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REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR 1971-72

UNION GOVERNMENT (DEFENCE SERVICES)

CONTENTS

PREFATORY REMARKS

This volume relates mainly to matters arising from the Appropriation Accounts of the Defence Services for 1971-72 (which have been published as a separate volume by the Ministry of Defence) and other points arising from the audit of expenditure incurred by the Defence Services.

The financial irregularities, losses, etc., commented upon in the Report relate to cases which came to the notice of Audit during the year 1971-72 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 1971-72 have also been included wherever considered necessary.

The points brought out in this Report are those which have come to notice during the course of test audit of the accounts of the Defence Services and they are not intended to convey, or to be understood as conveying, any general reflection on the financial administration by the Departments/Authorities concerned.

CHAPTER 1

BUDGETARY CONTROL

1. *Budget and actuals*

The table below compares the expenditure incurred by the Defence Services in the year ended March 1972 with the amounts authorised by Parliament to be spent during the year :—

	(crores of rupees)
(*i*) Charged Appropriations	
1. Original	0.20
2. Supplementary	0.12
TOTAL	0.32
3. Actual Expenditure	0.17
4. Savings	0.15
	(Percentage)
5. Savings as percentage of total provision	46.87

	(crores of rupees)
(*ii*) Voted Grants	
Authorised to be spent :	
1. Original	1328.58
2. Supplementary	177.01
TOTAL	1505.59
3. Actual Expenditure	1620.40
4. Excess	114.81
	(Percentage)
5. Excess as percentage of total provision	**7.62**

2. *Savings over charged appropriations*

Of the total savings of Rs. 15 lakhs, saving under Grant No. 111—Defence Capital Outlay was Rs. 9 lakhs and was mainly due to supplementary appropriations of Rs. 12 lakhs taken in March 1972 under this Grant.

3. *Excesses over voted grants requiring regularisation*

The excesses under the five voted grants which require regularisation under Article 115 of the Constitution are detailed below. These excesses occurred despite supplementary grants totalling Rs. 177.01 crores taken in March 1972 under these grants.

Particulars of grants	Total grant Rs.	Actual expenditure Rs.	Excess Rs.
(*i*) 2—Defence Services, Effective—Army	958,79,50,000	1043,74,86,194	84,95,36,194

The excess was mainly due to (i) heavy expenditure on rail charges consequent on large scale movement of personnel and stores on account of emergency, (ii) more expenditure on stores than anticipated and (iii) increased expenditure on maintenance of buildings/installations.

(*ii*) 3—Defence Services, Effective—Navy	67,43,90,000	69,53,09,266	2,09,19,266

The excess was mainly due to more consumption of stores/materialisation of supplies than anticipated on account of operational necessities.

(*iii*) 4—Defence Services, Effective—Air Force	265,38,00,000	276,86,88,770	11,48,88,770

The excess was mainly due to (i) more materialisation of supplies of stores on account of operational necessities and (ii) larger expenditure on civil works, maintenance of buildings/installations and payment of departmental charges.

(*iv*)5—Defence Services, Non-effective	50,69,00,000	51,20,34,251	51,34,251

The excess was mainly due to more payment of pensionary charges and receipt of more debits from Civil Accountants General at the close of the year than anticipated.

(*v*) 111—Defence Capital Outlay .	163,28,00,000	179,04,38,941	15,76,38,941

The excess was mainly due to larger expenditure on civil works, acquisition of land and plant and machinery.

4. *Control over expenditure*

Some instances where there was appreciable excess in expenditure as compared to the budget provision/final estimates under individual sub-heads are given below :—

Sl. No.	Nature of expenditure	Sub-Head of the grant	Budget provision	Final estimates	Actual expenditure	Variation between cols. 5 & 4	Variation between cols. 6 & 5	Reasons for variation in column 8
1	2	3	4	5	6	7	8	9
				(crores of rupees)				
2—*Army*								
(*i*)	Transportation . .	D	27.63	39.51	51.39	+11.88	+11.88	Due to large scale movement of personnel and stores on account of emergency.

1	2	3	4	5	6	7	8	9
(*ii*)	Ordnance and Clothing factories	F.2	127.28	152.98	194.83	+25.70	+41.85	Mainly due to larger expenditure on stores than anticipated.
(*iii*)	Expenditure on stores [other than for manufacturing and Research Establishments and Military Engineer Services (excluding Engineer Stores Depots)]	G	215.06	302.31	325.86	+87.25	+23.55	Due mainly to increase in requirements and expeditious materialisation of supplies of provisions, petrol, oil and lubricants and mechanical transport vehicles and connected stores.
(*iv*)	Expenditure on works (chargeable to Revenue), maintenance, etc.	H	42.64	46.85	50.82	+4.21	+3.97	Mainly due to larger expenditure on stores and maintenance of buildings and installations on account of emergency.
3—*Navy*								
(*v*)	Expenditure on stores	F	25.65	31.55	32.80	+5.90	+1.25	Due mainly to larger expenditure on aviation and armament stores on account of operational necessities.
4—*Air Force*								
(*vi*)	Expenditure on stores	F	159.85	173.71	182.69	+13.86	+8.98	Mainly due to heavier expenditure on aviation, petrol, oil and lubricants and other stores in the wake of hostilities.

1	2	3	4	5	6	7	8	9
(*vii*)	Expenditure on works (chargeable to Revenue), maintenance, etc.	G	11.94	15.65	18.25	+3.71	+2.60	Due mainly to larger expenditure on civil works, maintenance of buildings/installations and payment of departmental charges.
111—*Defence Capital Outlay*								
viii)	Army Works	A	62.57	66.85	70.66	+4.28	+3.81	Mainly due to more expenditure on civil works than anticipated.
(*ix*)	Air Force Works	C	20.00	19.52	24.39	—0.48	+4.87	Due mainly to execution of operational works and increase in cost of acquisition of land.
(*x*)	Manufacturing and Research Establishment Works	D	33.59	31.98	39.11	—1.61	+7.13	Mainly due to heavier expenditure on plant and machinery.

another ordnance factory for grit blasting till the middle of 1971 after which alternate arrangement was made in this ordnance factory for that purpose. The second component was sent to the inspector in October 1972 for acceptance. The Ministry has stated (January 1973) that after it is cleared by the inspector it would be possible to go in for bulk production of this component, but orders for B are inadequate.

Facilities for production of F have been established. At present, however, there are no orders on this factory for F and, therefore, some of the machines have been retooled for other production.

Production targets of phase I-A in the factory were revised in April 1970 and again in April 1971. Under the second revision in April 1971 the production target for 1971-72 was only about half of the reduced production target for that year fixed in April 1970. Actual production in that year was only about half of the reduced production target for that year.

