

## CHAPTER II : MINISTRY OF DEFENCE

### 2.1 Delay in induction of the state-of-the-art Artillery Guns

**Artillery guns of modern technology could not be made available to the Artillery troops for over a decade for replacing the existing guns of obsolete technology of 1970 vintage. Acquisition of Artillery Guns included in 10<sup>th</sup> Army Plan has not materialized till now. The abnormal delay in procurement of the new guns had not only impacted the operational preparedness of the Army but also resulted in substantial cost overrun.**

Artillery firepower plays an important role in military operations by degrading enemy's combat potential. At present the Artillery arm of Indian Army comprises of regiments holding a mix of various gun systems whose technology ranges of world war-II and those developed in the seventies. None of these can be considered as state-of-the-art in view of rapid technological advances. Acquisition of quantity 'X' of 155mm 52 calibre Towed guns and SP guns (Wheeled/Tracked) was included in 10<sup>th</sup> Army Plan<sup>8</sup> but could not materialize as of October 2010. Thus availability of modern Artillery arm with the Army for replacing the existing force level of 105mm/ 122mm/130mm guns of obsolete technology could not be ensured for over a decade.

After last acquisition of Bofors gun under a contract of 1986, Ministry planned and initiated procurement process for acquisition of Towed Gun system and Self Propelled (SP) Gun system in mid nineties, which could not materialize even after lapse of more than a decade due to non-defining the requirement of specific gun system by Army, non-selection of proven gun and inconsistencies in evaluation of gun system. Chronological history of events is given in **Annexure-II**.

#### 2.1.1 Acquisition of 155mm Towed Artillery Gun

Contract for acquisition of Bofors guns concluded in 1986 with M/s AB Bofors, Sweden was valid for 15 years i.e. up to 2001. Under the contract, Department of Defence Production was to avail itself of arrangements, technology, services and assistance of M/s AB Bofors for upkeep and overhaul of the guns purchased and for indigenous production of the guns. However, ban was imposed in 1989 on dealing with M/s AB Bofors which remained in force up to June 1999. Meanwhile, to meet urgent operational requirements of new gun for Artillery, the General Staff Qualitative Requirement (GSQR) for 155mm towed mounted gun was formulated in April 1997 indicating 45 Calibre barrel length as 'vital' parameter and 52 calibre length as 'desirable'. While that being so, the Chief of Army Staff had clarified in May 1997 that the future policy for towed gun would be 155mm 52 calibre length. The

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<sup>8</sup> 10<sup>th</sup> Army Plan = 2002-03 to 2006-07

formulation of requirements on two options did not recognize that vendor base of guns of two different calibers was different.

The ban on M/s Bofors was lifted in June 1999 permitting transactions with the successor firm M/s Celsius, Sweden, honoring the commitment of Bofors. Consequent to the lifting of ban M/s Celsius intimated Army HQ in September 1999 that the only upgrade system available with them was the existing gun mounted on a Volvo truck, thus making it a vehicle mounted instead of being towed. In addition, it was also informed that they have a prototype of a 45 calibre gun in an advanced stage of development. After considering the proposal of M/s Celsius, Chief of Army Staff in October 1999 approved the proposal for procurement of 155mm upgrade version truck mounted gun with 45 calibre length barrel from M/s Celsius. The main argument of Army HQ in favour of this proposal to issue RFP exclusively to M/s Celsius only was saving of TOT cost, facilitate easy absorption of technology and ease of operation and logistic support for the system. However in March 2000, Ministry with the approval of RM asked AHQ to define its need in terms of towed/truck mounted gun and if necessary of 45 and 52 calibre or both. It was proposed that RFP was to be issued to the known vendors for evaluating these guns in Indian condition against GSQR.

