



CENTRAL GOVERNMENT

AUDIT REPORT  
DEFENCE SERVICES

1959

(Including Report on the Appropriation Accounts of the  
Defence Services and the Commercial Appendix  
thereto for the year 1957-58)

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# AUDIT REPORT, 1959

## CHAPTER 1

### INTRODUCTORY

This Report recounts important financial irregularities etc. noticed in the course of audit of the accounts of the year 1957-58 and of previous years which could not be dealt with in the earlier Reports. Similarly, any irregularity of importance, relating to the accounts of 1958-59 noticed in current audit, has been included.

2. Avoidable expenditure, amounting to nearly Rs. 4 lakhs was incurred mainly under establishment, on a project which had to be subsequently abandoned because the land required could not be secured at the location intended.

Buildings constructed for housing staff could not be occupied even after completion, as there was inordinate delay in the provision of the essential services. This resulted in loss of rent on the one hand and expenditure on watch and ward on the other.

The rules require that works should be taken in hand only after administrative approval and technical sanction have been accorded and allotment of funds been made. But despite repeated exhortations by successive Public Accounts Committees and assurances given by the Ministry, these provisions continue to be disregarded by the administrative authorities.

Fictitious financial adjustments intended to conceal lapse of grants or to cover up excesses over allotments were noticed in a number of Engineer Divisions.

3. Cases were noticed where stock holdings/dues-in and initial requirements of stores were not carefully or correctly calculated. Even when the correct requirements were later established by reviews, timely steps to reduce or cancel the indents had not been taken resulting often in the accumulation of unwanted stores, whose disposal was likely to involve losses. Local purchases of stores, instead of having them manufactured in the Ordnance Factories, resulted in considerable extra expenditure in two cases noticed in audit. Manufacture of stores ignoring surpluses or without the firm demands, has led to the accumulation of unrequired components valued at Rs. 2.4 lakhs in three cases. In one case, the Director General, Ordnance



Factories obtained raw materials costing over Rs. 24 lakhs even before a trial production had been established and the product examined technically. As a result, the raw materials (which include silk fabric costing Rs. 17 lakhs) are lying unused for the last seven years.

A contract entered into, without invitation of tenders and after direct negotiation with a foreign firm for the supply of automobile spares has resulted in the acquisition of surplus spares costing about Rs. 23 lakhs, while the contractual liability of the foreign firm, to take over substantial quantities of obsolete spare parts of estimated value of about Rs. 22 lakhs has also not been enforced.

Two instances of infructuous purchases deserve mention;

- (i) Ten milk cooling plants purchased at a cost of Rs. 3.80 lakhs during 1954—1958 have not so far been put to any use.
- (ii) Equipment costing Rs. 16.58 lakhs could not serve the purpose for which it was intended and acquired.

4. In a Central Ordnance Depot, stores worth Rs. 7 lakhs hidden or buried underground were unearthed. In another Depot, large stocks of camouflage nets valued at Rs. 73 lakhs were stored in the open since the last war and had, therefore, to be condemned as useless.

5. The standard of store accounting and store keeping in all the Branches of the Services still leaves considerable room for improvement. The results of stock verification continue to reveal large discrepancies in spite of the reorganisation completed in 1953-1954 in the subsequent stock verifications. Pig iron and steel scrap have not been verified for the past 7 to 10 years for want of necessary handling and weighing facilities and this omission is being condoned by Government year after year.

6. The importance of a proper system for indenting stores, for their custody and issues and their periodic verification needs hardly any emphasis. Stores are cash in another form except that they are liable to deterioration and obsolescence. The necessity of reviewing the level of stock holding from time to time, of disposing of obsolete and surplus stores as soon as these are established, of calculating replenishments after taking into account normal issues and stocks on order and of the proper storage and custody of stores held has been mentioned in audit reports with tiresome regularity. But little has been done so far to give the question of stocks the necessary attention and consideration.

### APPROPRIATION AUDIT

7. (i) *General results of appropriation audit.*—The following statement compares the total Grants or Appropriations for 1957-58 with the total disbursements:—

Particulars I	Voted 2	Charged 3	Total 4
(In thousands of rupees)			
1. Original Grants or Appropriations . . . . .	2,96,12,03	91,04	2,97,03,07
2. Supplementary Grants or Appropriations . . . . .	19,48,03	4,01	19,52,04
3. Aggregate Grants or Appropriations	3,15,60,06	95,05	3,16,55,11
4. Aggregate disbursements . . . . .	3,05,54,80	97,93	3,06,52,73
5. Less (—) or more (+) than granted	(—)10,05,26	(+) 2,88	(—)10,02,38
6. Percentage of 5 to 3 . . . . .	3·19	3·03	3·17

(ii) *Savings on Voted Grants.*—A comparison of the actual expenditure with the final Grants is given below. Savings occurred mostly under Navy, Air Force and Defence Capital Outlay.

Number and name of Grant I	Final Grant 2	Actual expenditure 3	Savings 4	Percentage of savings 5
(In thousands of rupees)				
9—Army . . . . .	1,80,10,84	1,79,48,28	62,56	0·35
10—Navy . . . . .	16,01,41	14,16,80	1,84,61	11·53
11—Air Force . . . . .	78,16,38	72,74,69	5,41,69	6·93
12—Non-Effective . . . . .	13,39,49	13,26,26	13,23	0·99
106—Defence Capital Outlay . . . . .	27,91,94	25,88,77	2,03,17	7·28

✓ (iii) *Excesses over charged Appropriations.*—The following statement shows the excesses over the individual charged Appropriations.

Number and name of Appropriation I	Sanctioned Appropriation 2	Actual Expenditure 3	Excess 4
	Rs.	Rs.	Rs.
9—Army . . . . .	43,000	1,02,147	59,147
11—Air Force . . . . .	..	7	7
106—Defence Capital Outlay . . . . .	3,58,000	6,09,100	2,51,100



(iv) Statistics of Savings or Excesses on the Voted Grants and Charged Appropriations as compared with the previous two years.—

Year 1	Final Grants and Appropria- tions 2	Savings(—) or Excesses(+) 3	Percentage of Savings or Excesses 4
(In thousands of rupees)			
<i>Voted—</i>			
1955-56	2,45,07,00	(—) 30,56,47	12.47
1956-57	2,60,21,60	(—) 20,82,34	8.00
1957-58	3,15,60,06	(—) 10,05,26	3.19
<i>Charged—</i>			
1955-56	5	(—) 5	100.00
1956-57	1,08,66	(+) 3,81	3.51
1957-58	95,05	(+) 2,88	3.03
<i>Voted and Charged—</i>			
1955-56	2,45,07,05	(—) 30,56,52	12.47
1956-57	2,61,30,26	(—) 20,78,53	7.95
1957-58	3,16,55,11	(—) 10,02,38	3.17

✓(v) *Advances taken from the Contingency Fund of India.*—Three advances (Rs. 3,965, Rs. 6,346 and Rs. 7,563) totalling Rs. 17,874, taken from the Contingency Fund of India during February 1958 to meet charged expenditure in satisfaction of court decrees/arbitration awards notified in August and December 1957, were not recouped to the Fund during the year.

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

(a) *Unnecessary/Excessive Supplementary Grants—*

Number and name of Grant 1	Sub- Head 2	Original Grant 3	Supple- mentary Grant 4	Total sanc- tioned Grant 5	Actual expenditure 6	Savings/ excesses on Ori- ginal Grant 7
(In thousands of rupees)						
9—Army	D	14,54,03	21,88	14,75,91	14,03,33	(—) 50,70
Do.	H	24,58,70	63,39	25,22,09	22,88,06	(—) 1,70,64
11—Air Force	E	14,57,08	1,22,95	15,80,03	13,98,15	(—) 58,93
Do.	G	41,57,60	6,77,89	48,35,49	44,58,90	(+) 3,01,30
12—Non-Effective	C	9,37	1,30	10,67	9,96	(+) 59



(b) *Surrenders made in excess of total savings in Voted Grants.—*  
*(modified by surrenders and reappropriations).—*

Number and name of Grant I	Actual amount of Savings 2	Amount surrendered 3
(In thousands of rupees)		
9—Army . . . . .	62,56	2,90,70
10—Navy . . . . .	1,84,61	1,94,98
11—Air Force . . . . .	5,41,69	6,16,00