Phase I-B

Production of two components of C and the one component of B was expected to commence by 1974. The Ministry stated (January 1973) that it would be possible to commence production of E by 1973 but there had been a fall in demand for that item, requirement of which on a long term basis was itself likely to be reviewed. It was decided in October 1966 not to produce one variety of D. In August 1968 it was also decided not to produce the other variety of D as it was not acceptable to Army on technical grounds. There has been no production so far under phase I-B.

As mentioned in paragraph 5 of the Report for 1970-71, due to time taken to put up the factory and the delay in the factory reaching its production capacity, 996 (out of 2677) residential quarters costing Rs. 89.06 lakhs constructed between April 1965 and July 1970 for this factory were lying vacant (October 1971).

A new ordnance factory to undertake filling has recently been established. The expenditure thereon upto the end of March 1972 was Rs. 21.73 crores. The shortfall in production of the factory whose operations have been reviewed in the foregoing paragraphs vitally affected production in the newly established filling factory, the production of which in 1971-72 was only about 3.2 *per cent* of its capacity. Reference to the filling factory has been made in item 1 of Annexure III of the certificate of the Controller General of Defence Accounts in the Appropriation Accounts of the Defence Services for 1971-72.

B. *Production of assault bridges*

Manufacture of a specified number of a type of assault bridge was decided upon in principle in April 1963. An agreement was entered into for this purpose with a foreign firm in February 1967. Under this agreement the foreign firm was to supply eight bridges and give detailed assembly drawings, component drawings, process and inspection schedule, etc., for establishing indigenous production of the bridges. Production of these bridges was entrusted to this factory in April 1967. The estimated cost (as revised in July 1971) of setting up of the facilities for manufacture of the bridges is Rs. 134 lakhs; this does not include cost of setting up facilities for production of aluminium profiles needed for manufacture of the bridge. Total expenditure upto March 1972 was Rs. 1.29 crores. The expectation was that two years after commissioning the factory would produce one bridge per month.

In terms of value the bridge consists of about 70 *per cent* aluminium parts made of aluminium profiles. Negotiations were going on for purchase of an extrusion press of 9000 tonnes per annum capacity for production of aluminium profiles from another foreign country and a contract had been concluded in December 1965 for this purpose. The 9000 tonnes press was chosen on normal considerations of extrusion technology. It was decided in November 1966 that the extrusion press would be installed in this factory so that the aluminium profiles needed for the bridge could be produced in this factory itself. According to sanctions issued in April 1969 and June 1969, setting up of the extrusion press (Rs. 655.97 lakhs) with facilities for making aluminium billets for production of 3000 tonnes of aluminium profiles per year initially is estimated to cost Rs. 878.57 lakhs. Production can be increased to 9000 tonnes per annum subsequently with installation of additional ancillary plant facilities. Upto March 1972 Rs. 4.12 crores were spent for this purpose.

A detailed study for setting up the facilities for manufacturing the bridge was conducted by the representatives of the foreign firm, who submitted their report in November/December 1968. This report gave the details of plant and machinery, requirement of billets, production schedule, etc. Thereafter, a team of officers went to the foreign country and placed orders in February 1970 for the items to be imported from that country. By March 1972 about 80 *per cent* of the machines required for setting up facilities (excluding the extrusion press) for manufacture of the bridge had been received and 52 *per cent* of those received (42 *per cent* of the total) were installed and commissioned. But these had to be installed and commissioned in the maintenance section of the factory temporarily as the building in which these were to be installed was not ready. The building (estimated cost Rs. 27.16 lakhs) was expected to be ready by September 1970. Due to delay in completing dust-free ventilation system in the building, after rectification of defects noticed while commissioning the system in November 1971, it was handed over to the factory by the Military Engineer Services only in May 1972. The machines were subsequently shifted to the new building.

The extrusion press and ancillary equipments were received during August 1968 to June 1969. But the extrusion press could not be installed as the buildings were not ready till October/November 1972. The slow progress in building construction was due to delay in receipt of steel structurals from trade which held up fabrication of components needed for construction of the foundry and the extrusion shops. It is estimated that over the next ten years about 40 *per cent* of the capacity of the press would be needed for all Defence purposes leaving about 60 *per cent* spare capacity possible exploitation of which is to be studied and finalised.

In all nine aluminium alloy assemblies are required for the super-structure of the bridge. Five of these assemblies require welding under specially controlled dust-free atmosphere. Since welding technology had to be established to achieve the quality welding required for manufacture of these bridges, production of four of the assemblies which were comparatively easier was started in 1971-72. Of the remaining five assemblies, the proto-types of three (girders) which are the most difficult were prepared in the middle of 1972; these proto-types were cleared for bulk production in October/November 1972. The proto-types of the other two assemblies were also approved in May/June 1972. Production of these five assemblies started in 1972-73. Production is being undertaken with imported aluminium profiles. In October 1971 an import order for Rs. 1 crore worth of aluminium profiles was placed.

The factory has not produced any bridge so far (January 1973). Eight such bridges costing Rs. 3.23 crores were ordered (in addition to the eight received under the agreement of February 1967) on the foreign firm in February 1970.

6. *Establishment of indigenous production of an item by an ordnance factory*

In October 1964 an ordnance depot placed an indent on the Director General, Ordnance Factories, for supply, by 31st March 1965, of 3750 numbers of an item required for a weapon, indigenous production of which has been established. To avoid imports on a long-term basis it was decided that indigenous production of this item should be established in an ordnance factory. The factory was initially hesitant to undertake the task in view of its heavy commitments for other priority items, particularly because production of this item would need manufacture of a number of critical toolings and gauges and the existing capacities in the tool room were required for meeting other priority items. However, it was finally decided that the factory should establish production of the item and it was assessed that it would take not less than 18 months to start production. The production cost as assessed by the factory was Rs. 115 each *vis-a-vis* imported cost of Rs. 55. Keeping in view the urgent requirement of the indentor and the time needed for establishment of production, it was decided to import 1000 numbers and manufacture the remaining 2750 numbers in the ordnance factory. The indentor was accordingly intimated by the Director General, Ordnance Factories, in April 1965.

In October 1965 the Director General, Ordnance Factories, placed an order on a foreign firm for supply of 1000 numbers of the item and the latter supplied them in July 1966. The order for manufacture of 2750 numbers was placed on the ordnance factory in June 1965. This was, however, misplaced by it and manufacture was not undertaken. The indentor also did not make any enquiry about this supply till August 1971, when the Director of Ordnance Services requested the Director

General, Ordnance Factories, to supply the balance immediately for operational reasons. In September 1971 the factory intimated that it did not have facilities for manufacture of the item. An order, therefore, was placed in November 1971 on the foreign firm, which had supplied the item earlier, for supply of 2750 numbers more. In view of extreme urgency, the entire supply was air-lifted from abroad at a cost of Rs 0.36 lakh.

