

CHAPTER III : ARMY

3.1 Extra expenditure due to acceptance of higher rates

DGNCC adopted an incorrect practice of placing supply order for 80 per cent of the required quantity on past suppliers considering the last purchase price as the basis and by ignoring valid L1 offers. This resulted in an extra expenditure of ₹ 19.90 crore in the procurement of items from September 2006 onwards. In another case, DGNCC made purchases other than through the rate contracts of the DGS&D and incurred extra expenditure of ₹ 1.09 crore.

Defence Procurement Manual (DPM) stipulated that when L-1 firm does not have the capacity to supply within the delivery period as per Request For Proposal, after loading as per its capacity and past delivery, order can be placed on L2, L3 and so on for the balance quantity at L-1's rate. Audit observed violation of the above said provisions in the procurement of Mosquito Nets by the Directorate General National Cadet Corps (DGNCC) between January 2008 and March 2008. In its procurement, 80 per cent of the total quantity of 97,762 was made from other than L-1 at exorbitantly higher rate involving an extra expenditure of ₹ 2.03 crore. A further review of procurements made by the DGNCC during 2006-07 to 2008-09 was carried out in audit and similar violation was found in procurement of 34 items under 349 supply orders, entailing an extra expenditure of ₹ 17.87 crore. The details are given in the succeeding paragraphs.

Based on Annual Provisioning Review for 2007-08, DGNCC made an open tender enquiry in August 2007 for procurement of 97,762 Mosquito Nets. In response, 37 tenders were received which were opened on 11 September 2007. Tender of one firm was not opened as it was not registered with Director General Quality Assurance (Defence) (DGQA). M/s Sureka International Kanpur with quoted rate of ₹ 180/- plus four per cent Sales Tax was found L-1.

Although L-1 had the capacity and had also offered to supply the full quantity, yet the Tender Purchase Committee chaired by the Joint Secretary (Training) and Chief Administrative Officer, decided in October 2007 to procure only 20 per cent of the tendered quantity, i.e. 19,552 from the L-1 firm at the offered rate of ₹ 180 plus taxes and the remaining quantity of 78,210 from four past suppliers at the rate of ₹ 429 plus taxes being Last Procurement Price (LPP). The past suppliers had quoted basic rates between ₹ 444.90 and ₹ 445.30 and were ranked L25, L26, L27 & L28 in the comparative statement of tenders.

Consequently, in December 2007, the Ministry accorded sanction for procurement of 97,762 Mosquito Net at a cost of ₹ 3.71 crore. The DGNCC placed supply orders on these five firms for 97,762 Mosquito Net between January 2008 and March 2008. The firms supplied the entire quantity during the period from March 2008 to December 2008 and payment of ₹ 3.78 crore was made to the firms for the supplies received.

Further review by audit of procurements made by DGNCC from 2006-07 to 2008-09 in respect of 34 more items revealed that 349 supply orders were placed on firms other than L-1 resulting in an extra expenditure of ₹ 17.87 crore.

The Ministry stated in February 2011 that the practice being followed in the DGNCC was as per Director General of Supplies and Disposals (DGS&D) Manual whereby 80 *per cent* of order quantity is given to past suppliers with a proven track record and 20 *per cent* is ordered on new suppliers. Although DGNCC had assured in September 2009 that in future DPM 2009 would be adopted for all procurements, the Ministry remained silent about this in their reply of February 2011. The Ministry added that unlike the Army, NCC had no reserve stock and to ensure timely availability of stock, supply orders were issued to past suppliers.

The Ministry's reply is indefensible since DGNCC was bound to follow the provisions in the General Financial Rules (GFR) and DPM in their procurements. As per GFR and DPM – if a development order is to be placed – or if the capacity of L-1 is in doubt, or in case of urgency – counteroffer can only be made to L-2, L-3, L-4 in that order at the rate quoted by L-1. There is no provision for placing orders on past suppliers in a bidding process especially for a consumer items like Mosquito Net. This is not a high technology item, samples could have been procured and checked. Past practice cannot be the defence for not following the rules and showing undue favour to firms who have been overcharging NCC.

In another case, 4088 Tents Extended Frame Supported (TEFS) were procured by the DGNCC between February 2010 and May 2010 from trade when the same item was available on rate contract at lower rate. This was also in violation of GFR which stipulated that items of general stores for which rate running contracts have been concluded by the DGS&D, Ministries/Departments shall follow those Rate Contracts (RC) to the maximum extent possible.

When pointed out by Audit, DGNCC replied in October 2010 that the tents procured were mentioned with specification number and schedule number, whereas the tents available under DGS&D Rate Contract were mentioned only with the specification number, which means that the specification of the tents procured by DGNCC are different from those available on DGS&D Rate Contract. Further, DGNCC stated that the inspection norms adopted by the two different agencies are different. The reply is not tenable since schedule number for tent did not indicate any change in specifications.

Thus despite the availability of above item on RC at cheaper rate, 4088 tents were procured by DGNCC from trade incurring an extra expenditure of ₹ 1.09 crore in violation of codal provision.