Army HQ submitted the draft RFP in July 2000 for issue to nine vendors of 155mm 45/52 calibre towed Gun Howitzer. After a detailed deliberation and exhaustive analysis carried out at the Army HQ level, from April 2001 to June 2001, the opinion of Army HQ crystallized only in favour of 155mm 52 calibre length towed gun. Accordingly, the GSQR was amended in August 2001 providing parameters for towed 155mm 52 calibre gun. Acquisition of quantity 'X' of the gun was included in the 10<sup>th</sup> Army Plan.

The RFP based on amended GSQR was issued in December 2001 to nine vendors without specifying the quantities required. Only three foreign firms viz M/s SWS Sweden, M/s Denel Land System, South Africa and M/s Soltan System, Israel submitted their technical and commercial offers. In June 2002, Cabinet Committee on Security (CCS) granted the approval for procurement of quantity 'X' of 155 towed guns of 52 calibre length. In order to ascertain the suitability of 155mm 52 calibre towed guns offered for trials evaluation by three firms, the trials were carried out in four phases over 4 years between May 2002 and January 2007 resulting in inordinate delay.

After evaluation of trials results, the General Staff observed in April 2007 that none of the guns evaluated stood introduced in their own countries or in any Army. The guns did not meet certain technical parameters of the GSQR. At the time the RFP was issued in 2001, 155mm 52 calibre was a developing gun system but by the time the GS evaluation was taking place, a number of new systems of the same calibre were introduced, thus changing the complexion of the procurement. As such none of the guns was recommended for introduction into service. DG Artillery also recommended that GSQR of 2001 was time barred and needs to be formulated afresh followed up by fresh RFP and de-novo evaluation of 155mm 52 calibre gun system. The Ministry in October 2007 after six years of issue of the RFP foreclosed the case for procurement of the gun.

In December 2007, the case was re-opened when fresh 'acceptance of necessity' was accorded categorizing the acquisition as 'Buy and Make', where quantity 'X' were to be procured outright as 'Buy' and remaining to be manufactured under TOT. Quantity 'X' guns were to be procured in 11<sup>th</sup> Army Plan and balance in subsequent three five years Army Plans i.e. upto 2027. Meanwhile, GSQR formulated in August 2001 was revised in September 2007. In the revised GSQR, the minimum range stood reduced from 35 Kms to 30 Kms with the standard ammunition and minimum range in high angle of firing was diluted from 5 Kms to less than 5 Kms. This was in contradiction of universal fact that high calibre barrel length would achieve higher range. The weight of the gun was not specified in the revised GSQR also.

As per revised GSQR, RFP was issued in March 2008 for submission of technical and commercial bids. Only four firms had submitted their technical and commercial bids in September 2008 and out of them, two firms viz M/s Singapore Technologies, Singapore and M/s BAE Systems, Sweden had qualified for trials. The trials of the guns offered by these two firms were to be conducted in November/December 2009. However, Army HQ in July 2010 retracted the RFP issued in March 2008 for procurement of 155mm 52 Calibre Towed Gun and draft RFP with revised GSQR was under vetting as of October 2010. Fresh RFP was issued on 28 January 2011 against which bids were due on 29 April 2011. However on the request of vendors date of submission of bids was extended for eight weeks i.e. up to 24 June 2011.

### **2.1.2 Acquisition of Self Propelled Guns**

Self Propelled (SP) guns are required to provide continuous fire support to mechanized formations, which normally operate cross-country in plains and deserts. The SP gun system consists of a Turret<sup>9</sup> and Chassis<sup>10</sup>. The design approach of SP gun system is categorized as 'Integrated' system and 'Hybrid' system. In Integrated system the turret and chassis are designed together whereas in Hybrid system, the turret is designed separately. The Indian army is presently holding SP guns with technology of seventies.

In March 1994, GSQR for SP gun was formulated keeping in mind the Russian MST-A SP Gun (152mm) since at that time it was considered to be the most affordable and available SP gun as a short term option. In July 1994, a global RFP was issued for a hybrid SP gun by mating gun turrets, ex import with indigenous T-72 chassis. Proposals were received in December 1994 from five vendors and trials of four gun systems were conducted between April-July 1995. The T-72 chassis for mounting the turret failed with all the gun systems and thus Army HQ rejected the offers of all the four manufacturers.