Ministry intimated (December 1972) that, in the context of the recasting of priorities that became necessary in the wake of the hostilities in 1965, the factory had to give preference to higher priority items in the production of which the factory continued to remain engaged for a considerable time and that diversion of efforts to undertake manufacture of the item in question would have adversely affected production of higher priority items which would not have been desirable in the overall interest.

7. *Cost of manufacture in an ordnance factory*

Episcope, an optical instrument used in a tank, is produced in an ordnance factory and is also procured from trade. While the price of episcope purchased from the trade (order was placed on a firm for 400 episcopes in November 1970 which was increased to 600 in May 1972) was Rs. 645 each, its cost of production in the ordnance factory (where production had been established by the end of 1966) was Rs. 1,192, Rs. 1,110 and Rs. 1,015 each during 1967-68, 1968-69 and 1969-70 respectively.

The firm supplied 344 episcopes upto July 1972 out of 600 ordered. The ordnance factory on which an order for production of 4,600 episcopes was placed during June 1964 to May 1968 supplied 2,109 upto March 1972.

The Ministry stated (November 1972) that, as per the estimate framed in July 1972, the maximum cost (which includes fixed overheads) of the episcopes produced in the factory was Rs. 1,108.56 each, out of which Rs. 486.27 represented fixed overheads and Rs. 196.02 variable overheads. The Ministry added that, as per the latest (September 1972) cost of manufacture, unit cost of production was Rs. 920.79 while the minimum cost (materials, labour and variable overheads) would be Rs. 559.39 if all the fixed charges were excluded, and that it would be appropriate if this minimum cost was taken as the basis for comparison with the trade cost of Rs. 645. While confirming that quality of the episcopes supplied by trade was not inferior to that produced in the ordnance factory, the Ministry stated that, while comparing the cost of production in the factory and that in trade, several factors such as higher pay scales of workmen and other elements of emoluments in ordnance factories, expenditure on welfare measures, etc., should be taken into account. It was also stated that if orders for articles already established in the ordnance factories and for which capacities existed were diverted to trade, it would result in existing capacity becoming surplus.

8. *Delay in acceptance of offers and arranging re-sale*

An ordnance factory invited tenders for sale of 21.95 tonnes of copper scrap in November/December 1969 and the tenders were opened on 29th December 1969. The highest acceptable offer received was Rs. 16,133.65 per tonne and was from a local firm. This offer was valid upto 27th March 1970 as indicated in the tender enquiry. The factory recommended to the Director General, Ordnance Factories, on 23rd January 1970 acceptance of this offer and the latter, after obtaining concurrence of associated Finance, advised the factory by an express delivery letter on 13th March 1970 to accept the offer. The factory, however, received this letter on 27th March 1970 and communicated acceptance of the offer to the successful tenderer on 10th April 1970. The latter declined to conclude the deal on the ground that the validity of the offer in question had expired on 27th March 1970.

The scrap was then re-tenderded in June/July 1970 on the advice of the Director General, Ordnance Factories, and the tenders were opened on 11th September 1970. The highest offer received this time was Rs. 14,661 per tonne. As indicated in the tender enquiry this offer was valid upto 9th December 1970. The factory recommended to the Director General, Ordnance Factories, on 8th October 1970 acceptance of this offer and the latter, after obtaining concurrence of associated Finance, advised telegraphically the factory on 28th November 1970 to accept the offer. The factory received this telegram on 30th November 1970 and communicated acceptance of the offer to the successful tenderer telegraphically on 9th December 1970. The latter sent a reply on 13th December 1970 revoking the offer on the ground that the validity period had expired.

The Ministry of Law, to whom the matter was referred, stated in October 1971, that in this case a contract had legally come into existence between the parties on 9th December 1970 and, as the firm had committed a breach of the terms of the contract, there seemed to be no objection to forfeiting the earnest money deposited by the firm. About re-sale at the risk and cost of the firm, the Ministry of Law held that it might not be in order to do so at that distant point of time as the contract came into existence on 9th December 1970 and was to be performed within 30 days from acceptance of the offer. The earnest money of Rs. 2,500 deposited by the firm was accordingly forfeited.

The material was ultimately disposed of by public auction in February 1972 at Rs. 9,200 per tonne. Had the offer of December 1969 been accepted within the validity period, the sale proceeds would have been more by Rs. 1.50 lakhs as compared with what was realised finally. Due to delay in arranging re-sale, the difference of Rs. 1.20 lakhs between the subsequent highest offer of September 1970 and the actual sale proceeds could not also be realised.

The Ministry stated (November 1972) that the question whether there had been any avoidable delay on the part of the factory at any stage was being looked into and that the Director General, Ordnance

Factories, had been asked to order an enquiry so that remedial measures could be taken to avoid delays in future.

9. *Sale of copper scrap*

On 13th March 1970 an ordnance factory invited tenders for sale of 72.32 tonnes of copper scrap. The tenders received were opened on 27th May 1970. They were to remain open for acceptance for 2 months from the date of opening i.e., upto 27th July 1970. Out of the 4 offers received, the highest offer was from firm 'X' at Rs. 14,177 per tonne. This firm had specified that this rate was inclusive of excise duty, if leviable.

The offer of firm 'X' was recommended by the factory authorities on 30th May 1970 to the Director General, Ordnance Factories, for acceptance. This communication was forwarded through the Controller of Defence Accounts who offered his recommendations on 18th June 1970 to the Director General, Ordnance Factories. After exchange of some correspondence, the latter directed the factory authorities telegraphically on 10th July 1970 to get confirmation from the Central Excise authorities that excise duty was not leviable on the scrap. Those authorities had confirmed earlier in January 1969 that copper scrap which had not undergone any manufacturing process could be cleared without payment of duty. This was known to the factory authorities as well as the Director General, Ordnance Factories. The former pointed out to the latter by telegram on 13th July 1970 that the confirmation already obtained about non-levy of excise duty held good in this case as well. Again on 23rd July 1970, the factory authorities pointed out telegraphically to the Director General, Ordnance Factories, that fresh confirmation from the Excise authorities was not considered necessary as clear instructions about non-levy of excise duty on such scrap had already been received from the Excise department. The Director General, Ordnance Factories, however, asked the factory on 31st July 1970 to obtain fresh confirmation from the Excise authorities as advised by him earlier on 10th July 1970.

