**PRESS RELEASE**

**OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

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# Report of the Comptroller and Auditor General of India on Union Government (Defence Services-Army) presented in Parliament

The CAG's Audit Report no. 11 of 2024 Union Government (Defence Services – Army) for the year ended March 2021 was laid in the Parliament here today.

This Report of the Comptroller and Auditor General of India contains the results of audit of the transactions of Ministry of Defence pertaining to Department of Defence, Army, Military Engineer Services, Border Roads Organisation, and Defence Research and Development Organisation in 2020-21.

Some of the significant audit findings of the Report are given below:

**1. Functioning of the Remount and Veterinary Services and Utilisation of Animal Transport Units:** The Remount and Veterinary Corps (RVC), headed by Director General Remount Veterinary Services (DG RVS), is responsible for breeding, rearing, training and managing health of the entire equine and canine population in the Indian Army.

Audit covered the period from 2018-19 to 2020-21 which included the period of 13th Army Plan (2017-22). Audit observed that the 13th Plan for RVS did not include capability development and modernisation aspects. Further, three out of the six short-term training goals as per the Technical Training Directive of RVS, related to import of frozen semen of proven elite stallions from European Countries to upgrade the sporting potential of Army Equines; training of raptors to hunt down drones/surveillance devices; and training of local breeds of dogs to assess their suitability for employment as military working dogs, were either not achieved or under-achieved. It was further observed that in four out of five selected Animal Transport Units, the distance between the Animal Transport Units (ATs) and the dependent deployment ranged between 174 kilometres and 534 kilometres resulting in extra expenditure on transportation of mules and under-utilisation of ATs ranging between 89.46 *per cent* and 10.74 *per cent*. The revision of old Veterinary Mobilisation Equipment Scales was held up at DG RVS/ Director General Armed Forces Medical Services for more than 16 years. As a result, the scales which were in use were devoid of the latest technological developments in the field of veterinary medicine.

**2. Wasteful expenditure due to poor management of hired office accommodation:** The office of the Chief Administrative Officer (CAO) under the Ministry of Defence, on grounds of safety concerns involved in the existing old hutment buildings, hired office accommodation measuring 45,278.31 square feet in November/December 2018, for housing the defence offices that occupied these hutments. As of March 2023, only 42 *per cent* of the total hired space was utilised and balance 58 *per cent* of hired space remained unutilised since its hiring. Moreover, the hired office space was not actually utilised by the intended users for whom the office space was hired.

Poor management of hired office space by the CAO coupled with the inability of the designated defence users to shift to the said premises for a period of more than four years resulted in wasteful expenditure of ₹44.26 crore (March 2023) on account of rent of the unutilised space as well as renovation works carried out therein.

**3. Raising of Porter Companies in Eastern Command:** Ministry of Defence sanctioned (June 2019) raising of nine Porter Companies (Coys) in the area of responsibility (AoR) under the Headquarters Eastern Command (HQ EC) for the years 2019-20 and 2020-21 at a cost of ₹180.85 crore and for the year 2021-22, at a cost of ₹93.78 crore.

The assessment of requirement of porters carried out by the two Division HQ (HQ 'C1' Division and HQ 'C2' Division), under HQ 'C' Corps, was not commensurate with their respective five-year Roll-on Plans (RoPs). The Engineer Task Forces (ETFs) under these Divisions were marginally short of manpower for the years 2019-20 and 2020-21 and had surplus manpower during the financial year 2021-22 for the execution of operational works as per the RoPs. However, the Ministry, on the basis of projection of requirements, sanctioned eight Porter Coys for the period from 2019-20 to 2021-22 comprising 600 porters in each Porter Coy for HQ 'C' Corps.

The works projected by three Corps HQ for obtaining sanction for raising of Porter Coys were in excess of works actually executed during 2019-20 to 2021-22 to the extent of 41 to 499 *per cent.* Two Corps HQ (HQ 'A' Corps and HQ 'C' Corps) projected 8,635 porters, involving an expenditure amounting to ₹112.93 crore, in excess of the requirement based on the volume of works executed during the years 2019-20 to 2021-22.