In May 1997 the Chief of Army Staff decided that AS-90 turret offered by M/s VSEL, UK and T-6 turret of M/s Denel of South Africa having lesser shortcomings be mated with the MBT Arjun Chassis for conducting fresh

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<sup>9</sup> Turret houses the complete weapon system and provides protection to the crew as well as to the equipment.

<sup>10</sup> Chassis is a platform to transport the turret into the battlefield.

trials. M/s Denel produced their equipment for trials but M/s VSEL did not offer their turret and instead they offered their fully integrated system for trials, which was not as per QRs.

After the trials of 1995-96, Army felt that the GSQR formulated in March 1994 had laid down certain unattainable and stringent parameters. This necessitated revision of the GSQR. Accordingly, the GSQR was amended in March 1998. While the old GSQR covered only SP gun (Tracked) the amended GSQR caters for both tracked and wheeled SP guns. In the 10<sup>th</sup> Army plan, acquisition of 'X' quantity of the SP guns tracked and wheeled was planned.

#### **A. SP Gun (Tracked)**

After trial evaluation from July to September 1999, Army HQ in September 2000 recommended induction of BHIM T-6 tracked gun into service. In October 2000, Department of Defence Production and Supplies (DDP&S) had nominated Ordnance Factory Board as Nodal Production Agency for indigenous manufacture of gun. However in March 2002, the decision was reviewed and BEML was nominated as Nodal Production Agency although BEML had no expertise in the field. As such BEML was not even prepared for submitting their tender within stipulated time. CCS in June 2002 accorded approval in principle for acquisition of quantity 'X' of 155mm gun tracked version, BHIM T-6, comprising of Turret imported from M/s Denel, South Africa mated on MBT Arjun (BHIM) chassis by M/s BEML.

In June 2002, RFPs were issued to M/s Denel and M/s BEML. Based on their commercial proposals, price negotiations were held with both the firms between August 2002 and December 2003. The PNC recommended procurement of quantity 'X' fully integrated 155 mm/52 calibre SP tracked gun BHIM T-6. After one year, the Ministry decided in December 2004 to progress the case for CCS approval. Due to imposition of ban in June 2005 by the Government in dealing with M/s Denel due to their alleged involvement in making payment to certain agencies as commission relating to another procurement, all the contracts and negotiations with the firm were cancelled.

In June 2006 Defence Acquisition Council (DAC) approved an integrated SP gun system tracked as "Buy" with stipulation that integrated gun system to be trial evaluated and selected turret after trials be mated on Arjun chassis and tried as a hybrid system. The RFP was issued in May 2007 to twenty nine firms but finally only one firm offered techno-commercial offer and thus the RFP was retracted as it was treated as a single vendor situation. The development of a hybrid SP gun on indigenous chassis did not succeed. In February 2008, the DAC concurred for buying an integrated SP gun system instead of hybrid system. Accordingly, RFP was issued in August 2008 to eleven vendors inviting techno-commercial offers. Only one vendor responded in March 2009 and hence the RFP was withdrawn. However, on the request of vendors, date of submission of bids was extended by eight weeks i.e. upto 25 June 2011.

**B. SP Gun (Wheeled)**

While the Army was pursuing the trial evaluation of hybridized Tracked SP gun on Arjun Chassis in 1998, advancements in wheeled vehicle technology had made the Wheeled SP gun a viable option, especially in the plains and semi-desert terrain. The GSQR formulated in 1994 as amended in 1998 for Wheeled SP guns was further amended in November 2001 to change calibre length from '45/52 calibre' to '52 calibre'.

