b) In May, 1957, Government issued an order charging rent at a concessional rate of Rs. 1.50 nP per month from shops run for the benefit of the cadets of a National Academy. The rent was a fixed charge irrespective of the area occupied by the shop and was to have retrospective effect from 1st January, 1955.

A tailoring shop occupying an area of over 4,000 sq. ft. was being charged rent fixed in terms of an agreement at Rs. 480 per mensem.

As a result of the Government order which was made applicable to the tailoring shop retrospectively, a sum of Rs. 14,463 was reduced from its outstanding dues of Rs. 14,508 and recovery is now being effected, for the 4,000 sq. ft. of the shop area, at Rs. 1.50 nP. per mensem only.

44. *Avoidable expenditure on care of vacant buildings.*—(a) Certain temporary buildings, on loan to a State Government from 1948, were handed back to the Military Engineer Services in January, 1955. In November, 1955, a Board of Officers recommended the demolition of these buildings and the Engineering authorities also pressed for immediate action as heavy expenditure on watch and ward was being incurred. Government sanction for the sale of the buildings by auction was, however, accorded only in June, 1957, and the buildings were actually auctioned for Rs. 2,93,000 in October, 1958, i.e. nearly four years after the buildings were handed back by the State Government. By that time, about Rs. 68,000 had been spent on watch and ward staff.

Had expeditious action been taken to dispose of these buildings a major portion of this expenditure could have been avoided and the buildings would also perhaps have fetched a better price.

(b) A camp taken over from a State Government by the Army in June, 1950, remained vacant till February, 1958 when it was retransferred to the State Government. During this period an expenditure of Rs. 12,950 was incurred on watch and ward. Similar expenditure on watch and ward amounting to Rs. 14,720 was also incurred prior to 1958 on certain other Defence buildings which remained vacant for periods ranging from 29 to 58 months, before they were taken over by an Army unit.

At the same station, another camp which is in a dilapidated condition is lying vacant since April, 1954. Though a decision regarding the disposal of the camp was taken in 1955, it has not yet (October, 1959) been disposed of. In addition, two bungalows are also lying vacant there since 1952. The expenditure incurred on watch and ward of this camp and the bungalows up to end of February, 1959 amounted to Rs. 27,080.

45. *Loss of stores.*—Physical check of petrol stock in a depot, carried out by a Board of Officers, in January, 1954, revealed a deficiency of 26,427 gallons valued at Rs. 75,295. A Court of Enquiry convened to investigate this deficiency came to the conclusion in August, 1954 that the loss was attributable to the negligence on the part of a Commissioned Officer and cheating on the part of a Junior

Commissioned Officer and a Non-Commissioned Officer. The Command Headquarters, however, decided in July, 1955 that disciplinary action should be taken against five individuals *viz.* the three officers mentioned above and also the Officer Commanding of the depot and another Non-Commissioned Officer. But in October, 1955 this decision was changed and it was directed by the Command Headquarters that only the Officer Commanding of the depot should be tried by a General Court Martial and that the charges against the others should be dropped. A General Court Martial held in January—March, 1956 acquitted the Officer Commanding as the charge against him could not, in their opinion, be substantiated. Thus, a loss of Rs. 75,295 to the State has occurred without any one being held responsible for the same.

The loss has also not yet been regularised by Government.

ENGINEER-IN-CHIEF'S BRANCH

46. *Loss of stores due to fire.*—In May, 1954, as a result of an out-break of fire in an engineer park, stores valued at Rs. 3,67,879 were either destroyed or damaged. A Court of Enquiry which investigated the loss in May-June, 1954 expressed the opinion that the fire was caused by spontaneous combustion due mainly to improper storage of coir matting. The fire fighting arrangements and organisation were also not considered satisfactory by the Court. The fire trailer pump had been out of order for eight months before the out-break of the fire and the fire extinguishers could not be used as these had no refills. The staff specially engaged on fire fighting duties were not properly trained for their duties. The Court had also pointed out that the officer in charge of the Park had not taken adequate measures to ensure safety against risk of fire though he knew about the afore-said shortcomings, and that supervision was also not adequate on the part of a superior officer.