(c) *Non-surrender of Savings in Voted Grants.—*

Number and name of Grant I	Sub- Head 2	Original Grant 3	Amount re-appro- priated 4	Final Grant 5	Actual Expenditure 6	Savings 7
(In thousands of rupees)						
106—Defence Capital Outlay.	A-1	8,23,00	(—) 1,32,10	6,90,90	6,18,30	72,60

(d) *Unnecessary re-appropriation.—*

Number and name of Grant I	Sub-Head 2	Amount re-appropriated 3	Savings in final Grant 4
(In thousands of rupees)			
12—Non-Effective . . . . .	A	(+ ) 56	(—) 12,59

(e) *Surrenders made in the following cases were not fully  
justified.—*

Number and name of Grant I	Sub-Head 2	Amount surrendered 3	Excess over the final Grant 4
(In thousands of rupees)			
9—Army . . . . .	G	(—) 2,89	(+ ) 14,89
10—Navy . . . . .	D	(—) 2,42	(+ ) 1,98
11—Air Force . . . . .	A	(—) 12,16	(+ ) 11,48
Do. . . . .	F	(—) 7,97	(+ ) 4,18

## CHAPTER 2

### WORKS EXPENDITURE

#### ENGINEER-IN-CHIEF'S BRANCH

8. *Infructuous expenditure incurred on a work.*—In May, 1952, Government accorded administrative approval to the construction of a parade ground for the cadets of an Academy. Though under the existing orders issued in August, 1947, black-topping of the parade ground was not authorised, the Academy authorities recommended in August, 1952 that the entire parade ground should be blacktopped. The Construction Committee of the Academy recommended in their meeting held in April, 1953 (when the Commandant of the Academy was also present) that only an area of 1,58,000 sft. out of the total area of 5,50,000 sft. should be blacktopped. Revised administrative approval to cover blacktopping of this area was accorded in December, 1953 and the parade ground was completed in January, 1955.

Subsequently in their meeting held in April, 1955, the Construction Committee accepted the earlier recommendation of the Academy authorities to black top the entire area of the parade ground. Administrative approval for blacktopping the remaining area was accorded in May, 1955. This involved an unnecessary expenditure of Rs. 65,450 on:—

- (i) excavating a portion of the already existing blacktopped surface, filling it and then laying premix carpet over this area, and
- (ii) superimposing blacktopping on the remaining portion of the existing blacktopped surface.

This expenditure could have been largely avoided had the correct decision been taken in the first instance.

9. *Avoidable expenditure incurred on a work.*—(a) The first phase of a project was administratively approved by Government in August, 1955, at an estimated cost of over Rs. 1.07 crores. A separate Works Division was formed for the execution and supervision of this project in the same month.



The land required for the project was estimated at 360 acres of which 280 acres were to be acquired from the Port Trust Authorities at the station and the remaining from private owners. The Port Trust Authorities declined to release the land and instead, suggested in August, 1955 an alternative site.

Subsequent negotiations for the acquisition of a convenient site proved fruitless and as suitable land was not obtained even by December, 1957, the Works Division was closed down with effect from December 1, 1957.

Against a total expenditure of Rs. 5,75,081 on the project, an expenditure of Rs. 3,19,560 was incurred on the pay and allowances etc. of the establishment of the Division. Besides, an amount of Rs. 50,672 was spent on the custody, handling and preservation of the stores collected for the project and another sum of Rs. 9,523 on the survey and demarcation of the originally intended site.

These items of expenditure could have been largely avoided had the availability of land been ensured before forming the Works Division.

(b) In January, 1951, a contract was concluded for the provision of external water supply to certain buildings in a station for a sum of Rs. 85,286 at 185 per cent. over the Schedule of Prices, 1947. The work was to commence on February 7, 1951, and was to be completed on October 6, 1951. The work was not, however, completed by the contractor and on July 31, 1952, he stopped further work. The contract was, therefore, terminated on August 1, 1952, and the contractor was informed that the work remaining undone would be completed at his risk and expense.

The value of the work done by the contractor was estimated at Rs. 47,562 against which he had been paid Rs. 46,317. The unfinished work estimated to cost Rs. 32,060 at the contract rates, was completed departmentally on May 31, 1953 at a cost of Rs. 1,25,673 (excluding Departmental charges).

As the contractor did not reimburse to Government the extra expenditure, the case was referred to arbitration by the Department in April, 1956. The contractor neither accepted the arbitrator nor attended the arbitration proceedings. Against the Government's claim of Rs. 1,20,041/4, the arbitrator made an *ex parte* award of Rs. 19,557 on January 5, 1957 in Government's favour of which Rs. 14,902 (after withholding Rs. 3,498 in another contract and Rs. 1,157 from the Security Deposit) remain unrealised.



That the contractor had quoted unworkably low rate is evident from the fact that the cost of stores and the hire of Tools and Plant alone for the portion of the work executed departmentally amounted to Rs. 39,381-4-0 and Rs. 35,075-7-0 respectively, against the contract cost of Rs. 32,060. No proper scrutiny of the rate quoted by the contractor was apparently undertaken before accepting his tender.

(c) At a certain Naval Station, the Military Engineer Services constructed six single type units for keeping naval stores, in February, 1951, two double type ones, in November, 1954, and one more double type unit in April, 1955. During the rains in May, 1955 all the nine units were found to have developed leaks, in spite of the water proofing provided. An expenditure of Rs. 70,959 was incurred during 1956-57 in the rectification of the defects.

The Military Engineer Services while maintaining that the design adopted was structurally sound, the specification provided was adequate and workmanship and supervision were also satisfactory, could not explain how the leaks had developed. The Chief Technical Examiner, to whom the case was referred, expressed the opinion on December 9, 1958 that the work was defective, specifications faulty and site conditions unsuitable.

10. *Injudicious phasing of a project.*—The provision of permanent residential and office accommodation at an Air Force Station was sanctioned by the Government in September, 1953, at a cost of Rs. 63.02 lakhs. The construction of the residential quarters started in December, 1953 was completed in November, 1954. Internal electrification of these buildings and external services for water, sewage etc. taken up in November, 1954 and December, 1955 were completed in March, 1955 and October, 1956 respectively. Consequent on this uncoordinated phasing of the work, the residential quarters were not usable before October, 1956. Owing to non-completion of the administrative and technical buildings, the sanctioned administrative and technical staff could not be posted to the station even after October, 1956. The residential buildings meant for them, therefore, remained partially vacant till December, 1958 and watch and ward staff costing about Rs. 27,000 had also to be entertained.

11. *Control over works expenditure.*—No work can normally be commenced or liability incurred in connection with it until—

- (a) administrative approval to the execution of the work has been accorded by the competent financial authority,

- (b) technical sanction to the detailed design, specifications and estimate has been issued by the competent engineer authority, and
- (c) funds to meet the expenditure have been specifically allotted.

The above requirements were not infrequently disregarded in the past with the result that large amounts of expenditure had to be placed under objection every year by the Controllers of Defence Accounts. The position in this respect during the three years 1955-56, 1956-57 and 1957-58 (as reported in Appropriation Accounts) is indicated below:—

Sl. No.	Nature of objection.	Amount objected to during		
		1955-56	1956-57	1957-58
		Rs.	Rs.	Rs.
1	Want of administrative approval	8,64,619	6,76,108	15,56,763
2	Want of technical sanction	8,60,253	3,67,024	7,31,041
3	Want of allotment of funds	25,45,595	15,10,691	30,59,713

Special steps are apparently called for to prevent the persistent departure from codal rules.

12. *Fictitious financial adjustments in works accounts.*—Instances of fictitious adjustments of the value of stores in works accounts had been mentioned in paragraph 6 of the Audit Report, Defence Services, 1952. The Public Accounts Committee were assured by the Government then that such adjustments would not be repeated in future. Nevertheless, the following fictitious adjustments have since come to notice.

- (a) (i) In a Works Division, during 1957-58 a sum of Rs. 84,480 representing the value of certain stores was debited against a project though the stores in question were not received in the Division during the year.



- (ii) Similarly, a sum of Rs. 4,114 representing the value of 34 tons of cement was debited against the above project in 1957-58 as having been transferred from stock. In the beginning of 1958-59 the same quantity of cement was shown as having been retransferred to stock, though physical transfer of cement either way never took place.

These fictitious adjustments enabled the Garrison Engineer concerned to avoid a lapse of funds.