CCS, in June 2002, approved procurement of quantity 'X' of 155mm SP Wheeled gun. Meanwhile, RFP was issued in January 2002 to eleven vendors and technical offer of five vendors were received. Offer of only one firm i.e. M/s Denel South Africa was found to satisfy the GSQR and was recommended for induction into service. However, due to ban on M/s Denel in June 2005, the procurement process was closed by Ministry in July 2005.

The DAC in June 2006 decided procurement of quantity 'X' of Wheeled SP guns. RFP was issued in February 2007 to twenty nine vendors but only one vendor submitted their technical offer. Due to single vendor situation, RFP was retracted. A fresh RFP was issued in February 2008 to five vendors and the trials of guns of two vendors were in progress as of October 2010. Trials were likely to conclude as of 20 May 2011.

The case of procurement of artillery guns revealed as under:

- Army HQ took more than four years from April 1997 to July 2001 in deciding the actual requirement of guns in terms of towed/truck mounted guns, and calibre i.e. 45 calibre or 52 calibre.
- The failure of the Army in defining the requirement of specific gun system had deprived its Artillery, for over a decade, from obtaining guns of contemporary technology for replacing the existing obsolete force level with guns of 45 caliber length in service with the global Army. Induction of the state-of-the-art technology gun system in Artillery forces was uncertain as of October 2010 impacting adversely the operational preparedness of the Army.
- The Army spent nearly five years in trial evaluation of a gun (52 calibre) under development instead of a proven gun system.
- Dilution in the parameters of minimum ranges of the gun indicated that the Army had not frozen even the minimum requirement.
- As on date the procurement is not in sight in the foreseeable future.

- Absence of a policy to govern the procurement of SP gun system by insisting on the 'hybrid' route with the chassis of MBT Arjun which itself was under development, and unwillingness to "buy" integrated system has delayed procurement inordinately.

## 2.2 Delay in establishment of repair facilities (Mini Depot) and unwanted import of Trailers

**Ministry signed Letter of Offer and Acceptance (LOA) with the United States Government (USG) in February 2008 to establish Mini Depot for repair of 12 Weapon Locating Radars (WLR) already procured between August 2005 and September 2007 under Foreign Military Sales (FMS) route. But release of payment under LOA was not linked with receipt of components and work done for establishing the Depot. This resulted in undue benefit of advance payment of ₹ 100.18 crore, i.e. (95 per cent) to USG without initiation of work by even the original date of completion. In absence of repair facility, a number of WLRs were lying off road as of December 2010. Besides, incorrect analysis of requirement of support equipments for the WLRs led to unwanted procurement of twelve Trailers at a cost of ₹ 2.19 crore.**

Weapon Locating Radars (WLRs) are surveillance radars designed to locate enemy's Artillery Weapon system. To meet urgent operational requirements of Army, the Ministry of Defence in April 2002 signed Letter of Offer and Acceptance (LOA) with the Government of the United States of America (USG) for procurement of eight WLRs for USD<sup>11</sup> 138.28 million (equivalent to ₹ 677.29 crore) which was increased to 12 WLRs along with support equipment and accessories at a cost of USD<sup>12</sup> 190.92 million (equivalent to ₹ 845.78 crore) through an amendment of March 2007 to LOA. This also included 12 Power Units mounted on Trailers. The value of these Trailers was USD 493,605 (₹ 2.19 crore).

These equipments were received from United States under Foreign Military Sales (FMS) route during 2005 and 2007. After Joint Receipt Inspection (JRI) of four WLRs received up to August 2005, Central Ordnance Depot (COD) Agra intimated the Director General Ordnance Services (DGOS) as well as user Directorate (DG Artillery) at Army HQ that the Generator Set/power unit was to be mounted on a Tatra Vehicle, hence Trailers were not required. It also suggested that the Trailers received may be returned to the United States through Supply Discrepancy Report (SDR) and further delivery may be suspended. However, USG declined to take these Trailers back stating that as the Trailers were initially contracted in the LOA, these cannot be returned to USG for credit. Subsequently, no further action had been taken by the Ministry either to return the Trailers or to declare these as surplus.