While disciplinary action has been taken against the subordinate staff, action against the two superior officers concerned has yet to be finalised.

The loss also has not been regularised even after the lapse of five years.

47. *Retention of unwanted stores.*—A quantity of 6,856 tons of bitumen of high melting point was being held at an engineer store depot since 1946. Though there had been no demand for this store since that date, a Survey Board held in 1953 recommended the retention of the store for another 7 to 10 years.

With the passage of time the metal containers of the bitumen were found to have deteriorated, rendering it difficult to transport the store. In March, 1958, after retaining 50 tons to meet possible future requirements, 6,806 tons of the bitumen, with a book value of Rs. 20,39,560 was declared for disposal and sold between October, 1958 and March, 1959, for Rs. 8,33,400, resulting in a loss of about Rs. 12 lakhs.

Had the unwanted bitumen been disposed of earlier and before deterioration in the metal containers had set in, the loss could have been minimised.

48. *Non-recovery of hire charges.*—Hire charges for refrigerators issued to officers' messes were being worked out on the basis of original capital cost. In February, 1952 by an amendment to the basic regulations it was decided that the hire charges should be worked out on the basis of replacement cost, in view of rising prices.

Prompt action was, however, not taken to revise the rates, and in one Command the revised rates were notified only in January, 1957, but made applicable from February, 1952. Arrears of hire charges were claimed from the messes on this basis but most of the messes in the Command refused to pay the arrears, amounting in all to Rs. 47,235.

ADJUTANT GENERAL'S BRANCH

49. *Irregular grant of pay and allowances to an individual not in service.*—In July, 1955, an engineer graduate was granted a provisional Short Service Regular Commission in the Army and placed for training in the Military College. He completed his training on 8th December, 1956 but was found to be medically unfit for a permanent commission. The Army Headquarters thereupon informed the Pay Accounts Officer that the gentleman cadet would be granted a permanent Commission as soon as he was found fit by a Medical Board. The Pay Accounts Officer did not, however, seek a clarification as to whether the provisional Commission of the cadet had become non-effective, and continued to pay him as a provisional Commissioned Officer, till end of January, 1958. In February, 1958, on a reference from the Pay Accounts Officer, the Army Headquarters stated that the provisional Commission of the cadet became non-effective from 9th December, 1956 and that he was not entitled to any payment from that date.

The amount paid from 9th December, 1956 to 31st January, 1958 was Rs. 6,184. Though Army Headquarters have taken a decision in December, 1958 to recover the amount, no recovery has so far been

made. The responsibility for the irregular payment also remains to be fixed.

NAVY

50. *Acquisition of a Store Carrier for the Navy.*—In August, 1951, the Naval Headquarters proposed as an urgent measure the procurement of a Store Carrier fitted with repair facilities. As the chances of acquiring a new ship of the requisite type were not considered promising and as construction of the vessel either in this country or abroad would have taken about 2½ to 3 years, it was decided in February, 1952 to purchase a second hand cargo vessel from abroad and to convert it into a Store Carrier.

Accordingly, a cargo vessel was purchased from a foreign country in June, 1952 at a cost of Rs. 38·03 lakhs. At the time of purchasing the vessel no assessment was made either of the time required or of the cost that would have to be incurred for converting the vessel into a Store Carrier and equipping it with the necessary machinery.

After purchase an expenditure of Rs. 8,31,007 was incurred in structural alterations to the ship, and machinery worth Rs. 19,14,152 acquired. A contract had also been entered into, in June, 1958, with a firm for carrying out further structural alterations and the installation of the machinery at a cost of Rs. 16,22,742. The vessel was put into commission in April, 1959. In the seven years that passed since its purchase a large expenditure was incurred on the complement of Officers and Ratings earmarked for looking after this ship. Had an order for a new ship been placed in 1952 the Navy might have got a new and ready-to-use ship earlier and possibly at a lower cost. A new ship would have a normal life of 30 years whereas the converted second hand ship would last for only 15 years.