- (b) In another Division, stores worth Rs. 22,500 were received and debited initially against a project, in October, 1956. However, to avoid excess over allotment for that project the amount was transferred from the works account to stock account in March, 1957.
- (c) In another case, an amount of Rs. 1,66,780 representing the value of certain stores was transferred from the accounts of one project to another, in March, 1956, though the physical transfer of the stores took place only in the next financial year. This fictitious adjustment enabled the Garrison Engineer concerned to avoid excess over allotment in respect of the former work and a saving in the latter work during 1955-56.
- (d) In another case, a sum of Rs. 1,12,442 representing the value of certain stores debited against a project in February, 1958 was subsequently (in March, 1958) cancelled though the stores were not physically transferred elsewhere. The cancellation of the debit enabled the Garrison Engineer concerned to adjust certain outstanding charges to this project during 1957-58 and thereby also avoid excess over allotment in another project.
- (e) In yet another case, stores valued at Rs. 1,46,340 were transferred from one project to another in March, 1958. Stores worth Rs. 75,015 were, however, re-transferred to the first project in May, 1958 which indicated that the full quantity of stores was not required in the second project. The initial transfer enabled the Garrison Engineer concerned to avoid excess over allotment in respect of the first work and a saving in the latter work, during 1957-58.



## CHAPTER 3

### PURCHASES OF STORES

#### MASTER GENERAL OF ORDNANCE BRANCH

13. *Contract for supply of Mechanical Transport spares.*—In April, 1956, a foreign firm offered to supply the full range of spare parts required for war time Army vehicles of North American origin and to purchase all surplus spares of such Army vehicles held by the Government. Enquiries, pending at that time, both in London and Washington for the purchase of the spares were thereupon suspended but no action was taken (as urged by the Ministry of Finance) to ascertain from the India Supply Mission whether any other dealer could make a competitive offer for the complete range of needed spares. Instead, direct negotiations were commenced with this firm in February, 1957 as it was thought that the firm's offer to purchase all the surplus vehicle spares lying with the Army would release valuable storage accommodation and result in a considerable saving in dollar exchange. A "letter of intent" was accordingly issued to the firm on May 4, 1957, which contained the following heads of agreement:—

- (a) The list of spares and the dollar prices at which they would be supplied by the firm to be drawn up.
- (b) The right to vest in Government to delete, reduce or increase the quantities demanded against any item, within three months from the date of placing of the formal contract, provided that the Government furnished along with the contract a list of items that might be thus deleted, reduced or increased in quantity.
- (c) The firm to purchase Government's surplus vehicle spares upto a quantity not exceeding 4250 tons, at a flat rate of \$ 110 per ton.

After the India Supply Mission had been authorised to place a formal contract on the firm on the above lines in September, 1957, another foreign firm offered on October 18, 1957 to supply the entire range of spares at rates which were 10% lower than those offered by the first firm with the further offer that 50% of the price could be paid in rupees. This offer could not, however, be accepted as

Government was bound by the "letter of intent" issued in May, 1957. A contract for \$ 12,63,324 was finally concluded with the first firm on December 18, 1957.

Subsequently, it was found that the quantities stipulated in the contract were over estimated and four amendments were proposed by the Government to the firm between December 18, 1957 and March 17, 1958, for the cancellation of quantities valued at \$ 5,73,952. The firm, however, agreed to the cancellation of items costing \$ 86,744 only on the following grounds:—

- (a) A list of the items on which Government reserved the right of subsequent deletion or reduction was not appended as stipulated to the formal contract in terms of the "letter of intent";
- (b) Arrangements had already been made for the manufacture or procurement of the items in question and some of the cancelled items had already been shipped on urgent requisitions from the Defence authorities themselves.

The failure on the part of the Government to include in the formal contract a list of spares which could be cancelled or reduced has presumably resulted in the unnecessary acquisition of spares valued at \$ 4,87,000 approximately (Rs. 23,19,000). It has been explained by the Ministry that at the time of assessing their requirements initially, they had no reliable scales of spares for these vehicles and that their initial assessment was based on an examination of the worn out parts of a few selected vehicles in 1955. Subsequently, when the actual "wastage returns" were received by about December, 1957 from the workshops, the requirements were more scientifically assessed and were found to be much less than what was originally computed.

Since 8,600 Army vehicles had been overhauled in Defence workshops between October, 1952 and May, 1955, it appears that the requirements of spares could have been reasonably estimated on the basis of past experience. Moreover, although the "letter of intent" of May, 1957 definitely contemplated the execution of a concurrent contract by the firm for the purchase of Army surplus spares not exceeding 4250 tons, at a price of \$ 110 per ton, no such contract was eventually concluded. Only a negligible quantity of 5 tons of some selected items appears to have been actually purchased by the firm at \$ 230 per ton. The major consideration, which prevailed with Government in accepting this negotiated single tender contract *viz.*,



release in storage accommodation and saving in foreign exchange has thus failed to materialise. No explanation has been offered to audit in this matter.

✓ 14. *Procurement of unwanted stores.*—Based on an incorrect assessment of stock on hand as Nil when 50 units of an equipment were actually available, an indent was placed on the High Commissioner in a foreign country, in December, 1949, for the purchase of 11 units at an estimated cost of £ 100 per unit. The subsequent reviews carried out in 1951 and 1952 revealed surpluses of 66 and 57 units respectively.

On May 30, 1953, the foreign Government offered to supply the 11 units of equipment at a total price of £ 28,941 subject to the offer being accepted within two months. In spite of the existing surplus, and the large increase over the originally estimated cost, the offer was accepted in June, 1953 and the equipment was received in India during 1953 and 1954. As a result, there is still a surplus of 31 such units which are unlikely to be utilised in the near future.

The expenditure of £ 28,941 (Rs. 3,85,880) could have been avoided had the stock been correctly calculated in the first instance in 1949 or the indent been cancelled as a result of reviews carried out in 1951 and 1952. A further opportunity to cancel was available when the foreign Government made the offer in 1953.

✓ 15. *Local purchase of mosquito nets.*—Since 1955, the Director General, Ordnance Factories had been experiencing difficulty in manufacturing mosquito nets—olive green round mesh—as the required quantity of netting was becoming increasingly difficult to obtain. His suggestion, in 1955, to use other types of netting—square mesh or other shades, like white/khaki, was not accepted by the Army authorities with the result that in November, 1956 a quantity of 1,63,500 mosquito nets demanded for 1956-57 was outstanding. In view of urgency, orders were placed in June, 1957 on four firms for 60,000 nets mosquito universal at rates varying between Rs. 18.50 and Rs. 19.08, to be supplied by July, 1957. Actually 54,000 mosquito nets only were purchased at an aggregate cost of Rs. 10,27,020. Of these as many as 47,400 were white. The date of delivery was extended by about a month, without imposing any penalty and the nets were accepted after visual and without the usual technical inspection. Several material deviations were also permitted, such as—

- (i) smaller size than in the specification,
- (ii) incorrect seaming, joint in netting, darned patches, over-size holes in netting etc.



No price reduction for these defects was also made, excepting in the case of 297 nets which had tears in them. The main considerations on which no price reduction was insisted were stated to be—

- (a) negotiations for price reduction would entail delay and hold up of supply of nets which were required for issue and supply in operational areas, and
- (b) the minor defects would not affect the serviceability of the nets.

It was, however, observed that out of 54,000 units only 5,824 were issued to units in operational areas by end of September, 1957 and the balance of 48,176 were sent to depots in non-operational areas, of which 5,304 nets were subsequently issued to formations in peace area. 932 of these latter issues were prematurely condemned within a period of six to seven months. Almost all units and formations to whom these nets were issued complained of their inferior quality and inadequate size and also of the considerable shrinkage after first wash which rendered them difficult to use. The technical authorities have estimated the life of these nets as less than 2 months against the prescribed life of 18 months.

Local purchase of these nets after relaxing specifications and without detailed inspection has rendered the life and utility of the store a matter of some doubt and this is likely to cause considerable loss to the State. Had the suggestion of the Director General, Ordnance Factories to relax the specification of these nets been accepted in 1955, or even in 1956, the necessity for the local purchase of these unsatisfactory nets (with relatively short life) could have been avoided.

16. *Avoidable expenditure in local purchase of winter clothing.*— Two items of winter clothing for troops, Shirts-Angola Drab and Trousers-Battle Dress were continuously in short supply since 1954-55, as the supply of flannel and serge of the requisite colour and quality could not be arranged by the Director General, Supplies and Disposals. The main bottlenecks in the supply position were:—

- (i) One out of the four dyes required was not available in the country and had to be imported.
- (ii) Only the product of one mill had been certified as acceptable by the Defence Inspectorate in respect of the shirts.
- (iii) Only the products of two mills had been certified as acceptable by the Defence Inspectorate in respect of the trousers.