Initial Engineering Support Package (ESP) of WLRs was limited to field level repairs only. To overcome operational handicap of a lead time of one year to

<sup>11</sup> 1 USD = ₹ 48.98

<sup>12</sup> 1 USD = ₹ 44.30



repair these WLRs, necessity was felt to create component level facility in the form of a Mini Depot. Ministry signed LOA with USG in February 2008 to establish Mini Depot for repair of WLR at an estimated cost of USD<sup>13</sup> 22,640,129 equivalent to ₹ 89.59 crore. Pending establishment of this facility, an amount of USD 3,000,000 was also approved for repair facilities under 'Repair & Return' programme. In addition, three LsOA were signed in April 2010 for spare support arrangement for WLRs under Cooperative Logistic Supply Support Arrangement (CLSSA) for USD<sup>14</sup> 19,742,103 equivalent to ₹ 90.91 crore. However, no stores were received as of February 2011.

The site survey, receipt of stores and functioning of Mini Depot as per LOA was to be completed by September 2010, excluding six months provided for field engineering support for Mini Depot. The total payment was to be released in ten quarters starting from June 2008 and ending with September 2010. The payment of USD 21,477,208 equivalent to ₹ 100.80 crore, i.e. about 95 *per cent* of total amount of USD 22,640,129 was made between March 2008 and October 2009. As of September 2010 neither survey of site and functioning of Mini Depot had fructified nor 13 items mentioned in LOA received. In the absence of repair facility, a number of WLRs remained non-functional due to defects in different parts of radars as of December 2010.

Army HQ stated in December 2010 that delay in setting up of Mini Depot was mainly due to non-finalization of contract between USG and Original Equipment Manufacturer (OEM). The contract between USG and OEM was finally signed in August 2010 and as per revised schedule, work would be completed by December 2011 excluding six months of field engineering support. All payments were made to USG as per laid down schedule as its failure was to be subject to interest charges mentioned in terms and conditions of LOA.

Thus WLRs which were procured between 2005 and 2007 had gone frequently non-operational/off-road in the absence of non-fulfillment of contractual obligations to create component level repair facilities as of December 2010. Also by not binding contractually to link release of payment with receipt of store and work of establishing Mini Depot, about 95 *per cent* payment was made without any work done on ground. Thus the inclusion of a payment clause without linking it with progress of work of Mini Depot resulted in payment of ₹ 100.18 crore to the USA without any immediate return. Further, incorrect analysis of requirement of support equipments for the WLRs led to unwanted procurement of twelve Trailers for ₹ 2.19 crore which were held without any use. Ministry may fix the responsibility to avoid such lapses.

The matter was referred to the Ministry in November 2010; their reply was awaited as of July 2011.

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<sup>13</sup> 1 USD = ₹ 39.57

<sup>14</sup> 1 USD = ₹ 46.05

## 2.3 Failure of the project “Mission Excel Information Technology (MEIT)”

**Controller General of Defence Accounts’ software development project “MEIT” was derailed from its path and inspite of incurring expenditure of ₹ 20.47 crore, the intended objectives of automation of all functions of DAD had not been achieved.**

The Project “Mission Excel Information Technology (MEIT)” of Defence Accounts Department (DAD) was planned in September 2002 to keep pace with the Armed Forces who had undertaken large scale automation projects in areas such as inventory management, provisioning, procurement etc. Following were the features of the project:-

### Objectives

- Automation of every function of the DAD ensuring online transaction processing.
- Computerisation of over 900 offices of the DAD at 200 locations.
- Ensuring that every member of the Department works on the computer.

### Budget

Budgetary estimates for the whole project was ₹ 42 crore as under:

Area	Allotment (₹crore )
Software development	18.00
Hardware procurement	10.00
Networking	3.20
Training	2.10
System software	1.50
Contingency	7.20
<b>Grand Total</b>	<b>42.00</b>

### Time frame

The activities were to be started with completion of User Requirement Specifications (URS) by January 2004, completion of software development by April 2005, installation of hardware and networking in April 2005 and finally the training for system administrators and end users by January 2006.