The sanction for raising of Porter Coys for the years 2020-21 and 2021-22 was issued in time by the Ministry. However, HQ 'B' Corps and HQ 'C' Corps raised Porter Coys with a delay of up to three months. The delay in the raising of Porter Coys contributed to fall in the strength of porters in seven out of eight selected Porter Coys due to onset of winter.

Out of total 12,000 porters hired under the Porter Coys raised between 2019-20 and 2021-22, Corps HQ allotted 11,297 porters to ETFs/Engineer Regiments. Division HQ further allotted only 7,938 porters to ETFs/Engineer Regiments. As such, 3,359 porters were deployed in units other than Engineer Regiments. Out of 7,938 porters deployed, the utilisation certificates rendered by the Engineer Regiments were only in respect of 4,634 porters.

There was an overpayment of ₹2.53 crore to Porters due to payment of salary on a daily basis instead of on monthly basis and payment at enhanced rates of basic pay and dearness allowance to Porters deployed as mates. Besides, ₹1.21 crore were also paid on account of high altitude allowance (HAA) to those porters who were not deployed in high altitude areas. There was delay in disbursement of salary to porters ranging from one to five months.

There was shortfall of 97and 80 *per cent* in respect of HQ ‘A’ Corps and HQ ‘B’ Corps in construction of Permanent Defences (PDs) against those projected in the five-year RoP (2018-23), despite sanctioning of Porter Coys during 2019-20 to 2021-22. Audit found that in respect of two Corps HQ, no Board of Officers (BOO) was held for handing over the assets to the users during the years 2020-21 and 2021-22 (HQ ‘A’ Corps), and 2021-22 (HQ ‘C’ Corps). In HQ ‘C’ Corps (HQ ‘C2’ Div.) for the years 2019-20 and 2020-21, Numerical Asset Register (NAR) was not updated and there was a mismatch between the number of PDs, shelters and storage accommodation constructed, and those reflected in the NAR.

## 4. Court of Inquiry in Indian Army:

There were persistent delays in finalisation of the CoI proceedings in Indian Army. Out of 95 cases involving financial loss in the three Army Commands (Central Command, Eastern Command and Western Command), stipulated timeline for assembly and completion of CoI was met only in 46 and 25 cases respectively. In 11 cases, time taken in completion of CoI was more than two years and even up to 11 years. In 10 CoIs related to fire incidents where the Command HQs were authorised to convene a CoI, the convening order was issued by an authority lower than the Command HQs. The terms of reference (ToR) which lay down the scope of investigation for a CoI did not have specific mention of fixation of responsibility and apportioning of blame/loss in 29 cases. Further, in 28 out of these 29 cases, there was no mention of the relevant Army Rules, Orders, Instructions, *etc.,* and in 13 of these 29 cases, no mention was made of assessing the extent of loss and damage to life/property.

In 95 cases, CoI assessed financial loss of ₹50.76 crore. The financial losses of ₹7.12 crore were regularised in respect of 43 cases (April 2022). However, in 52 cases involving financial loss of ₹43.64 crore, the information relating to regularisation of loss by Competent Financial Authority was not available. In 57 out of 95 cases, the required documents relating to intimation of details of loss to accounting authorities, that is, Controllers of Defence Accounts (CsDA), were not available in the documents furnished. As such, Audit was unable to ascertain whether the loss was reported to CsDA either initially or finally after investigation. In 20 out of 38 remaining cases, where the Commands/Units furnished details of financial losses to the concerned CsDA after completion of CoI, the time taken in reporting of losses to CsDA ranged between three months and more than two years.