The supply position deteriorated in 1957-58 and in order to overcome the acute shortage and meet the immediate winter requirements of the troops in certain areas, local purchase of 15,000 units of each of the two items, from a firm in Delhi, was proposed in October, 1957 by the Army Headquarters, which had already obtained the firm's quotation on September 21, 1957. Fresh quotations were, however, invited from four firms including the first firm, on November 1, 1957, at the suggestion of Finance. The quotations of the other firms were, however, found not acceptable and a contract with the Delhi firm was concluded on November 12, 1957 for the supply of both the items at Rs. 22 and Rs. 32 per unit respectively, as against the ordnance factory's cost of production of Rs. 17.46 and Rs. 30.91. In the actual execution of the contract the following relaxations were made: —

- (i) deviations were allowed in respect of shades without effecting any price reduction,
- (ii) against the stipulated delivery date of December 24, 1957, the firm was allowed extensions upto February 20, 1958.

The local purchase was resorted to in order to meet the emergent winter situation. The extensions upto the tail end of the winter granted defeated to a large extent the justification for local purchase.

It was *ab initio* evident that colour deviations would have to be allowed as even the original manufacturers of cloth were unable to adhere to the correct shade. Had such a deviation been allowed in respect of the supply of raw materials by the Director General, Supplies and Disposals, the necessity for resorting to local purchase of ready made articles at prices higher than ordnance factory's rates, would not have arisen. The extra expenditure incurred by Government in effecting the above local purchase works out to Rs. 84,450 approximately. The local purchase also resulted in idle manufacturing capacity in the Government Clothing Factories.

17. *Loss due to lack of coordination between the indenter and the manufacturing organisation.*—A demand for 1,06,240 feet of copper tubing was placed by the Ordnance Branch in June, 1950 on a Purchase Organisation abroad. 31,000 feet of the tubing was received by March, 1951 and the remaining quantity was expected by the end of the year.

In view of the anticipated delay in the supply of the residual quantity of tubing, the Director of Ordnance Services asked the



Director General, Ordnance Factories on September 3, 1951 to investigate the possibility of indigenous manufacture through Government Ordnance Factories or through private firms, and to intimate the quantity which could be delivered by the end of October, 1951 (a firm demand on Director General, Ordnance Factories was to follow on receipt of his reply). The Director General, Ordnance Factories, intimated on September 22, 1951 that facility for the manufacture of tubing was available at one Ordnance Factory, but in view of other urgent work only 3 to 4 thousand feet could be supplied by October 31, 1951. At the same time, the Director General, Ordnance Factories, instructed the above factory to undertake the manufacture of 77,000 feet of tubing without waiting for a demand from the Director of Ordnance Services. By October 24, 1951, this factory had manufactured 10,000 feet of tubing. On being informed of the quantity manufactured at this factory, the Director of Ordnance Services asked the factory on November 12, 1951 to stop further manufacture, as the quantity ordered through the Purchase Organisation abroad was already under shipment. By that time the Ordnance Factory had, however, manufactured 31,684 feet of tubing of which only 10,000 feet was drawn by the Director of Ordnance Services and the remaining quantity of 21,684 feet valued at Rs. 48,101 was declared surplus in 1957 and disposed of in the same year for Rs. 4,810 resulting in a loss of Rs. 43,291 to Government.

No information is available as to whether the facility of indigenous manufacture was taken into consideration by the Director of Ordnance Services in the first instance before the demand was placed on the Overseas Purchase Organisation.

#### ENGINEER-IN-CHIEF'S BRANCH

✓ 18. *Overprovisioning of earth moving machinery.*—An indent for 16 Angledozer-Hydraulic was placed by the Engineer-in-Chief's Branch on the Director General, Supplies and Disposals, on February 8, 1957, as a result of the provision review carried out in October, 1956, on the basis of a wastage rate of 36 per cent. per annum and without taking into consideration the anticipated return of certain Angledozer on the completion of projects/works. The 16 units were procured in November and December, 1957 by the Director General, Supplies and Disposals, at a cost of Rs. 3.52 lakhs. The provision review (31-8-1957) on the basis of a reduced wastage rate of 10 per cent. per annum and after taking into consideration 25 Angledozer received from projects/works, disclosed a surplus of 66 Angledozer. Had the anticipated return of Angledozer from

projects/works been taken into account and wastage provided for on a more realistic basis while placing the indent, the procurement of 16 Angledozers at a cost of over Rs. 3.5 lakhs could have been avoided.

Similarly, 4 Scrapers-self-propelled were indented on February 8, 1957 to meet the deficiency disclosed by the provision review carried out in October, 1956, on the basis of a wastage rate of 36 per cent. per annum. The scrapers were procured in March, 1958. The review (31-8-1957) carried out on the basis of a reduced wastage rate of 10 per cent. per annum disclosed a surplus of 2 scrapers valued at Rs. 2,32,000.

#### QUARTER MASTER GENERAL'S BRANCH

19. *Purchase of milk cooling and pasteurising plants.*—Ten milk-cooling and pasteurising plants costing about Rs. 3.80 lakhs were purchased between September, 1954 and March, 1958, for use in the Military Farms. Nine of these plants have not yet been (April 1959) installed. One was installed in October, 1957, but due to the non-availability of A.C. supply, it has not been put to any use so far. Meanwhile, an expenditure of Rs. 73,887 approximately has been incurred by the Military Farms (after the receipt of the plants) in purchasing ice for the purpose of refrigerating the dairy produce.

The outlay of Rs. 3.80 lakhs has proved unfruitful, so far.

#### DIRECTOR GENERAL, ORDNANCE FACTORIES

20. *Overprovisioning of stores.*—(a) In November, 1949, an indent was placed by the Director General, Ordnance Factories on the High Commissioner for India in London for certain chemical stores and a quantity of 5,30,388 lbs. valued at Rs. 8 lakhs approximately was supplied during 1952-53.

The stores were packed in second hand barrels and as a result a quantity of 32,581 lbs. valued at Rs. 49,797 was lost in transit (by sea and by land) due to spillage, before the stores reached the Ordnance Factory where they were to be stocked. A further loss of 19,569 lbs. valued at Rs. 29,087 also occurred in storage at the factory during 1953-55 mainly due to evaporation as the containers were not air-tight. A claim of Rs. 45,825 was preferred on January 23, 1954 against the suppliers for the loss in transit, but they paid Rs. 13,333 only in full settlement of the claim on March 9, 1956.

The stores were repacked during March to September, 1955 in new containers obtained at a cost of Rs. 78,629. The cost of proper



type of packing, if it had been originally used in the United Kingdom would have been Rs. 21,333 only. Thus, in addition to the loss of stores worth Rs. 65,551 in transit and in storage, an extra expenditure of Rs. 57,296 on repacking had to be incurred by Government.

Against the quantity of 5,30,388 lbs. purchased, the actual consumption of the store from August 1952 to March 1959 was 1,40,795 lbs. only. The stores are stated to have long shelf life but at this rate of off-take the stores will last for about 15 years more.

(b) 47,700 yards of silk fabric were procured by the Director General, Ordnance Factories, in 1952 for replacement of a particular component of certain aviation stores.

*W.H.P.S.* While carrying out the actual renewal work it was found that the quantity required for the job was much less than anticipated. Only 6,643 yards of silk were utilised during the period of three years upto July, 1955 and 34,630 yards were disposed of as surplus in 1956, at a loss of Rs. 1,39,593 after retaining 6,427 yards to meet future requirements.

Had the requirement for the silk fabric been correctly determined, this loss could have been avoided.

21. *Procurement of unwanted stores.*—44,690 lbs. of rivets and 12,06,218 dozens of screws procured by the Director General, Ordnance Factories, during the period from 1950-51 to 1952-53 at a cost of Rs. 1,88,778 had to be disposed of in January, 1956 and July, 1957, at a loss of Rs. 81,885. The rivets and screws were rendered surplus as the wooden boxes, for use in the manufacture of which they had been procured, were purchased readymade from the trade, mainly because of insufficient manufacturing capacity in the factory and a shortage of timber.

#### NAVY

22. *Procurement of unwanted equipment.*—In November, 1950, it was decided to procure from a foreign Government certain equipment to be fitted on to ocean going naval units. Accordingly a firm order for 6 units was placed. The equipment which was received in India during 1954-56, has not been so far put to any use. It is unlikely to be of any further use either, as the equipment will not, it has now been ascertained, meet the purpose for which it was ordered. An expenditure of Rs. 16.58 lakhs incurred in the purchase of the equipment has thus been unfruitful.