### Selection of Vendors

The CGDA, in October 2003, set the pre-qualification criteria for the selection of software vendors. The two basic criteria were ‘the company should have valid SEI-CMM<sup>15</sup> level 4 or 5 certification’ and ‘the company should have annual turnover of ₹ 10 crore or more in previous three years for development of software application.

<sup>15</sup> Capability Maturity Model for Software



In November, 2003 the request for submission of Expression of Interest (EOI) was issued to 83 Software Vendors and against which response was received from 34 vendors. The evaluation done by the CGDA disclosed that only 08 vendors were meeting the criteria. However, keeping in view the inadequate competition and difficulty for delivery within desired time span by selecting just eight or nine firms, CGDA decided to relax the criterion to include more vendors for better competition. In all 28 companies were selected to tender.

### **Sanction/PDC**

The Ministry of Defence (Finance) sanctioned the Project in July 2004 at a cost of ₹ 42 crore with completion date as March 2007. The cost of the project was revised to ₹ 54 crore in September 2007 with PDC revision as December 2009. The revision in cost was attributable to increase in expenditure of ₹ 5 crore on hardware, ₹ 2.38 crore on networking expansion and ₹ 6.68 crore on inclusion of new scanning project MEIT-DIMS<sup>16</sup>.

### **Structure**

The whole software development portion of the project was structured in nine Lots as detailed below:-

<b>Lot.</b>	<b>Area of Software Development</b>	<b>Estimated cost (₹ in crore)</b>	<b>Contracted cost (₹ in crore)</b>
1	Pay & Allowances (Armed forces excluding Army Jawans)	2.46	0.62
2	Border Roads.	2.04	0.45
3	Store Payment & Audit of Army Commands, Navy, Air-force & DRDO	2.54	1.15
4	Service HQ and Defence Budget monitoring.	2.76	1.82
5	Pay & Allowances ( Army Jawans)	1.32	1.52
6	Pay & Allowances of Defence civilians, DAD Administration & HQ / CGDA functions viz. MIS, Policy.	2.94	3.49
7	Financial advice to Defence organisation.	3.80	2.53
8	Pension	1.64	1.36
9	Ordnance Factories Accounting System + DIMS	6.68	Not yet contracted
	Total	26.18	12.94

### **Contracts**

The CGDA invited tenders on two bid systems lot wise between January 2005 and October 2006 including M/s A F Fergusson and M/s IBilt Technologies on the plea that inclusion of these firm would generate more competition though both the vendors were not meeting the basic criteria during EOI stage. The technical evaluation criteria adopted for selection of firms was not foolproof as it was based on awarding marks rather than disclosing the technical details of software demonstration by the firms.

Analysis of commercial bids revealed that except for lots 4 & 5, there was a wide variation (38 % to 486 %) in the rates of the firms L1 & L2 as shown in

<sup>16</sup> Mission Excel Information Technology (MEIT) – Document Imaging & Management Solution (DIMS)

**Annexure III.** Despite unworkable rates quoted by L1 firms for each lot, contracts were awarded to them by the CGDA between June 2005 and March 2007. The CGDA did not exercise the option of retendering to achieve the reasonable rates worked out by them during planning stage of the project.

### **System Development**

As per contract agreements, the time fixed for the coding and lab testing of the system was three months after start of the work. M/s. Infinite Computer Solution (ICS) to whom contracts for four lots 1, 2, 3 and 5 were awarded did not progress in their awarded task and failed to develop important and critical modules viz IRLA and DO II. The other modules developed by the firm could also not cross lab testing stage. Again, the lab testing was taken for incomplete system in June 2007. The ICS had released multiple version of software and in each time the system failed. This resulted in disputes between the CGDA and the firm. On the recommendations of a mid term review carried out by the CGDA team in February 2009, all the contracts for these lots were terminated in September 2009 by encashing the Bank Guarantee Bonds. The other Lots viz 4, 6, 7 & 8 were at the stage of lab testing and pilot implementation. The Lot 9 was yet to be contracted as of February 2011. A total payment of ₹ 4.94 crore was made to the firms for software development from 2005-06 to 2008-09.