51. *Erection of a steel foundry in a naval dockyard.*—In May, 1950, Government sanctioned the establishment of a steel foundry in a naval dockyard involving a capital expenditure of about Rs. 5·5 lakhs on equipment. Further expenditure aggregating Rs. 3,30,814 was also sanctioned as under:—

	Month of Sanction	Amount Rs.
Installation of equipment	August, 1953	35,828
	February, 1958	25,886
Additions and alterations to the building	January, 1952	1,94,200
	May, 1955	26,000
	March, 1959	48,900
		3,30,814

Some of the items of equipment were received in 1953 and the rest in 1957, costing in all Rs. 5 lakhs. The foundry has, however, yet to be commissioned though nine years have elapsed since the date of sanction.

52. *Loss due to fire caused by neglect.*—A fire broke out in the main building of a Naval Wireless Transmitting Station, on the night of the 8th September, 1955, resulting in damage to the building and to 15 wireless transmitters, out of which 13 were rendered totally unserviceable. The circumstances leading to the outbreak of the fire were immediately investigated by a Board of Officers (between the 9th and 12th September, 1955) which held that the fire was caused by an electrical short circuit due to carelessness in installing the electrical circuit above the false ceiling provided in the building. It also pointed out that when the false ceiling was built proper access to the ceiling was not provided. The fire fighting arrangements and organisation were also not considered adequate.

The loss involved in the damage to the building and the transmitters is yet (December, 1959) to be regularised by the Government though four years have passed since the accident. In the meanwhile to meet current requirements, the purchase of 5 new transmitters from abroad at a cost of Rs. 6,72,260 has been sanctioned.

AIR FORCE

53. *Loss of revenue in the leasing out of a cinema building.*—A cinema building owned by the Government, was leased to a contractor, free of rent, for a period of five years from 1st September, 1947. This cinema was at that time open only to Service personnel. On 1st January, 1949, the cinema was thrown open to the public and from that date the contractor started paying Rs. 872 per mensem during summer and Rs. 727 per mensem during winter, as rent and electric charges, etc.

In April, 1949 Government issued orders that the lease of military buildings as cinema houses by private parties should be auctioned. Tenders should, therefore, have been issued for letting out this cinema, in September, 1952 after the expiry of the lease in accordance with this order, but actually tenders were called for in November, 1952. In response to the tender the highest offer received was Rs. 3,500 per mensem but the existing contractor who had quoted only Rs. 1,500 per mensem was allowed to remain and to use the cinema building provided he paid Rs. 1,650 per mensem with effect from 1st January, 1953. The contractor continued in occupation of the building but

failed to pay any enhanced rent beyond what he was paying prior to November, 1952. Later, it was decided to run the cinema departmentally with effect from 1st January, 1955. The contractor, thereupon, obtained an injunction against eviction from the Court, on 26th May, 1955, pending settlement of his claim for compensation, by an arbitrator, in terms of the agreement of 1st September, 1947. Even though four years have passed after the Court's injunction, the arbitrator has not pronounced his award.

By not availing themselves of the highest offer of Rs. 3,500 per mensem, the Government have suffered a loss of revenue of about Rs. 2,13,000 from November, 1952 till October, 1959.

54. *Formation of a Mechanical Transport Repair Depot.*—A Mechanical Transport Repair Depot, with an initial capital equipment of about Rs. 6.65 lakhs and a recurring annual outlay of about Rs. 8.75 lakhs on establishment was set up in August, 1958, for the repair and overhaul of "specialist vehicles" belonging to the Air Force.

These so-called "specialist vehicles" are not, however, materially different from some of the vehicles in use in the Army, only the equipment fitted on some of these vehicles were of a special type. It appears that the vehicles, as such, could, therefore, have been repaired and overhauled in the Army Workshops distributed all over the country, undertaking repair/overhaul of similar vehicles. The establishment of a separate depot to meet exclusively the Air Force requirements, instead of enlarging where necessary the existing capacity of the Army Workshops, resulted in a duplication of effort.