The purchase of the common user items at exorbitant rates from the past suppliers in preference to the lower rates offered by other suppliers defied all procurement norms and was in gross disregard of the accepted standards of financial propriety. These resulted in an extra expenditure of about ₹ 21 crore.

The cases were referred to the Ministry in September 2010. Reply was received only in respect of the case of procurement of Mosquito Nets. The results of the audit review of procurement of the 34 items were referred to the Ministry in May 2011; their reply was awaited as of July 2011.

3.2 Diversion of funds from Government into non-Government account for procurement of Personal Kit items

Army HQ had set up a Personal Kit Stores (PKS) outlet without Government sanction for providing items of Personal Kit (PK) to units proceeding on UN Mission. PK items worth ₹ 140.75 crore were procured through PKS (UN) during last three years on which service charges of ₹ 5.36 crore were irregularly charged.

The Mobile Officers Kit Stores or Cash Purchase Issue Section of yester-years, which provided an ideal window for officers and men to procure items of uniform and accoutrements ceased to function in 1974. The void was by and large filled up by civilian vendors, which resulted in proliferation of different shades and patterns. Seized with this problem, the Chief of Army Staff (COAS) in May 2006 projected the vision and concept to establish Personal Kit Store (PKS) at selected stations across the country to have uniformity in the Army uniform and other service dress used by the officers and men.

The aim of these PKS was to provide a retail source for approved pattern and quality items at reasonable rates earning a profit of 10 *per cent*. The PKS were initially funded from welfare fund of Army Headquarters (HQ) and Commands HQ and its accounts were to be audited by registered Chartered Accountants. These PKS outlets are operating as a professional venture by the Army Ordnance Corps (AOC) being informal organisation formed in Army HQ without the approval of the Ministry of Defence (MOD).

In May 2006, COAS directed during Army Commanders Conference that units going on UN Mission after September 2006 would procure items of personal clothing (22 items) from PKS only although these were to be provided by the Government.

Accordingly, Standard Operating Procedure (SOP) for issue of Personal Kit Stores to units proceeding on UN Missions was framed by the Army HQ in November 2006. As per the SOP, the units proceeding on UN Mission would be kitted through PKS (UN Mission) outlet established in Delhi Cantonment for which five per cent service charges would be levied by the outlet. The kit items were to be procured from the OEM through Rate Contracts concluded by Army HQ and accounted for by the officer-in-charge (OIC) PKS (UN Mission). The Principal Controller of Defence Accounts (PCDA) HQ would release payments to PKS (UN) account (Non-Government Account) including five per cent service charges out of Government funds for making onward payment to the OEMs. Interestingly, no approval of the MOD had been obtained for this informal arrangement. Notwithstanding the provisions contained in Financial Regulations Defence Services that Controllers of

Defence Accounts (CsDA) would control all the cash and store accounts and arrange local audit of the accounts, no such procedure was enumerated in the SOP.

Directorate General of Ordnance Services (DGOS), Army HQ concluded rate contracts with OEMs in September 2006 and December 2006 for supply of personal kit items for UN bound units for two years, which were extended up to May 2010. As per rate contracts, the consignee was PKS (UN) Taurus Canteen, Delhi Cantonment, a non-Government Organisation. The PCDA had released payment of ₹140.75 crore including service charges to the PKS (UN) account from December 2006 to January 2010 for procurement of the personal kit items for the units deployed on UN Mission. An amount of ₹ 5.36 crore on account of service charges including bank interest had been accumulated in the PKS (UN) account from December 2006 to March 2010. On being pointed out in audit, OIC PKS (UN Mission) deposited ₹ 5.60 crore into Government account in instalments between June and August 2010 towards the service charges and interest.

The case revealed that: -

1. Army HQ had set up an informal organization, i.e. PKS (UN) without approval of the MOD through which transactions of Government stores worth ₹ 140.75 crore were carried out for last three years by diversion of funds from Government into non-Government Account and had charged service charges of ₹ 5.36 crore irregularly.
2. Government stores procured for ₹ 140.75 crore through PKS (UN) outlet had been kept outside the purview of internal audit as well as statutory audit.
3. The PCDA had irregularly released payment to the PKS (UN) account for procurement of Government stores instead of issuing cheques to the concerned firms.

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

3.3 Irregular payment of field area allowance

Irregular payment of ₹ 15.16 crore was made to non-entitled defence civilian employees of static units on account of field area allowance during Operation Parakram even though the allowance was not admissible to service personnel of those units.

Mention was made in Para 3.4 of Report No. 6 of 2004 of the Comptroller and Auditor General of India, Union Government, Defence Services (Army and Ordnance Factories) regarding irregular payment of Field Area Allowance (FAA) during Operation (OP) Parakram to service personnel of static units. Under the Audit para, irregular payment made to service personnel of Ammunition Depot (AD) Bathinda was also brought out. In the Action Taken Note issued in August 2007, Ministry of Defence (MOD) stated that the

irregular payment of FAA made to service personnel of AD Bathinda had been recovered. Similarly, service personnel of AD Dappar were not eligible for the FAA.