### **Hardware Procurement**

Meanwhile the CGDA made advance procurement of IT hardware viz. Computers, UPS, Servers, Networking equipments etc. for ₹ 14.55 crore as per details given below :-

Year	Expenditure (₹ in crore)	
	Hardware	Networking
2003-04	2.50	2.18
2004-05	2.13	0.00
2005-06	1.76	0.05
2006-07	3.22	0.00
2007-08	0.00	2.71
<b>Total</b>	<b>9.61</b>	<b>4.94</b>

The expenditure of ₹ 6.81 crore was incurred during 2003-04 and 2004-05 i.e. prior to sanction of the project/conclusion of contracts. Apart from this, an expenditure of ₹ 98 lakh was incurred during 2003-04 to 2008-09 on the Training on System Administrator & users.

### **Audit Findings**

- In spite of receipt of unworkable rates in three lots, the CGDA did not exercise the option of re-tendering and awarded contract of these lots to ICS, who failed to produce the critical and important modules of software by taking four years time as against the PDC of three months and ultimately caused for termination of the contracts.

- M/s A F Fergusson and M/s iBilt Technology Ltd. did not meet the basic criteria during EOI stage yet contracts were awarded to them on the grounds of generation of more competition. Both the firms could not complete the task within due dates.
- The CGDA could not expedite the progress of the software development resulting in non-completion of the project even within revised PDC. Thus, inspite of incurring expenditure of ₹ 20.47 crore on hardware, software and training, the project has already been inordinately delayed.

In their reply, the CGDA in June 2010 admitted the failure of the vendors in designing and development of the software in a time span of more than three years against the contracted time schedule of three months. The Ministry while accepting the facts stated in November 2010 that rejecting an offer which is substantially lower than the estimated cost on the ground that the offer is freakish cannot be considered prudent. Further costing done by CGDA was based on the market survey and there was possibility of revision in the assessment based on the actual response from the vendors. It was also stated that the hardware procured for MEIT is being used by officers and staff in the department to carry out their existing functions. The servers procured for MEIT are being used as Office Automation, backup server etc.

The contention of the Ministry is not tenable as acceptance of abnormally low rates quoted by vendors resulted in non-development of the software. The hardware procured for MEIT was not being utilised for the intended purpose. Even 47 *per cent* expenditure on hardware and networking was incurred prior to sanction of the project/conclusion of software contracts. Further, out of 50 Servers procured for one of the Controllers' office of pension disbursement, only 5 servers were being used for some activities. The hardware procured 3 to 7 years back had not only crossed the warranty period but might not be compatible to the software being developed. Thus inspite of incurring an expenditure of ₹ 20.47 crore on the MEIT project, the intended objectives of automation of all functions of DAD had not been achieved for over four years.

#### **2.4 Non-realization of revenue due to non-revision of rent of land**

**DEO Agra failed to revise the rent of 3.52 acre class 'C'<sup>17</sup> land in accordance with the government sanction in last 36 years. This resulted in non-realization of revenue amounting to ₹ 2.12 crore from a Cantonment Board.**

Ministry of Defence in July 1971 accorded sanction, for reclassification of defence land of 3.52 acres from class "A-1" to "C" for the purpose of construction of a shopping centre at Agra Cantonment. As per the sanction, area of shopping centre was vested under the management of Cantonment Board, Agra on payment of annual rent of ₹ 6647. The rent was subject to revision at the expiry of every five years. Cantonment Board Agra constructed

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<sup>17</sup> 'C' land – land vested in Cantonment Board for municipal or public purpose

a shopping centre. 122 shops of various sizes have been running in this complex on ground floor and one State Bank of India Branch on 5800 sq. ft. area at first floor.