In the meantime, the period of validity of the offer of firm 'X' had expired and the firm declined to extend the validity period of its offer upto 18th August 1970 as requested by the factory authorities. Subsequently, the Director General, Ordnance Factories, asked the factory on 23rd September 1970 to invite fresh tenders for sale of the copper scrap. He also directed that it should be made clear in the invitation for tender that no excise duty was leviable on the scrap offered for sale. Accordingly, fresh tenders were invited by the factory in October 1970 and opened in December 1970. On the basis of the offers received as a result of the re-tendering and after obtaining concurrence of the Director General, Ordnance Factories, 62.32 tonnes of scrap were sold at Rs. 11,111.11 per tonne to another firm 'Y' and 10 tonnes at Rs. 11,331 per tonne to another firm 'Z'.

Central excise duty has never been levied on copper scrap. After the Director General, Ordnance Factories, had received the ordnance factory's communication dated 30th May 1970, it should have been possible for him to ascertain, in time, from the Central Excise authorities whether excise duty was leviable on the scrap. Had that been done and the offer of firm 'X' accepted before its validity period expired on 27th July 1970, the sale proceeds would have been more by Rs. 2.20 lakhs as compared with what was realised from sale of the scrap to firms 'Y' and 'Z'.

The Ministry intimated (December 1972) that in order to avoid such delays in finalisation of sale offers, remedial instructions had since been issued and that the Director General, Ordnance Factories, was also considering laying down a time schedule for processing of cases at various levels.

CHAPTER 3

PURCHASE OF STORES AND EQUIPMENT

10. *Purchase of boats*

A boat designed and developed by the Research and Development Organisation was accepted in 1962 for introduction into service after extensive technical and user trials carried out during February 1957 to December 1961. It was to replace an imported one that was being used by the Army. The design of the new boat was based on canvas hull containing a number of balloons to give desired buoyancy. It was intended to carry assault elements complete with weapons in river crossing operations. The boat was also to be used as a raft for taking across guns and light tracked carriers.

In November 1962, three orders were placed by the Army Headquarters on a public sector undertaking for supply of 660 boats at the rate of Rs. 4157 per boat. These were supplied during July 1964 to October 1964. Subsequently, during July 1965 to December 1968, orders were placed on this undertaking and four other firms 'A', 'B', 'C', & 'D' for supply of 1927 boats. The unit rate of these boats, which were supplied during February 1966 to September 1969, ranged from Rs. 3800 to Rs. 4300.

The specifications laid down in November 1962 for these boats provided that all stitches on the hull below life line should be finished with leakproof composition of an approved quality. In November 1964 an amendment was issued to these specifications which required application of leak-proof compound to all stitches—both below and above life line. Detailed specifications for the adhesive to be used at the stitches were, however, not laid down. Consequently, the public sector undertaking and the two firms 'A' and 'B' which supplied in all 1776 boats during July 1964 to December 1967 used certain adhesives, while the other two firms 'C' and 'D' which supplied 811 boats during March 1966 to September 1969 used a different adhesive (which is much costlier and is very effective for waterproofing ordinary canvas).

In July 1971 one Army unit reported to Army Headquarters that all the 35 boats (supplied by the firms 'C' and 'D') held by it were defective. On subsequent investigation in October 1971 it was found that of the 811 boats costing Rs. 32.92 lakhs supplied by the firms 'C' and 'D', 608 boats (297 with field units and 311 in stock in an ordnance depot) costing about Rs. 24.68 lakhs were defective. The seams of all joints of the boats disintegrated when the boats were inflated and put in water as the canvas at the seams had become brittle. Investigations disclosed that this was caused by oxidisation of the adhesive used by these two firms to fix the seams of the boats (due to lack of chlorine acceptors in the adhesive as chlorine was liberated and hydrochloric acid was formed). The boats supplied by the public sector undertaking and the firms 'A' and 'B', in which a different adhesive was used, did not suffer from this defect.

The feasibility of repairing the defective boats was examined by sending some of them to an Army Workshop but without success. It was held by the Master General of Ordnance (in January 1972) that there was no possibility of repairing the 608 defective boats and that the remaining 203 boats, then held as serviceable, supplied by those two firms were also likely to be beyond economical repair when they developed defects. In the meantime, instructions were issued by Army Headquarters in November 1971 to the Ordnance Depot not to dispose of the stock of imported boats which had earlier been declared obsolete in April 1971. It was found that 137 of these old boats were in a serviceable condition and Army Headquarters issued orders in December 1971 for supply of these boats to units to meet operational requirement and also initiated action for getting 264 of these old boats repaired urgently.

The shelf life (before use) of the (indigenous) boats is 5 years. Of the 811 boats supplied by firms 'C' and 'D', 250 had completed the 5 year period by May 1971. The other 561 boats were supplied between October 1967 and September, 1969. According to the Ministry, the boats can be repaired at a cost of about Rs. 500 each.

11. *Purchase of timber*

Against an indent placed by Naval Headquarters in August 1969 for procurement of teak logs required for manufacture of boats, the Director General, Supplies and Disposals, concluded a contract with a firm (in station 'O') in May 1970 for supply of 304 cubic meters of teak logs at a cost of Rs. 3.5 lakhs. Out of this, 250 cubic meters were to be despatched to a naval stores depot 'A' at station 'O' and the rest to another naval stores depot 'B' at a different station. The agreement with the firm provided for inspection of the logs by Defence Inspector of General Stores at the firm's premises, 90 *per cent* payment on proof of inspection and despatch and the balance 10 *per cent* on receipt of stores by the consignee in good condition. It was decided in a subsequent meeting in October 1970 that the Surveyor of Stores, Naval Dockyard at station 'O', should be associated with the Defence Inspector of General Stores while carrying out the inspection. As per the agreement, delivery of the logs was to be completed by 28th February 1971 or earlier.

The firm tendered the logs meant for depot 'B' for inspection in two lots—the first lot in May 1970 and the second in February 1971. Sixty logs measuring 53.938 cubic meters which were accepted by the Defence Inspector were received in depot 'B' during July 1970 and March 1971. Although some of these logs were found by the Naval authorities to be not of the requisite quality, they were accepted on the strength of the opinion of the professional authority (i.e., Commanding Officer of the Base Repair Organisation at the station). The latter, who had tested the logs, had recommended their acceptance as he had thought that the over-all percentage of wastage due to conversion was not likely to exceed the permissible limit. Actually, 30 logs were converted between September 1970 and July 1972 and no wastage beyond permissible limit was noticed.