Since it is anticipated that the annual overhaul arisings of these "specialist vehicles" would be about 250 vehicles and 300 engines, the extra load on the Army Workshops was not likely to be heavy since these workshops have already a capacity of 3,785 vehicles and 4,000 engines per year, now proposed to be increased to 5,750 vehicles per year. Against this increased capacity the expected annual overhaul arisings of Army vehicles is at present only 4,525.

It may be added that heavy charges will have to be incurred and considerable time lost in transporting the "specialist vehicles" over long distances from the different parts of the country, to the new depot and back. The economics of the establishment of the depot with particular reference to this aspect do not appear to have been fully considered, as even an estimate of the transportation charges was not attempted before sanctioning the project.

55. *Infructuous expenditure on the overhaul and modifications of an aircraft.*—An aircraft which was overhauled by a Company in

April, 1955, was inspected by the Aeronautical Inspection Department and certified as satisfactory for Service use. In July, 1956, the Air Headquarters ordered certain modifications to be carried out to the aircraft immediately to correct some defective features. These modifications were completed by the Company, but the aircraft was not allotted out for flying or training tasks. In November, 1958, the Air Headquarters ordered the aircraft to be broken down into spares for being utilised in the repair and overhaul of similar types of aircraft. The expenditure of Rs. 1,38,597 incurred on the overhaul and the modifications of the aircraft was, therefore, infructuous.

56. *Grant of excessive holidays to industrial personnel.*—Industrial personnel (civil) employed in defence formations are normally allowed fourteen paid holidays plus Sundays, in a calendar year. In an Air Force formation such personnel were allowed twenty-one paid holidays during 1956 and twenty-four during 1957. Though the irregularity of allowing paid holidays in excess of the authorised number was pointed out in Internal Audit in March, 1957, the practice continued in 1958 also when twenty-one paid holidays—exclusive of two additional paid holidays specially sanctioned by Government—were allowed to these personnel.

CHAPTER 8

OTHER TOPICS OF INTEREST

CONTRACT WITH A JAPANESE FIRM

57. In March, 1958 the Government invited limited tenders for the supply of three types of tractors. Of the five tenders received, that of firm A was the cheapest in two items and higher in the third. A contract was concluded with this firm for the supply of two types of tractors and an agreement was also made that they would assist the Government in the manufacture of these tractors in India. This was done with the concurrence of the Commerce and Industry Ministry. The contract for manufacture was contingent upon the conclusion of a satisfactory agreement within thirty days of the signing of the contract, for the manufacture of the third type also in India. But there were some difficulties in getting the consent of their principals in U.S.A. to the manufacture of the third type in India. The contracts therefore fell through. Of the other tenderers, firm B were the second lowest and cheaper than firm A for the third type. They were not, however, considered on the plea that the Army in India had no experience of their tractors, even though they had produced photostat copies of the agreement with the U.K. Ministry of Supply, for the sale of their equipment for use by the British Army, and though in regard to the purchase of a large category of defence stores, the Government of India have been influenced by the experience of the Defence Services in the United Kingdom.

On the 9th September, 1958, the Defence Ministry concluded an agreement with a Japanese firm, who were not one of the original tenderers, without going out to tender again or negotiating with firm B for a reduction of their tendered prices. The main reason for which quotation of the latter was not considered, namely the Army had no experience of their tractors, was ignored and the Japanese equipment was accepted on the assurance of the Japanese Ministry of Defence and of the performance statistics provided by the firm themselves. These tractors had not, it may be mentioned, been imported earlier and their performance even in civil use was unknown. A technical team consisting of the Director General, Ordnance Factories, and another officer was sent to Japan to investigate the performance of the tractors, but *after* the contract had been concluded.

The prices of the Japanese tractors are understood to be favourable, but they must be related to their quality as well as performance. Fifty eight of these tractors assembled in the ordnance factories were purchased by the Ministry of Rehabilitation for use in the Dandakaranya Project; sixteen out of that number proved defective and were out of commission for a time.

P. K. BASU,
Director of Audit, Defence Services.

NEW DELHI;
Dated the 24 MAR 1960

Countersigned.

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

NEW DELHI;
Dated the 28 MAR 1960