23. *Acquisition of aircrafts for the Navy.*—In July, 1958, Government sanctioned the purchase of 9 reconditioned naval aircrafts

of a certain type at a cost of £ 55,000 each. The decision to purchase reconditioned aircraft at the above price was taken—

- (i) as they were about £ 12,000 cheaper per unit than new ones, while having the same life,
- (ii) the aircrafts were required in front line service for only 3 years, whereafter they would have to be replaced by more modern units, and
- (iii) the market for old aircraft of this type was favourable at the time.

In November, 1958, however, Government sanctioned the purchase of 14 new aircraft of the same type at a cost of £ 67,998 each. As the above considerations favouring the purchase of reconditioned aircraft held good in November, 1958 also, the necessity for going in for new aircrafts at an extra cost of £1,82,000 approximately is not apparent.

24. *Procurement of unwanted stores.*—A Naval Store Officer indented for 20 units of a particular store on three successive indents placed in December, 1954, April, 1955 and November, 1955. But when he was asked in May, 1956 by another Naval Store Officer to review his requirements, he intimated in June, 1956 that he did not require the store at all. In spite of this, the order already placed on the Director General, Supplies and Disposals in February, 1956, for 12 units, was allowed to stand. Director General, Supplies and Disposals entered into a contract for this number only in October, 1956. If cancellation of indent was requested before October, 1956, the contract need not have been entered into. An attempt was made to cancel the contract only in February, 1957 but it proved abortive. 12 units of the store were thus acquired needlessly, at a cost of Rs. 37,800.

25. *Injudicious purchase of an imported duplicating machine.*—A duplicating machine of foreign origin, with accessories, was procured locally in November, 1955, at a total cost of Rs. 9,178. The machine, which was intended for printing the rate-list of stores in a Principal Naval Store Office, could not be used for that purpose on account of certain mechanical and operational shortcomings in the machine. The Store Officer could not also find any alternative use for the machine even with the technical advice of the suppliers. The machine has thus remained unused since its purchase three years ago.



## AIR FORCE

26. *Procurement of unwanted equipment.*—(a) In 1954, 26 twin-engined transport aircraft of a particular make were purchased together with 24 reserve engines. Initial spares to cover one year's requirements of maintenance and overhaul were also ordered on the basis of the manufacturer's recommendation.

In April, 1954, it was decided that the work of overhauling the engines should be entrusted to an Indian Company which was already handling the same engine. Differences, however, arose between the Company and the Defence authorities regarding the provisioning of the spares and the commission to be paid on the spares procured by the Company. As a result, the arrangements could not be finalised till December, 1956, by which time a large number of engines had been immobilised pending overhaul. Indents for additional spares were placed by the Defence authorities between May and November, 1957, but the contracts with the manufacturers for the supply of spares could only be finalised between September, 1957 and February, 1958.

As a result of the delays in the finalisation of the overhauling agreement with the Indian Company and in the procurement of spares, a critical situation in the transport fleet had developed and 12 re-conditioned engines had to be ordered from abroad, in August, 1957, at a cost of nearly Rs. 30 lakhs.

This last purchase could have been avoided had the agreement for overhaul been concluded with the expedition necessary.

(b) While placing an indent in December, 1950, for 55 sets of a particular store, the fact that 50 sets had already been ordered in December, 1948 was over looked. This resulted in stores worth Rs. 2,10,400 becoming surplus to requirements.

(c) 18 Transmitter/Receiver sets which were incapable of air to ground communication in India came fitted in certain aircraft received during April to December, 1954. In spite of this, an indent for 4 additional units of the same type of set was placed in August, 1954, as maintenance equipment. These are still in stock in February, 1959. The 18 sets fitted in the aircraft are also in stock as the aircraft were refitted with another type of inter-communication set in 1955.

The indent for 4 additional sets valued at Rs. 16,267 in August, 1954, was placed because of faulty planning.

## CHAPTER 4

### DEFENCE FACTORIES & INSTALLATIONS

#### DIRECTOR GENERAL, ORDNANCE FACTORIES

27. *Infructuous expenditure incurred in an Ordnance Factory.*—An Ordnance Factory had been running for years with about 1,200 KW of electric power supplied by a State Government. In 1952, it was decided to instal two generating sets of 2,000 KW each in this Factory, to meet the increased requirements and an anticipated further demand for power from August, 1953 due to the proposed manufacture of a new item of store.

Two generating sets were accordingly received in the Factory in June, 1953 but erection commenced only in May, 1954. In October, 1954, before the installation was completed, the State Government intimated the Factory that they would be in a position to increase their supply to 3,000 KW. Despite this, the work of installation was proceeded with. In the meanwhile, the State Government actually stepped up their supply to 2,700 KW from April 1, 1955 and to 3,000 KW in February, 1956, which met the full requirement of the Factory, as in March, 1956 the two generating sets were sold off at the original price to a third party, but meanwhile an infructuous expenditure of Rs. 2.8 lakhs had been incurred on the installation of the sets.

28. *Avoidable expenditure incurred in the manufacture of furniture by an Ordnance Factory.*—In 1949, an Ordnance Factory invited quotations for 742 steel cupboards and the lowest tendered cost worked out to Rs. 1,67,478. Subsequently, the Director General, Ordnance Factories, decided in November, 1949, to have the same manufactured in the Ordnance Factories without, however, calculating the production costs. The indenting factory thereupon placed two urgent demands for 742 units on another factory, in January, 1950. Meanwhile the indenting factory, started manufacture of wooden cupboards to meet its current requirements without, however, making a corresponding reduction in the demand for steel cupboards placed on the producing factory. Even in September, 1952, when the latter intimated its inability to complete the supply before another three or four years, the indenting factory retained its original demand.



The producing factory commenced manufacture of the indented quantity in December, 1952. In July, 1954, by which time the indenting factory had manufactured 356 wooden cupboards, it proposed cancellation of 146 units of steel cupboards ordered from the producing factory. Due to the advanced state of manufacture, only 97 units could, however, be cancelled. Thus 645 steel cupboards and 356 wooden ones (i.e. 1,001 in all) valued at Rs. 3,19,808 and Rs. 98,560 respectively had been manufactured by the producing and the indenting factories respectively. Apart from the fact that 259 cupboards had been produced surplus to requirements, the manufacturing cost at the Ordnance Factory was much higher than the price payable to the private supplier, being Rs. 3,19,808 against Rs. 1,41,708 for the 645 units.

29. *Manufacture of a store in an Ordnance Factory.*—In August, 1949, Air Headquarters placed an indent on Director General, Ordnance Factories for 4,750 numbers of an item of aviation store. Delivery was to commence in June, 1950 and end by May, 1951. The indenter, however, did not inform Director General, Ordnance Factories that tests would be necessary during the initial stages of manufacture which might require a modification even in the specifications for the raw materials used.

The Director General, Ordnance Factories acquired components and raw materials costing Rs. 24.35 lakhs (including a large quantity of silk fabric valued at Rs. 17.01 lakhs) to cover the entire quantity on order before successful production had been established and proper tests carried out.

After the materials worth Rs. 20 lakhs had been indented for (by January, 1950), the indenter reduced the quantity on order to 3,250 numbers. In February, 1952, the indenter further instructed that the first lot of production should be restricted to 50 experimental units, bulk production being commenced only if the tests showed satisfactory results. 55 numbers were accordingly delivered to the indenter during August to November, 1953, but the tests conducted in January, 1954, revealed that the stores were unsuitable due to defect in some of the materials used. These materials costing Rs. 4.21 lakhs were thus rendered useless. In March, 1954, the order was further reduced to 2,350 numbers. In June, 1956, it was decided by Air Headquarters that a fresh batch of 20 should be manufactured by using different materials. Fresh materials worth Rs. 10,485 were accordingly acquired by the Factory. Though the results of the tests this time were reported to be satisfactory, it was decided in March, 1957, that another batch of 60 should be manufactured for

further trials. No information is available as to whether this batch has been tested.

Practically the entire quantity of raw materials purchased (including silk fabric which deteriorates in storage) has been lying unused for 7 years. This situation could have been avoided, had the indenter clearly restricted his initial demand to the minimum quantity required for test purposes. Similarly, if Director General, Ordnance Factories had exercised ordinary prudence and indented for the quantity of raw material required for establishing initial production of this item, the loss could have been reduced. There were defects both in indenting and in provisioning.