The logs intended for depot 'A' were tendered for inspection in three lots—the first in December 1970 and the second and third in February 1971. These were inspected in the firm's premises by the Defence Inspector and 256 logs measuring 249.045 cubic meters which were accepted by him were received in depot 'A' during January 1971 to June 1971.

On receipt of the first consignment of 48 logs in January 1971 by depot 'A', the Surveyor of Stores of the Navy found on inspection on 15th March 1971 that most of the logs had defects. Consequently, these logs were rejected by the naval authorities at the station and this was reported to Naval Headquarters in April 1971. The remaining 208 logs were received in the depot during March 1971 to June 1971. At the instance of Naval Headquarters, the Director of Inspection (General Stores), Department of Defence Production, ordered in August 1971 re-inspection of the logs jointly by the Inspector of General Stores at the station and also by the Surveyor of Stores of the Navy. Accordingly, all the logs were re-inspected by a joint team during October and November 1971 when it was found that, barring a few, the logs fell short of the requirement mainly due to presence of natural defects, i.e., hollow centres, and other defects such as flutes, taper, wounds, knots, etc., beyond permissible limits. In addition, a good percentage of the logs was found to have progressive drying defects, i.e., splits and surface cracks, and biological defects, i.e., decay and insect attacks of serious nature. This was intimated by the Naval authorities at the station to Naval Headquarters in November 1971. The latter brought the matter to the notice of the Director of Inspection (General Stores) in December 1971. The Director General, Supplies and Disposals, was then apprised of the position in January 1972 by Naval Headquarters.

In February 1972, the Director General, Supplies and Disposals, informed the firm that all the logs supplied by it to depot 'A' had been rejected and requested their early replacement. The supplying firm to which Rs. 2.58 lakhs (representing 90 *per cent* of the cost of supplies) had already been paid did not accept the rejection of the logs (February 1972). It contended, *inter alia*, that all the logs were inspected and accepted by the Defence inspectorate, the source of supply was the same, inspection was carried out by the same officer and that the standard of acceptance was also the same.

A meeting was arranged in July 1972 in the Directorate General of Supplies and Disposals with the supplier. As a result of the discussion, the firm agreed to replace only 10 logs as in its opinion not more than 10 logs could have defects; alternatively, it was ready to compensate to the extent of Rs. 10,000 for the whole transaction. As this proposal was not acceptable to Naval Headquarters, another meeting was held in September 1972 and, on much persuasion, the supplier finally agreed to pay, as a compromise offer, Rs. 15,000 as compensation. The Director

General, Supplies and Disposals, intimated (December 1972) that, the firm had since forwarded its formal offer in the form of a notice to settle the case finally by paying it the balance amount of its 10 *per cent* claim after deducting Rs. 15,000 and that it had given a notice of eight weeks from the date of its offer, *i.e.*, 3rd December 1972.

In the meantime, all the logs received (more than 18 months ago) in depot 'A' for manufacture of boats are lying unutilised. The Ministry of Defence intimated (January 1973) that a board of enquiry had been constituted to investigate the entire matter pertaining to the inspection of the logs in question.

12. *Purchase of tinned food*

Procurement of tinned foodstuffs for Defence Services is arranged through contracts concluded with the suppliers by the Chief Director of Purchase, Ministry of Food and Agriculture. Under the terms of such contracts, inspection of consignment tendered by the supplier is carried out by the Composite Food Laboratory of the Army Service Corps. If, on inspection, the store is found to be acceptable, the Composite Food Laboratory sends to the Quarter Master General's Branch one sample of the accepted stores. After receipt of the stores, the consignees send to the Quarter Master General's Branch control samples from the stores received. The Quarter Master General's Branch Laboratory analyses the control samples to see that they conform to the sample received from the Composite Food Laboratory as also to the Army Service Corps specifications. If the consignment is found by the Composite Food Laboratory to be not according to specification it is rejected and necessary intimation to this effect along with reasons for rejection is sent to all including the supplier. The latter has a right to prefer an appeal against such rejection to Army Headquarters. A board consisting of officers of Army Headquarters periodically meets to hear such appeals. The Chief Director of Purchase with his technical adviser attends the appeal board meetings.

(a) *Purchase of soluble coffee*

In July 1969 the Chief Director of Purchase, Ministry of Food and Agriculture, concluded a contract for purchase of 4.514 tonnes of soluble coffee at a cost of Rs. 1.54 lakhs from a firm. The coffee was to conform to I.S.I. specifications (of 1964) and was warranteed for six months. The supplies received were initially rejected in the inspection conducted by Composite Food Laboratory in September 1969 on the ground that it did not conform to relevant I.S.I. specification for soluble coffee as the samples, when dissolved, left a lot of sediment and some soft lumps were present in some tins. The contractor appealed against the rejection and in September 1969 the appeal board held that the supplies conformed to the specification except that slight insoluble specks were noticed and recommended that the supplies might be accepted with a price reduction. Accordingly, the consignment was accepted by the Chief Director of Purchase with a reduction of 2 *per cent* in the purchase price with a fresh warranty period of six months from 26th September 1969 and supplies were despatched to twenty supply depots in October 1969.

A control sample from this consignment was received (from one of the consignee depots) in December 1969 for test at Quarter Master General's Branch Laboratory. An analysis of this sample disclosed that the product was more like ground coffee in appearance, solubility and preparation. More samples were, therefore, obtained from eight other supply depots and it was found that against 100 *per cent* solubility to be achieved with moderate stirring in 30 seconds in boiling water/in 3 minutes in cold water (according to the prescribed specifications), the coffee samples left a high percentage (over 50) of insoluble matter after moderate stirring for the prescribed period, and the laboratory branded the coffee as "unsound and unwholesome" and "unfit for issue" as soluble coffee to troops. Orders were issued in February 1970 to freeze the unconsumed stocks with the depots and a claim for Rs. 0.70 lakh representing the cost of 2.05 tonnes of coffee left unconsumed and other incidental expenses was preferred against the contractor. The latter neither paid the amount nor removed the condemned stocks. He contended in March 1970 and June 1970 that the reasons advanced for condemning the coffee were the same as intimated earlier at the time of initial rejection in September 1969 and that the supply having the same defect was accepted on 2 *per cent* price reduction. The value of stocks already consumed (which formed 54 *per cent* of the total accepted stock) and for which no claim could be preferred is Rs. 0.84 lakh.

The Ministry of Defence intimated in December 1972 that it was likely that the defect detected at the time of initial inspection got aggravated while in storage probably due to manufacturing defects and that an arbitrator had been appointed for adjudication of the dispute.