Audit observed in March 2007 that although the Standard Table of Rent (STR) of Agra Cantonment was revised regularly, rent of land was never revised in a span of nearly 36 years since issue of the Government sanction resulting in realization of rent upto 2006 at rates sanctioned in July 1971.

On being pointed out in audit, DEO Agra made a demand in June 2009 for an amount of ₹ 2.12 crore on account of arrear of revised rent. The payment however was not made as of July 2010.

DEO Agra in his reply did not explain why the rent could not be revised as and when due. This allowed the Cantonment Board to exploit Government land for commercial purposes, without receipt of commensurate revenue to the Government.

The matter was referred to the Ministry in August 2010; their reply was awaited as of July 2011.

## 2.5 Deficient pre-despatch inspection

**Deficient pre-despatch inspection of Sniper Rifle led to rejection of one of its essential accessories and the Rifle could not be issued to users for two and a half years.**

Ministry of Defence in August 2007 concluded a contract with a foreign firm for supply of 45 Sniper Rifle along with accessories at a total cost of ₹ 2.94 crore. Day & low light telescope sight<sup>18</sup> and night sight was an essential accessory of the rifle without which the weapon could not be used for the intended purpose. As per contract the buyer's representatives would carry out Pre Despatch Inspection (PDI) of the equipment in order to check compliance with specifications in accordance with Acceptance Test Procedure (ATP) which was to be provided by firm within one month after conclusion of the contract. ATP was received from seller in April 2008, after a delay of six months, which was then forwarded by DGQA to CQA (I) Dehradun for examination. The CQA(I), in June 2008, intimated DGQA that ATP was deficient for climatic and durability test which included immersion test along with other tests, i.e., field of view, magnification and range for night performance. Meanwhile, without waiting for the comments of CQA(I), PDI team inspected the store at vendor premises from 29 April 2008 to 5 May 2008 and stores were declared acceptable without conducting climatic and durability test. The supply was completed in July 2008 and payment of ₹ 2.50 crore was made in August 2008 to the firm.

<sup>18</sup> Day/low light Telescopic sight 'NIMROD' 6x40 is a mono power sight fitted on rifle for zeroing and used for aiming the target and accurate firing during day light.

In Joint Receipt Inspection (JRI) visual inspection, functional check, successful check proof firing and night trial of Night Sight of the consignment were carried out in October 2008. However, climatic and durability test for day/low light telescopic sight of weapons could not be carried out and it was recommended that these tests be carried out by CQA(I) Dehradun and the items would be accepted if declared satisfactory in the test. After climatic and durability test on two samples of five and ten day/low light telescopic sights, respectively, CQA(I) Dehradun in May 2009 declared the telescopic sight defective in immersion test. As a result the entire store was rejected and quality claim was raised.

While the firm replaced two telescopic sights rejected during testing at CQA (I) Dehradun, during re-testing of the balance 32 (45-15 +2) day and low light telescopic sights carried out in February 2011 in the presence of firm's representative, 28 sights were found acceptable. For the four remaining telescopic sights quality claim was being raised for replacement as of April 2011. Further department had taken nearly two years for retesting of telescopic sights which could have easily been curtailed to a few months as these rifles were procured under the fast track procedure to meet operational requirement.

DGQA in December 2009 clarified to Army HQ that no PDI was carried out in respect of day/low light telescopic sight due to non-availability of ATP.

The conduct of PDI without waiting for the vetted ATP from CQA(I) which included climatic and durability test led to declaring the consignment satisfactory and clearing it for dispatch. Thus non adherence to laid down inspection regime caused acceptance of defective equipment. This negligence resulted in non availability of the weapon worth ₹ 2.94 crore for more than two and half years of its receipt.

The matter was referred to the Ministry in August 2010; their reply was awaited as of July 2011.