**5. Hiring of accommodation due to inordinate delay in construction of warehouse:** Lackadaisical approach on the part of authorities of the Canteen Stores Department (CSD) and the Military Engineer Services (MES) in processing the case for construction of a warehouse for CSD Area Depot Chennai, first initiated in February 2011, coupled with delay on the part of Ministry of Defence (Ministry) in according sanction, resulted in inordinate delay of 393 weeks in pre-administrative approval planning. The overall time taken in processing the proposal and according the sanction was 441 weeks as against the stipulated time frame of 48 weeks. There were further delays even after the work was sanctioned in July 2019 due to late release of funds by the Ministry. The contract was finally concluded in December 2022 and the work is scheduled to be completed by November 2024. CSD has paid ₹17.43 crore as rent from October 2018 to December 2022 towards hiring of a warehouse for the CSD Area Depot Chennai.

**6**. **Unwarranted expenditure due to delay in termination of Bandwidth services by the Canteen Stores Department:** The VSAT connectivity required for functioning of the Integrated Canteen Stores Department (ICSD) system, was unsatisfactory since October 2009 which was well known to the CSD. The letter for termination of VSAT services was issued only in July 2014, though the payments towards VSAT connections were stopped by the CSD since October 2013. Meanwhile, as the contract remained in force from October 2013 to June 2014, the firm raised invoices for VSAT Services indicating that 18 *per cent* interest would be charged on delayed payment, which was not responded to by the CSD.

The firm filed (July 2017) a suit in the Delhi High Court which appointed (August 2018) a Sole Arbitrator for the case. The Arbitral award was pronounced (February 2020) in favour of the claimant and CSD had to incur an unwarranted expenditure of ₹1.85 crore towards arbitration award.

**7.** **Avoidable extra expenditure due to acceptance of unreasonable rate:** Integrated Headquarters of Ministry of Defence (IHQ) (Army) floated (January 2018) an open tender enquiry for the supply of 8,831 pieces of '**S**' item. Only M/s Ashok Leyland, the Original Equipment Manufacturer (OEM), qualified in the technical bids. OEM quoted (May 2018) a base price of ₹4,500 (exclusive of tax). Director General of Ordnance Services (DGOS) at the Army HQ placed (August 2018) the Supply Order (SO) after a gap of three months as against the prescribed four weeks.

In the interregnum, Central Ordnance Depot (COD), Dehu Road, separately placed a SO (July 2018) for procurement of 1,617 pieces of the ibid item at a base price of ₹8,400 (exclusive of tax) through a limited tender issued (June 2018) to 14 shortlisted suppliers (excluding the OEM). This rate was much higher than the Army HQ determined price of May 2018 by ₹3,900 per piece (excluding tax). While assessing the reasonableness of the cost, COD compared the rates with its earlier procurement (February 2016) from the same vendor which was ₹8,400 (excluding tax) instead of comparing it with its last procurement (September 2017) from OEM which was ₹4,551 (excluding tax).

This resulted in COD, Dehu Road procuring the item in July 2018 at a price higher than the price at which Army HQ had finalized contract for the same item in May 2018, thus incurring an avoidable extra expenditure of ₹80.72 lakh inclusive of tax.

**8. Management of Water Supply by Military Engineer Services:** Military Engineer Services (MES) is responsible for the erection, operation and maintenance of all defence services installations for the supply of water to users in its assigned area of responsibility *viz*. Military stations, Cantonment Boards and other Defence Installations.

Audit examination of records for the period from 2018-19 to 2020-21 at 20 selected Garrison Engineers (GEs), under six commands, regarding management and augmentation of water supply revealed that in 15 out of 20 GEs selected, water supplied to the users was less than that authorised. The less supply of water in the said 15 GEs ranged from 10.13 *per cent* to 62.97 *per cent* of the authorised quantity.

To reduce the gap between the demand and supply of water in their respective service areas, 13 GEs had signed Memoranda of Understanding/agreements with outside agencies (water supply utilities). Analysis of the information on actual water supply by the contracted agencies revealed that 12 out of the 13 GEs were receiving less than the agreed upon quantity of water from these agencies.