(b) *Purchase of tinned meat*

Two contracts were concluded by the Chief Director of Purchase in January and February, 1970 for supply of 15 and 30 tonnes of tinned meat by a firm at the price of Rs. 13,000 per tonne. The Army Service Corps specification for meat is as follows :—

> "*Quality* : The meat selected for canning shall be of good quality, obtained only from the carcasses of healthy goats or sheep slaughtered in licensed premises according to approved procedure. The animal shall be subjected to proper *ante-mortem* and *post-mortem* inspection by a representative of the Remounts and Veterinary Directorate."

The acceptance of tender in this case, however, provided for as follows :—

> "That animals, duly slaughtered in Municipal Slaughter Houses inspected by their veterinary authorities, and stamped carcasses be accepted as having met the requirement of *ante-mortem* and *post-mortem* examinations. The carcasses of the animals, slaughtered in Municipal Slaughter Houses, duly stamped by the authorised veterinary authorities should be conveyed in closed vans with refrigeration/cooling arrangements."

Supplies received in February and March 1970 against the first contract were inspected by Composite Food Laboratory and the entire consignment was accepted in April 1970. Bulk of the supplies (13.6 tonnes) was sent in May 1970 through a rail-head supply depot to units in the forward area and the balance was issued to other supply depots in the same month. Issues to the troops in the forward areas were mostly made after July/August 1970.

In the meantime in May/June 1970, the supplies tendered against the second contract by the same firm were found on inspection by the Composite Food Laboratory to be unacceptable. The main reasons for rejection were that the stocks were not free from excessive body fat and fascia, that they had objectionable flavour/smell, that the cans, on opening, gave a negative pressure less than specification limits and the stocks had not been adequately processed in that one can on incubation indicated evidence of microbial growth. An appeal preferred by the firm was also rejected by Army Headquarters in July 1970 as the supplies were found to have suffered micro-biological spoilage due to inadequate/bad processing and were unfit for issue to troops. Since this gave rise to a suspicion that the supplies under the first contract accepted in April 1970 might also have been affected, instructions were issued by Army Headquarters in August 1970 to all supply depots to freeze stocks immediately and also send samples for test. On analysis of the samples it was found that those stocks were also similarly affected and unfit for issue to troops.

The rail-head supply depot, however, did not relay the instructions of Army Headquarters correctly to the supply units in the forward area and in a signal message the words "Freeze issues" were transmitted as "Free issues". In November 1970 this mistake was discovered and action was taken to stop further issues. By then, however, over 9.4 tonnes of the meat (of value Rs. 1.22 lakhs) had alreday been issued to the troops and consumed.

Claims amounting to Rs. 0.76 lakh representing the cost of 5.3 tonnes of meat left unconsumed and other incidental expenses were preferred against the contractor. He, however, filed a suit in April 1971 against the recovery and obtained an injunction from the High Court restraining Government from effecting the recovery. The Ministry of Defence intimated in December 1972 that this injunction order had not yet been vacated.

CHAPTER 4

WORKS

13. *Strengthening of an air field*

An airfield at a station originally constructed during the last world war was taken over by the Indian Air Force in 1962. Certain minor repairs to the airfield were then carried out by the Military Engineer Services. A siting board was assembled in November 1964 to recommend minimum essential facilities to be provided at the airfield for operation of certain types of transport and fighter aircraft. On the recommendations of the board, sanction was accorded in July 1965 by the headquarters of an Air Command for execution of work for strengthening the existing airfield at an estimated cost of Rs. 24.95 lakhs. A contract was concluded by the Military Engineer Services authorities in September 1965 for Rs. 27.67 lakhs for execution of the work which was started in October 1965. Although the work was to be completed in July 1966 it was completed in April 1968 on account of extensions granted to the contractor from time to time due to delay in handing over of the entire site by the Air Force authorities, political situation and subversive activities of hostile elements in the area, rains, delay in receipt of bitumen, break-down of tools and plant issued by department, etc. While issuing the completion certificate to the contractor on 30th April 1968, certain minor defects were pointed out by the Garrison Engineer. It was, however, certified by him that the work had been completed satisfactorily and taken over on that date. A Board of Air Force Officers held in May 1968 to take over the runway from the engineering authorities pointed out certain defects such as depressions at several places, lots of cracks, etc.

The defects in the execution of the work were pointed out by the Military Engineer Services authorities to the contractor for rectification in May 1968 and the latter rectified them by June 1969 excepting the cracks. In the meantime, it came to notice that the binder content used in the work was less than that required and certain characteristics, prescribed in the contract, for bituminous pavement had not been adhered to and, in particular, the void percentage was on the higher side. This was investigated and the matter was referred by Military Engineer Services authorities to the Central Road Research Institute. The latter confirmed that the cracks were due to expansion/contraction and high water table in the area and did not affect the structural soundness of the construction. It was finally decided in August 1969 that the pavement was technically acceptable with price adjustment for variations from contract specifications as disclosed by the investigation report. A cut of Rs. 72,658 was effected from the final bill of the contractor in March 1972 on account of price adjustment of contract specifications with regard to change in grading and void ratio. The contractor, however, did not agree to this recovery and an arbitrator was appointed by the Engineer-in-Chief in July 1972 to adjudicate the dispute. The arbitrator's award is awaited (December 1972).

The Ministry stated (September 1972) that, since the date of taking over (August 1969), the runway was being used by transport aircraft and was also fit for use by fighter aircraft requiring 2000 yards of runway. The local Air Force authorities have, however, intimated (October 1972) that the defects still remain unrectified. They had also stated earlier (June 1972) that no trial landings of fighter aircraft had been carried out because of the risk involved till defects were rectified. Thus, the expenditure of Rs. 25.23 lakhs incurred till the end of March 1972 on a work which was commenced in 1965 for improving the airfield has not so far (October 1972) fully served the intended purpose.

14. *Construction of an air field*

In February 1967, headquarters of an Air Command accorded sanction for construction of an advance landing ground at a station with a runway of 1000 yards length, as an emergency work, to provide communication facilities in the area by light aircraft. This work was completed in March 1968.

In the same month the Air Force authorities recommended extension of the length of this runway so that Dakotas could also use it without any load restrictions. Accordingly, sanction was accorded by Air Headquarters in October 1968, in supersession of the sanction issued earlier in 1967 by the Air Command, for construction of a runway of 1400 yards length and other ancillary requirements such as taxi-track/external services, buildings, etc., at an estimated cost of Rs. 49.62 lakhs. The extension of the runway, construction of taxi-tracks, etc., which were done through troops or departmentally employed labour, were completed on 30th November 1968. Contractors were employed for construction of buildings, water-supply and external electrification and these were completed in January 1969.