30. *Accumulation of raw materials and components in Ordnance Factories.*—Cases were noticed in audit where raw materials/components had accumulated in factories due either to cancellations or reductions of demands or to non-materialisation of demands in anticipation of which the stores had been collected. A few instances are given below:—

(a) The manufacture of certain components of a store was commenced in a factory in response to a demand from another factory in September, 1955. Surpluses of this store were already available in a third factory but this fact was lost sight of at the time of placing the demand. Subsequently, when it was known that the store was already available, further manufacture of the store was stopped. Components valued at Rs. 1,04,664 already manufactured thus became surplus.

(b) A demand was received in a factory in January, 1955 from another factory for a component required in connection with the manufacture of an item of store. After part manufacture of the store, further manufacture was suspended in September 1956, as a result of which components worth Rs. 57,847 were rendered surplus.

(c) A factory imported raw material valuing Rs. 70,861 from abroad between 1952 and 1955 and also collected materials worth Rs. 7,790 locally in 1956 in connection with the manufacture of an item of store on the basis of anticipated requirements of the Services. Demand for the store did not, however, materialise and consequently the materials collected were declared surplus to requirements in 1956-57.



## CHAPTER 5

### STOCK VERIFICATION

31. *Stock verification in Army Units and Formations during 1957-58.*—During the year 1957-58, stock verification was incomplete in the following respects:—

- (a) no verification was carried out in four formations,
- (b) only partial verification was carried out in twenty eight other formations.

The results of stock verification carried out in three Central Ordnance Depots during 1957-58, given below, show that in spite of the reorganisation completed in 1953-54 and the subsequent verifications carried out from year to year, discrepancies are still large. The results of stock-verification in these three depots were commented upon in Audit Report (Defence Services) of the years 1955 to 1958, and the Public Accounts Committee Reports thereon.

Depot.	Total No. of items verified	No. of items in which discrepancies were revealed		Value of discrepant items		Remarks
		Surpluses	Deficiencies	Surpluses	Deficiencies	
1	2	3	4	5	6	7
1st Depot	86,605	2,673	1,695	Rs. 4,64,962	Rs. 1,34,542	This is the fourth stock verification after the completion of the reorganisation scheme on 31-5-53.
2nd Depot	1,53,460	3,892	3,330	2,24,626	1,66,500	This is the fourth stock verification after the completion of the reorganisation scheme on 31-10-53.
3rd Depot	1,44,201	2,901	3,318	3,98,718	76,635	This is the fifth stock verification after the completion of the reorganisation scheme on 31-12-52. The figure given in Col. 5 represents the value of 2,729 items only. Similarly, the figure given in col. 6 represents the value of 3,178 items only.

In four other formations the stock verification revealed large discrepancies as shown below:—

Formation	Value of discrepant items	
	Surpluses	Deficiencies
	Rs.	Rs.
1st Formation . . . . .	73,478	4,363
2nd Formation . . . . .	27,390	7,902
3rd Formation . . . . .	16,522	7,486
4th Formation . . . . .	3,907	15,861

32. *Stock verification in Ordnance and Clothing Factories during 1957-58.*—(a) In one factory pig iron stocks with a book value of Rs. 1.82 lakhs were not verified.

(b) In two other factories steel scrap worth Rs. 1.75 lakhs was not verified.

These items have remained unverified for the past seven to ten years.

The non-verification which is attributed to the bulky nature of the stores, the dispersal of the stores over wide areas and the non-availability of handling, lifting and weighing facilities has been condoned by Government this year also as in the past. Apparently neither the Director General, Ordnance Factories nor the Government have in the past considered it necessary to provide the necessary handling and weighing facilities for making the verification of these stores feasible.

33. *Stock verification in the Navy*—The stock verification carried out in two ships and two formations during 1957-58 was incomplete while in two other ships the verification proved inaccurate.

In another formation while the stock verification for 1956-57 completed in August 1956, did not reveal appreciable discrepancies, a subsequent stock verification carried out during October, 1956 to July, 1957 disclosed surpluses in 338 items valued at Rs. 9,960 and deficiencies in 947 items valued at about Rs. 59,700. About 22 items of machinery and fixtures were also reported deficient. A Court of Enquiry convened to investigate the discrepancies held that these discrepancies were the accumulated result of improper accounting, incorrect stock verifications, absence of a correct system of accounting and lack of control by the supervisory officers.

The regularisation of the loss, and information regarding the disciplinary action, if any, taken, and remedial measures adopted, are awaited.



## CHAPTER 6

### MISCELLANEOUS IRREGULARITIES

#### MINISTRY OF DEFENCE

34. *Disposal of land.*—On September 5, 1956, the “bhoomidari rights” over certain camping grounds measuring 26·66 acres were put up to auction. The highest bid of Rs. 12,500 was accepted and 10 per cent. of the bid was deposited on the same date by the successful bidder as earnest money. On October 12, 1956, the former lessee of the land, who had bid Rs. 12,000 only at the auction represented that the “bhoomidari rights” should be transferred to him for Rs. 12,000 as he had spent considerable sums on the development of the plot during the period of his lease. The representation was initially turned down by the Government, but later, on February 4, 1957, it was decided to allow him to have this plot for Rs. 12,501 and the transfer was effected on April 5, 1957.

The sale of the “bhoomidari rights” on the land to an unsuccessful bidder is a transgression of the principles of fair competition and open tender.

35. *Disposal of certain assets in an airfield.*—Certain Government assets (valued at Rs. 1,81,339) lying since 1946 in an abandoned airfield, were put to auction on December 20, 1951. The highest bid of Rs. 15,000 was not recommended for acceptance by the local officials because the earnest money of Rs. 4,000 offered by the bidder was insufficient; also because he wanted more time for site clearance. The next higher bid of Rs. 10,200 was, therefore, recommended for acceptance to higher authorities. The recommendation of the local officials was turned down and the assets were again put to auction on January 8, 1952, when the highest bid received was only Rs. 8,100. Even this bid could not be accepted by the competent authority, as the local officials failed to furnish full details of the assets and their condition in time (*i.e.* within three weeks of the date of auction), but furnished them only on July 8, 1952, by which date the bid had lapsed.

Thereafter, no auction for the disposal of these assets took place for nearly two years. When on May 16, 1954, a Government auctioneer (appointed on December 18, 1953) put up the materials

for auction, it was discovered that almost all of them had been pilfered, and there were no bidders for the remnants.

This loss is primarily due to delay in disposal and subsequently to the incorrect and inefficient handling of auction proceeding.

36. *Avoidable expenditure on rent.*—A first floor flat was rented by a Mission abroad for an army officer, at a rent of Rs. 738 p.m. from October 1, 1956.

When in June, 1957, a ground floor flat of that house fell vacant and the officer wished to move into it for his own convenience, the landlord offered to let the ground floor flat at a monthly rent of Rs. 851 provided the first floor flat was also retained by the Mission. The landlord's terms were accepted though there was neither any immediate or even prospective need for the extra accommodation.

The officer moved into the ground floor flat on August 1, 1957 and the first floor flat remained vacant until August 17, 1958 except for the period from August 24, 1957 to February 6, 1958, resulting in an avoidable expenditure on rent of about Rs. 5,200 and an expenditure of Rs. 805.93 on the ground floor flat for the removal and refitting of gas, electrical etc. fixtures.

#### MINISTRY OF FINANCE (DEFENCE)

37. *Internal check of pension payments.*—Since 1951-52, a qualified certificate of internal audit of pension disbursement accounts has been furnished by the Controller General of Defence Accounts partly on the ground of non-receipt in time of pension payment documents from certain Disbursing Officers and partly of delays in the completion of the check in the Accounts Office itself.

The above arrears persisted even during the year under report and the position is roughly as below:—

- (i) One hundred payment accounts pertaining to 1957-58 were awaiting check at the end of October, 1958.
- (ii) 2,382 "Change Statements" (912 relating to 1955-56) were awaited at the end of December, 1958, from various Pension Disbursing Officers. The "Change Statements" are to be rendered monthly by the Pension Disbursing Officers and are essential for the audit of pension payments.
- (iii) A large number of "Pension Audit Cards" had either been missing or mislaid in the office of the Controller of Defence Accounts over a period of years. Out of the 11,846 Audit Cards, which were not traceable in May, 1957, some had



been missing for two to nine years. 11,560 of the above Audit Cards have been since traced and 256 others have been reconstructed (December 1958) leaving a balance of 30 cards still to be traced or reconstructed.