Engineer-in-Chief's Branch had issued (November 2018) instructions to implement the automation of process supervisory management of water supply system within the MES. This had not been implemented by16 GEs.

It was further observed that 14,940.33 lakh gallons of water were lost due to leakage in the period from 2018-19 to 2020-21. The total loss on account of leakage of water calculated on the basis of 'All-in-Cost' worked out to ₹11.53 crore.

Out of 10 projects related to augmentation of water supply under Annual Major Works Programme (AMWP), which were selected for detailed audit, only four projects were completed whereas one project had yet not started and five projects, which had started, were still to be completed.

Significant lapses such as non-compliance with applicable standards of the Bureau of *Indian Standards* (BIS) for quality of drinking water, non-cleaning of Overhead Tanks/Reservoirs at the prescribed frequency, and non-functional equipment for water decontamination were noticed.

There was less allotment of funds against demand in the water supply maintenance head during the years 2018-19 to 2020-21 in 18 of the selected GEs ranging from 13.80 per *cent* to 47.67 *per cent.*

**9. Irregular payment of Electricity Duty by MES formations due to failure to install separate meters for domestic and non-domestic consumption of electricity:** Military Engineer Service is responsible for the management of electric supply in all the military stations/cantonment areas in the country, for which it receives bulk electric supply from the State Electricity Boards or companies (supplying agencies). Before payment to the supply agency for bulk supply of electricity as per the applicable charges, Garrison Engineer (GE) concerned is required to enforce pre-checks on the bills. Audit observed that despite the assurance given by the Ministry, GE, Mhow and GE, Jabalpur paid Electricity Duty (ED) amounting to ₹4.81 crore

(March 2022) on non-domestic (non-dutiable) consumption of electricity by Defence Establishments to electricity supplying agencies.

**10. Non-recovery of allied electricity charges on domestic supply by Garrison Engineer (Faridkot) amounting to ₹1.28 crore:** An amount of ₹ 1.28 crore remained unrecovered for the period of 2018-19 to 2020-21 from domestic users residing in Faridkot military station due to failure of Garrison Engineer Faridkot to ensure recovery of electricity charges as per stipulated regulations.

**11. Avoidable expenditure of ₹3.20 crore on account of not following the IRC specification in road markings:** Chief Engineer (Project) Chetak failed to incorporate IRC standards in the 38 contracts related to road resurfacing concluded during the period 2019-20 to 2021-22 and provide edge line marking of width 150mm instead 100 mm resulting in avoidable expenditure of ₹ 3.20 crore on account of laying of thermoplastic paint on the excess area.

**12. Sanctioning similar nature of works under different code heads:** Defence Research & Development Laboratory (DRDL), Hyderabad sanctioned ₹4.10 crore for procurement of a Closed Circuit Television (CCTV) surveillance system for the entire perimeter wall of the lab exercising the financial powers delegated to the Director under Sl. No. 2.2 of Delegation of Financial Powers, 2019 (DFP). The said delegation is applicable only for procurement of scientific equipment and material for labs/workshops. Intent of DFP is to consider only that equipment as scientific equipment which may be required in connection with the scientific research and development work pertaining to the laboratory. As such, installation of CCTV surveillance system should come under the ambit of 'Works' and not 'Procurement of scientific equipment'. Incidentally, based on the requirement of CCTV surveillance cameras projected by another laboratory, Director, Civil Works & Estates, Head of the Construction Wing of Defence Research and Development Organisation (DRDO), had accorded required sanction under Sl. No. 4.1 of DFP, which is applicable for 'Works'.

**13. Avoidable expenditure of ₹2.78 crore:** Injudicious selection of location for setting up of the Defence Research & Development Organisation Young Scientist Laboratory – Asymmetric Warfare Technologies (DYSL-AT) at Kolkata resulted in relocation of the Laboratory within one year and four months to Hyderabad. During this period, an expenditure of ₹2.78 crore was incurred on civil works/rent at two different sites towards establishment of DYSL-AT at Kolkata which was avoidable.