A Board of Officers which assessed the work in February 1969 noticed certain defects like unevenness of the surface of the runways, taxi-track, etc., and depressions. In July 1969 the Air Force station also pointed out that throughout the length of the runway depressions had occurred and shoulders all along the length on both sides were uneven and soft, and part of the shoulders had been washed away due to rain. It was stated that, unless those defects were removed, it was not safe to operate the landing ground. Subsequently, in September 1969, the Command headquarters instructed that further work on the landing ground should be stopped and the project closed after completing works under construction. After this, area—drainage work was taken up in December 1969 and completed in the same month as it was considered important for protection of the landing ground and Rs. 0.81 lakh were spent on that. The project, excepting a few works which were not taken up in pursuance of the instructions issued in September 1969 by the Air Command, was completed on 30th June 1970.

The Military Engineer Services authorities stated in August 1970 that, due to land slides in rainy season in the region, extension of the runway to the full length of 1400 yards was not possible and the Air Force authorities should be persuaded to accept a length of 1250 yards. The local Air Force authorities, however, pointed out in April 1971 that, due to heavy rains, the edges of the landing ground had been washed away with the result that only 900 yards were available for aircraft operations and, as such, it was only fit for emergency and restricted operations. They also stated in November 1972 that due to indifferent conditions of the runway surface and erosion of soil adjacent to the runway, aircraft operations with full load had not been undertaken in the landing ground.

The buildings constructed at the site of the landing ground are not in use from January 1970. The expenditure on the project to the end of July 1972 was Rs. 41.05 lakhs.

The Ministry of Defence stated in May 1972 that, after extensive reconnaissance carried out by engineers in the area, it was decided that the site at that particular place was the best in that area inspite of various limitations and that the width of the runway and shoulders had to be reduced below the standard requirement because of space limitations at the site. A Board was constituted to investigate into the quality of the work done and to find out the reasons for deterioration of the landing ground. The recommendations of the Board are under examination (January 1973).

CHAPTER 5

OTHER TOPICS

15. *Payment to an electric supply company*

Under an agreement entered into in September 1967 by the Military Engineer Services authorities with an electric supply company for bulk supply of electric energy to a station, the company was to charge the consumer at the flat rate of 21 paise per unit but this charge was subject to a special extra discount to be allowed to the consumer based on the number of units consumed in a month. In case the electric energy consumed was very much less, the company was entitled to receive a minimum annual charge of Rs. 22,387 irrespective of the energy consumed during any calendar year. Further, the consumer was not permitted to purchase or generate or otherwise obtain electric energy except through this company. Bulk supply of electric energy commenced from April 1968. Since then, the number of units consumed every month was more than 41,000, thus entitling the consumer to a special extra discount of 50 *per cent* under the terms of the agreement. But neither the company allowed this special extra discount in its monthly bills nor the Military Engineer Services authorities detected this omission before admitting them for payment. This resulted in excess payment of Rs. 8.83 lakhs to the company for the period April 1968 to March 1972.

When the excess payment was pointed out by audit to the Military Engineer Services authorities in March 1972, the latter addressed the electric supply company immediately to refund the amount paid in excess. The company, however, refused (June 1972) the refund claim on the ground that, from the outset, the load (402 to 615 K.V.A.) was far in excess of the maximum demand of 300 K.V.A. stipulated in the agreement and, although this excessive demand and the need for amending the agreement was pointed out by it in July 1968, the Military Engineer Services authorities did not take any action but continued to pay the bills at the maximum rate, thereby signifying acceptance of the position.

The Ministry stated (October 1972) that action was under way to refer the dispute to arbitration and that a board of officers had been convened to fix responsibility.

16. *Accommodation for certain Defence units*

In 1964 a proposal was initiated to shift three Defence units to another location as their continuance at the existing location entailed recurring expenditure of Rs. 12.77 lakhs per annum on account of rent for the hired lands, belonging to Port Trust and Railway authorities, on which they were located. A recce-*cum*-siting board convened under the orders of the Command Headquarters issued in July 1964 recommended location of these units at a new site in the same station where adequate requisitioned/hired land was available.

A project for construction of domestic accommodation at a cost of Rs. 71.09 lakhs was sanctioned by Government in October 1967 to provide residential accommodation for all ranks of the units to be located in the new site. The service personnel of these units were shifted from their existing residential accommodation, which was mostly Government owned, to the newly constructed domestic accommodation by the end of June 1971 although their units continued to function at their existing location due to the fact that accommodation to house them had not been built at the new site.

Although sanction was accorded in August 1967 for construction of administrative and technical accommodation for one of the units at the new site at a cost of Rs. 60.92 lakhs, execution of the work was suspended under instructions received from Army Headquarters in March 1969 as the question of siting the technical and administrative accommodation of all the units was under review. A user recce-*cum*-siting and costing board was held in July 1969 to plan accommodation for these units. After that the work, which was suspended in March 1969, was taken up again after June 1972 and is expected to be completed in December 1974. A proposal for construction of administrative and technical accommodation for the remaining two units was initiated in May 1970 and sanctioned in January 1972; the work, estimated to cost Rs. 234.27 lakhs, is expected to be completed in July 1975.

Consequent on the delay in provision of administrative and technical accommodation for the three units at the new site and their continuance in their existing location, Government vehicles are deployed for conveying the personnel from the domestic accommodation at the new site to their offices situated at a distance of about 33 kms. and back and also for collection of their midday meals entailing recurring expenditure of about Rs. 13,000 per month from July 1971. In the meantime, expenditure is also being incurred on payment of Rs. 12.77 lakhs per annum as rent for the hired land on which the units continue to be located.

17. *Loss of constructional stores*

(a) In a Military Engineer Services division, deficiencies of constructional stores of value Rs. 1.96 lakhs were noticed during September 1969 to December 1970. The shortages were in steel materials worth Rs. 1,29,748, hollow cement concrete blocks valued at Rs. 50,425 and cement costing Rs. 15,623. They came to notice in the following circumstances.

During a vigilance check of the stores held in stock carried out in September 1969, 43.6 tonnes of cement of value Rs. 9,369 were found short. In February 1970 the Garrison Engineer reported this case to the Station Commander for investigation by a court of enquiry. Subsequently, the stock taking carried out in March 1970 disclosed deficiency of 62,000 hollow concrete blocks valued at Rs. 49,606 and further shortage of 29 tonnes of cement of value Rs. 6,254. This case was also reported to the Station Commander for investigation by the court of enquiry proposed to be convened in connection with the case reported earlier to him. A staff court of enquiry was then assembled in May 1970 to investigate into these cases of losses amounting to Rs. 65,229.