In the absence of the Pension Audit Cards, no effective check of the payments made to concerned pensioners could have been exercised in the relevant years.

38. *Grant of pension.*—A Subedar of the Indian Army was sanctioned in March, 1948, a disability pension of Rs. 82-8-0 per month (plus Rs. 6 p.m. temporary increase) with effect from November 8, 1946. On receipt of a report regarding his re-employment as a civilian clerk from September 25, 1950, the case for continuance of the disability pension was taken up for review in 1954. It was then observed from the individual's service documents that the disability for which pension was granted was of pre-enrolment origin which had not been aggravated by any war-service factor. The erroneous award of disability pension (which was made without a proper scrutiny of the service documents) resulted in an over payment of Rs. 8,033 covering a period of nearly seven years, which was regularised by Government in February, 1957, without any action against the persons responsible for the erroneous sanction of pension.

#### MASTER GENERAL OF ORDNANCE BRANCH

39. *Irregularities in the accounts of a Central Ordnance Depot.*—In July, 1958, it came to the notice of the Commandant of a Central Ordnance Depot that Government stores were being surreptitiously used by a contractor who was carrying out some repair and maintenance work within the depot premises. Investigations subsequently carried out revealed that large quantities of nails, nuts, bolts, screws, metal tubings, small tools, vehicle components, etc. had been kept unaccounted for in the depot, being hidden, or buried underground. The value of such unaccounted for stores, unearthed upto end of February, 1959, is estimated at over Rs. 7 lakhs. The search for the hidden stores is continuing.

It is interesting to record that stocks of certain items of stores now unearthed, had been declared in the past as deficient and written off the depot stocks. It is also noticed that the depot authorities had in the past failed to produce receipted copies of issue vouchers on which some of these stores were alleged to have been issued to various units and formations. These factors indicate the probable methods by which the stores now unearthed had been kept out of account.

These and certain other irregularities in the local purchase of stores such as paint, caustic soda, ink, timber etc. effected during 1956-57 were brought to the notice of the higher authorities in June and November, 1958. A Board of Officers was convened in July, 1958 to investigate into some of these irregularities and its findings are awaited.

40. *Loss due to deterioration of stores.*—Large stocks of camouflage nets of various sizes were being held since the last war at a Central Ordnance Depot under such defective storage conditions that the nets rapidly deteriorated due to exposure. Inspection of the stocks during December, 1948 to November, 1950 revealed that nets worth about Rs. 73 lakhs had been rendered useless. The loss was written off by Government in October, 1958.

The nature of the stores was such that they should not have been stored in the open.

41. *Loss due to delay in the disposal of stores.*—The review of the requirements of hospital sheets for the period ending 1948-49 made by a stock-holding Depot in December, 1947, revealed a surplus of 2,03,208 sheets. The suggestion made by the Depot in December, 1947, December, 1949, March, 1950 and December, 1951 to the Army Headquarters that this war-time stock might be disposed of through Officers' Shops on an unrestricted scale was not accepted. In July, 1954, it was specifically brought to the notice of the Army Headquarters that a large quantity of the surplus stock was of the part-worn serviceable variety, with and without stains, and it was again urged that these sheets might be disposed of through Officers' Shops at reduced rates. In November, 1955, the Army Headquarters finally agreed to dispose of the sheets through the Officers' Shops at the reduced rate of Rs. 3 each for part-worn sheets with stains against the issue rate of Rs. 4/11/-. Out of 52,300 stained sheets held in stock, 37,532 have so far (January 1959) been issued to the Officers' Shops. Meanwhile, an expenditure of Rs. 20,800 was incurred in washing a quantity of 83,208 stained sheets between December, 1950 and November, 1955. Had the suggestion of the Depot for the disposal of the surplus store been accepted in 1947, these sheets might have fetched a better price and been sold off earlier.

#### ENGINEER-IN-CHIEF'S BRANCH

42. *Purchase of electricity by the Military Engineer Services at a station.*—Under the terms of an agreement concluded in June, 1941, with an Electric Supply Company, the Military Engineer Services



were obtaining electricity at annas -/2/9 per unit at a certain station. The rate was reduced by the Company to annas -/2/6 per unit with effect from April 1, 1949.

On October 16, 1951, the Company was taken over by a State Government which continued the supply of electricity to the Military Engineer Services at the old rate of annas -/2/6. The State Government introduced their standard tariffs (which were lower) with effect from March 1, 1952 in the areas previously served by the Company and suggested to the Military Engineer Services on February 9, 1952 that the terms of their agreement with the defunct Company might be reviewed. No effective action to revise the agreement was, however, taken by the Military Engineer Services with the result that the benefit of the lower standard tariffs could not be availed of from March 1, 1952. Further reductions in the tariffs were introduced by the State Government with effect from January 1, 1954. Negotiation to secure supplies at the reduced rates was initiated by the Military Engineer Services thereafter on February 10, 1954, and the revised tariffs were made applicable to the Military Engineer Services from November 1, 1955 only.

Had Military Engineer Services agreed to the proposal of the State Government on February 9, 1952 an extra expenditure of over Rs. 3,12,000 due to the payment of higher electricity rates during the period March 1, 1952 to October 31, 1955, could have been avoided.

43. *Delay in the disposal of Government buildings.*—In two stations certain Government buildings remained vacant for periods varying from 5 to 9 years. During this period an expenditure of Rs. 23,271 was incurred on the wages of Chowkidars detailed for watching the buildings. These vacant buildings were finally disposed of by auction in December, 1954, April and July, 1956 for Rs. 13,660 only against their book value of Rs. 1,97,225.

Had expeditious action been taken to dispose of the buildings, not only could a considerable portion of the expenditure on watch and ward have been saved but the buildings might also have fetched a better price.

44. *Loss of timber in a Military Engineer Services Division.*—An auction for the sale of about 2,500 cft of timber was held on October 10, 1952 under the supervision of a Garrison Engineer. A sale release order for this quantity was issued to the successful bidder on October 23, 1952 after he had deposited the amount of the bid viz. Rs. 5,100 in the Treasury. When, however, he went to take delivery of the store, in the first week of November, 1952, he was offered only

1,200 cft of timber which was the quantity available at site, which he naturally refused to accept. As the full quantity of 2,500 cft of timber was not handed over, the contractor filed a suit against the Government and got a decree in his favour, in May, 1957, for Rs. 6,617. This sum which included the amount deposited by him plus interest and also the proportionate cost of suit, was paid to him by the Garrison Engineer in June, 1957. No action was, however, taken by the latter to investigate into the shortage of 1,300 cft of timber.

45. *Engagement of Departmental labour.*—With the employment of Permanent Gangs and Term Contractors in the Military Engineer Services, the direct engagement of labour was restricted, by a Departmental order issued in 1949, to urgent works rendered necessary by operational, technical or medical reasons. In a certain Division, although Permanent Gangs were sanctioned and Term Contracts were concluded for every station under its jurisdiction, an expenditure of nearly Rs. 1.7 lakhs was incurred, during 1953-54 alone, on additional directly employed labour (other than Muster Roll Labour), notwithstanding the fact that there was no operational/technical/medical necessity. Records of works such as Requisitions for the works, Progress Reports, Statement of Stores issued, etc. were not maintained and therefore, it was not possible for audit to find out whether there was any justification for the employment of additional labour. The engagement of directly employed labour in contravention of the provisions of the above-mentioned Departmental order, and without the essential supporting records mentioned above, has been irregular.

#### QUARTERMASTER GENERAL'S BRANCH

46. *Accommodation for officers in hotels.*—Officers provided with accommodation in hotels are entitled to be reimbursed the difference between the rent element included in the hotel charges and their normal rent liability when Government accommodation is allotted to them. The Station Commander is to determine in each station what proportion of the charges made by the hotels should be allocated to rent.

In one Station, in June, 1949, the rent element included in the hotel charges was fixed at flat rates of Rs. 12 per day for married officers with children and Rs. 9 per day for married officers without children. As these flat rates were not related to the total hotel charges incurred by the officers at different hotels, they led to anomalous results; for example, in a case where the total hotel charge



was Rs. 12-8-0 per day for an officer with family, the element of charge for food and services worked out to annas 8 only; in another case it was Rs. 2 per day and in certain cases, nil.