Again, during August 1970 and October 1970, the store-keeper in charge of steel reported shortages of mild steel round bars held in stock. A board of officers was assembled in November 1970 to investigate into the circumstances under which shortage of steel in stock had occurred. The board was of the opinion that nearly 91 tonnes of steel were deficient due to misappropriation of stores and held the store-keeper, supervisor and barrack stores officer responsible for the loss. As recommended by the board, *cent per cent* check of all stores held in the division was completed in December 1970 and this disclosed further deficiencies of certain items like sockets, mild steel angles and hollow concrete blocks. The total value of all the stores found short was assessed at Rs. 1.31 lakhs. This loss was investigated by a staff court of enquiry held from 24th April 1971 to 13th July 1971 under the orders of the Station Commander.

The Ministry of Defence intimated (January 1973) that the proceedings of the two courts of inquiry held in May 1970 and April-July 1971 were under finalisation with the staff authorities. The Ministry added that the case was also under investigation by the Special Police Establishment.

(b) In another Military Engineer Services division, verification of stock carried out in December 1970 by the command stock-taking team disclosed shortage of round steel bars valued at Rs. 97,496 and surplus valued at Rs. 51,137. Only in June 1972 was a staff court of enquiry convened to investigate into this case of loss.

The Ministry of Defence intimated (January 1973) that the proceedings of the court of inquiry had been forwarded to the Engineer authorities for taking necessary disciplinary action and remedial measure.

18. *Hiring of furniture*

In September 1965 Government sanctioned formation of a forward supply depot in an Air Command on a temporary basis initially for 4 months. The unit was located at a station pending finalisation of its permanent location. The need for a permanent supply depot in that

Command area was accepted in October 1965 at a meeting attended by representatives of Air Headquarters and the Ministry of Defence and Ministry of Finance (Defence). Government accorded *post-facto* sanction in February 1966 to hiring of minimum essential furniture for the unit for 3 months from 1st November 1965 as they were not available from Military Engineer Services and Central Public Works Department at the station.

A Board of Officers convened in October 1965 assessed the overall requirements of works services, including furniture, and the Board's recommendations were referred to Government by Air Headquarters in May 1966 for provision of furniture. Since the plan for final location of the unit was not then finalised, Government held that it would be appropriate to continue hiring of furniture required by the unit. Purchase of certain minimum essential furniture required for domestic use of the airmen was, however, later sanctioned at a cost of Rs. 37,000 by the Command authorities in September 1967. Government approved this in 1967 with the stipulation that these furniture would be shifted to the new location after the works services were completed. The unit still remained deficient in certain furniture—cots required for single airmen living in unit lines and a few items of furniture required for office use. Sanction for their hiring was accorded by Government from time to time.

A decision was later taken in December 1967 to locate the unit permanently at another station in the same Command area. As the plan for final location of the unit has not been finalised due to non-availability of the site originally decided upon (October 1972), the unit continues to function at the former place. Rupees 1.29 lakhs were spent on hiring of furniture required by the unit for the period 1st November 1965 to 20th July 1972; the purchase price of the hired furniture, as estimated by the Engineering authorities in December 1969, was Rs. 0.42 lakh only.

The Ministry stated (November 1972) that at no time was it known that the unit would have to remain at the temporary location for such a long time and that hiring of furniture would also be necessary for a long time, if outright purchase was not effected. The Ministry also stated that since the permanent strength of the unit had been approved in July 1972 sanction for purchase of furniture required by the unit would be accorded and hiring discontinued after new furniture were procured.

19. *Damage to an aero-engine*

An aero-engine was received from abroad at an Embarkation Headquarters in February 1970 after repair/overhaul at a cost of Rs. 1.80

lakhs under a contract concluded with a foreign firm. As the wooden packing was found damaged on receipt at the Embarkation Headquarters, a marine survey was carried out on 3rd February 1970. As per this report, the case could only be checked externally and was found badly damaged. The internal contents could not be checked as there was no provision at the Embarkation Headquarters for opening and re-packing of such type of special cases. No claim was preferred by the Embarkation Headquarters after marine survey as no loss/damage was established at that time.

The aero-engine was despatched by the Embarkation Headquarters on 23rd February 1970 to an Air Force Wing at another station. The case was received by the wing on 11th March 1970 in an externally damaged condition. While reporting the matter to the Embarkation authorities on 12th March 1970, the Air Force Wing indicated that the damage was not attributable to the Railways since the case was found in the centre of the wagon without touching its sides. The case was opened and preliminary survey was carried out by the Air Force wing on 18th March 1970. It was found that the cocoon enveloping the engine was torn. On superficial examination, the engine and tailcone did not appear to have been damaged. But the fire guided top and certain parts of the bottom were found damaged. A discrepancy report was raised by the wing in April 1970 and forwarded by Air Headquarters to India Supply Mission abroad to take up the matter with the foreign firm. The latter, however, disclaimed (June 1970) any liability for the damage on the ground that the engine was delivered by it to the shipping and forwarding agent of the India Supply Mission in December 1969 in good condition and a clear receipt was obtained by it from the agent. According to the firm, the damage was sustained later.

According to existing instructions, in case complete information about damages is not available it is sufficient to notify the shipping company or its agent of the claim with as many details as are available at that time and to follow it up with the remaining documents as soon as they are obtained. In April 1970 the Air Force wing had informed Air Headquarters, Embarkation Headquarters, etc., that the damage to the aero-engine was due to faulty handling while loading/unloading and that the extent of damage to the engine and its classification for repairs could not be assessed by that wing. No claim was, however, preferred by the Embarkation Headquarters against the carrier or its agent after receipt of this intimation on the ground that the extent of damage, if any, to the aero-engine and the amount of loss had not been intimated.

The engine was despatched to a third station for repair. It was taken on repair line by the repair depot at that station on 25th April 1970 and repairs were completed on 31st December 1971. The cost of repairs was Rs. 68,890.

The Ministry intimated in August 1972 that the Embarkation Headquarters had intimated only on 15th June 1972 that no claim had been preferred on the carrier and that the former had been requested to explore the possibility of preferring the claim now although the time limit for preferring claim against the carrier, namely one year from the date of delivery, had already expired in February 1971.

The engine is being held in storage at an equipment depot.

Bishan Chand

NEW DELHI (BISHAN CHAND)

Dated the 16 MAR 1973 *Director of Audit, Defence Services*

Countersigned

A Baksi

NEW DELHI (A. BAKSI)

Dated the 20 MAR 1973 *Comptroller and Auditor General of India*

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