On the matter being pointed out by audit in October, 1953 these rates were reviewed by a Board of Officers in August, 1955, who refixed the rent element at 47½ per cent. of the total hotel charges with effect from October, 1955. On the basis of this refixation, the amount overpaid to the officers for the period June, 1949 to October, 1955 amounted to over Rs. 15,000.

The Government do not propose to recover this amount from the officers concerned as they feel that the flat rates were fixed after complying with all formalities, and the officers had drawn the amounts in good faith. No action has, however, been taken against the Station Commander who had grossly over-assessed the rent element, in June, 1949.

47. *Arrears of rent, etc. due from a private party.*—Certain premises at a Military Farm were let out in October, 1952 to a private club for keeping fifty hunting dogs, etc. and residential quarters for the attendants of these animals.

No payment of rent was made by the Club till January, 1957, though rent bills were issued regularly by the Farm authorities and by February, 1957 the outstanding dues had mounted to over Rs. 10,000. Further issue of rent bills was, however, discontinued under instructions from Army Headquarters and the outstanding dues were also removed from the books of the Farm.

48. *Arrears of rent due from a Service Officers' Club.*—In 1944, about two and a half acres of Government land was leased to a Committee for the construction of a swimming pool with ancillary buildings, for use by British troops. The swimming pool and the buildings were constructed at a cost of about Rs. 3 lakhs raised by private contributions and donations. In 1949, the Committee made over these assets to Government who entrusted the property to Military Engineer Services for maintenance. Since then, the assets are being used by a club of Service Officers, without payment of rent or maintenance charges.

The question of recovery of rent from the Club was taken up in audit in 1953 but the final decision of the Government is still awaited.

On the basis of a rent assessment made by the Military Engineer Services, the amount recoverable from the Club up to January, 1959, would be approximately Rs. 1.5 lakhs.

## MILITARY SECRETARY'S BRANCH

49. *Avoidable expenditure on posting of an officer abroad.*—A Commissioned Officer selected on February 4, 1956 for transfer as Military Attache in a foreign country was certified on March 17, 1956 as fit by an Army Medical Board, although on December 5, 1955 he had undergone a major operation for pulmonary tuberculosis. On April 9, 1956 (the day previous to his embarking) the officer reported sick at the Military Hospital, Bombay, where the local Medical authority advised him not to undertake the voyage. The officer, however, sailed on April 10, 1956 at his own risk for his new post, *via* London with family and one servant.

On receipt of report from the Area Medical Officer, the Service Headquarters instructed the High Commission in London on April 12, 1956 not to allow the officer to proceed beyond London unless he was found fit by a fresh Medical Board to be assembled in London. The officer reached London on April 24, 1956 and the Medical Board, on May 2, 1956, considered him unfit to undertake further voyage immediately and decided to reexamine him after about two or three weeks. Though the second Medical Board held on May 23, 1956 did not declare him unfit, it was decided by the Government on July 28, 1956 to recall the officer on the advice of the Medical experts in the High Commissioner's office, London. The officer himself was not sure of his condition of health, and sailed back for Bombay on August 17, 1956. The officer remained on duty in India for a short period and went on 6 months leave preparatory to retirement on March 21, 1957. No information is available as to how the period from 8-4-1956 to 5-9-1956 *i.e.* from the date he was struck off duty in India to the date prior to his resumption of duty in India, has been treated.

The cost of passages both ways and charges for accommodation of the officer and his family in London amounting to £2,152 (Rs. 28,693) approximately could have been avoided had the authorities, having regard to the officer's medical history and the state of his health at the time of his embarkation, postponed his embarkation pending a fresh examination in India.

## NAVY

50. *Overtime Payments to workers in a Naval Dockyard.*—In a Section of the Naval Dockyard overtime was claimed by workmen on practically every working day during the month of December 1955 and in some cases, the actual hours of work done including



overtime totalled 12 to 20 hours a day for five or six days in the week, at a stretch. As these prolonged spells of overtime were obviously undesirable, both from the point of view of the workmen as well as that of the Government, the attention of the Ministry of Defence was drawn to the situation in the Dockyard.

A Board of Enquiry, constituted for the purpose reported in November, 1956, after reviewing the records for the 4 months ending February 1956 (during which a sum of Rs. 4,96,955 had been disbursed as overtime) that in the Dockyard the proper procedure for preparation of overtime documents had been persistently disregarded; that these documents contained unattested and/or unauthorised over-writings, erasures, insertions and substitutions, and that in some cases the overtime data appeared suspicious. The Board also found that the system prevailing in the Dockyard provided opportunity for malpractices, as supervision on overtime was inadequate. They suggested that, as a more detailed examination might reveal serious irregularities, careful Departmental enquiries should be instituted into the cases of over-payments suspected by the Board.

The Committee's findings have, for a period of over 2 years, remained under the consideration of the Ministry of Defence, who have merely advised, in March, 1958, that action on the recommendations would be taken in due course. Although many months have elapsed, no consideration has been given to the question of taking disciplinary action against the persons responsible.

#### AIR FORCE

51. *Infructuous expenditure incurred on overhaul of aero-engines.*—During the period 1949 to 1952, 226 aero-engines of a particular type were purchased by the Indian Air Force from a foreign country at a cost of about Rs. 138 lakhs. Out of these, 206 numbers were overhauled by an Indian concern at a cost of Rs. 22,30,578 up to 1952.

These overhauled engines developed trouble even before the expiry of half the expected life of 240 hours. Due to the unexpected rate of failures, all the aircraft fitted with these engines were ordered to be grounded in December, 1952. The manufacturer's representative, after inspection of these engines, suggested certain improvements and modifications in overhaul technique, as a result of which it was decided in July, 1953 to get 106 engines re-overhauled by the same Indian concern according to the manufacturer's improved technique,

on a 'cost plus' profit basis. During the period December, 1953 to April, 1955, "on account" payment of Rs. 3 lakhs was made to the concern in respect of the overhaul of 40 engines. Re-overhaul of another 16 engines and certain additional repairs and partial overhaul of 27 engines were carried out during June, 1953 and July, 1955 at a total cost of Rs. 1.87 lakhs.

The programme of re-overhaul continued till June, 1955 when it was decided by the Air Force authorities to suspend all work in this connection. In November, 1957, the Government decided to withdraw from service the aircraft for which these engines were procured. The overhaul and re-overhaul of these engines has thus entailed on the Government a total expenditure of about Rs. 27 lakhs, much of which must be considered to be unproductive.

HINDUSTAN AIRCRAFT (PRIVATE) LIMITED, BANGALORE

52. *Large outstanding dues.*—The amount due from the customers as on March 31, 1958 was about Rs. 230 lakhs (detailed below) against Rs. 182 lakhs on March 31, 1957 and Rs. 162 lakhs on March 31, 1956. This shows that the outstanding balances are progressively increasing.

*Balance as on 31-3-1958*

	Rs.
Indian Air Force . . . . .	134,83,708
Railway Board . . . . .	30,04,962
Other Govt. Bodies . . . . .	40,65,165
Airline Customers . . . . .	14,88,572
Other Customers . . . . .	9,52,010
TOTAL . . . . .	229,94,417

The figure shown against Airline Customers includes amount of Rs. 9,89,935 due from three companies which are in liquidation. The outstanding balances were not confirmed by customers. Early action is required to be taken for the realisation of these large outstandings.

53. *Infructuous expenditure in training personnel on the work of Wright Cyclone Engines.*—The Defence Services requested the Hindustan Aircraft (Private) Limited to plan for the execution of an overhaul programme on the understanding that they would recommend to Government that the work should be entrusted to



them. When the Company asked on April 8, 1953 for more details/more particulars about the work load so that it could consider the advisability of sending personnel abroad for training, the Defence Services suggested that it would be advisable to do so since the ultimate responsibility for adequate planning and execution of the overhaul project would devolve upon the Company. The Company thereupon deputed their personnel to America and to Bombay for training on the work, and a total expenditure of Rs. 20,430 was incurred by them, in this connection.

Later, on April 12, 1954, the Services intimated the Company of their decision to entrust the work to another Government agency (Air India International). The expenditure (Rs. 20,430) incurred on the project by the Company had thus been rendered unnecessary. Of this expenditure, a sum of Rs. 6,495 (equal to 50 per cent. of the travelling allowance, etc. of the Company's personnel) was borne by Government.

P. K. BASU,

*Director of Audit, Defence Services.*

NEW DELHI;

Dated the **- 8 JUN 1959**

*Countersigned.*

A. K. CHANDA,

*Comptroller and Auditor General of India.*

NEW DELHI;

Dated the **11 JUN 1959**