In March 2006, Ministry extended field service concessions to defence civilian employees who had been deployed on OP Parakram along with Army. These concessions were valid for the entire period of OP Parakram from December 2001 to March 2003 to all defence civilian employees deployed/mobilized irrespective of the geographical areas of deployment.

Army Headquarters (HQ) clarified in December 2006 that criteria for deployment of units/formations for the Operation would be as notified by the respective Command Headquarters. Since AD Bathinda and AD Dappar were notified for deployment/mobilization for the operation vide HQ Western Command (WC) order of 2002, the defence civilian employees of these depots were paid FAA of ₹1.40 crore.

The inconsistency in the Ministry's orders where an operational allowance not admissible to service personnel had been allowed to defence civilians of the same units for the same purpose was pointed out by Audit in June 2008. In response to it, the Ministry in January 2010 stated that the compensation was paid to the defence civilian employees on the analogy that the service personnel were entitled for the same and agreed to recover the FAA irregularly granted to the defence civilian employees. As the service personnel of AD Bathinda and AD Dappar were not entitled for the FAA, an amount of ₹ 1.40 crore paid to the defence civilian employees of both the depots on account of FAA was irregular.

Meanwhile, in May 2009, HQ WC amended their deployment order of 2002 notifying deployment of defence civilian employees of 81 static units including Military Engineer Services (MES), Station HQ etc to grant field service concessions for OP Parakram. Based on HQ WC order of May 2009, FAA amounting to ₹ 13.76 crore was paid between May 2009 and April 2010 to defence civilian employees of various MES formations and other static units although no FAA was paid to the service personnel of these units. Evidently, HQ WC arbitrarily amended their operational deployment order after seven years merely to grant FAA to non-entitled defence civilian employees, which had resulted in irregular payment of ₹ 13.76 crore. The Audit contention of June 2008 regarding non-admissibility of the operational allowance to defence civilian employees was upheld by the Ministry in January 2010 i.e. after 18 months. Had the Ministry issued orders before May 2009, irregular payment of ₹ 13.76 crore could have been avoided.

The irregular payment of ₹ 15.16 crore on account of FAA made to non-entitled defence civilian employees of static units requires recovery.

The Ministry stated in June 2011 that since an operational allowance not paid to the Service Personnel had been paid to the Defence Civilian employees of the same units, necessary directions had been issued (May 2011) to Army HQ for recovery of the irregular payments made in this regard. The recovery of

irregular payments made to non-entitled Defence Civilian employees was still awaited.

3.4 Irregular de-hiring of house constructed on leased land

Chief of Staff, Southern Command in January 2006 accorded sanction for de-hiring of a house hired prior to March 1976 although the powers for de-hiring in such cases were vested with the Ministry of Defence. This enabled the lessee to transfer the leasehold rights of 1.14 acres of Defence land valuing ₹ 2.77 crore to a private party for possible commercial exploitation of the land without any cost to the private party.

In the pre-independence period, to increase the availability of housing for officers, Defence land in the Cantonment area was leased to private individuals, who would then construct bungalows to be hired by Army for occupation by its officers. Lease of such land was normally done for a token amount.

De-hiring of houses hired on old lease agreement prior to March 1976 and 'de-hiring of houses before the expiry of lease period' require approval of the Ministry of Defence (MOD) as per the policy laid down in November 1979, Army Headquarters (AHQ) in August 1987 reiterated that requests for de-hiring of houses at certain stations including Pune would continue to be considered by the MOD.

Building site measuring 1.14 acres appurtenant to bungalow No. 9 Parvathi Villa at Pune Cantonment was leased in September 1937 to Miss Piroj K. Sanjana on Schedule VI of the CLAR¹⁹ 1925 for 30 years up to September 1967 at annual rent of ₹ 1/-. Subsequently, the property was held by Mrs. Nargis S. Mazda. The lease was initially renewed up to September 1997 and finally renewed up to September 2027 with annual rent of ₹ 3/-. The bungalow was continuously hired by the Army since March 1941 on monthly rental of ₹ 303/-.

In May 2005, the Holder of Occupancy Rights (HOR) of the bungalow requested for de-hiring of the bungalow for carrying out repairs and for self use. While furnishing comments on the application for de-hiring of the bungalow, the Principal Director, Defence Estates, Southern Command in July 2005 clearly stated that as it was a case of pre 1976 hiring, Army Headquarters have to be approached for obtaining sanction of the MOD as per the policy on de-hiring. As the validity of the hiring was expiring, the Station Commander in December 2005 accorded sanction for continued hiring of the bungalow for a further period of three years effective from 1 January 2006. However, the Chief of Staff, Southern Command in January 2006 accorded sanction for de-hiring of bungalow in gross violation of the government's policy on de-hiring of houses. The possession of bungalow was handed over to the lessee in March 2006.

¹⁹ CLAR = Cantonment Land Administration Rules

Soon after de-hiring, the HOR transferred the leasehold rights of the land along with structures to M/s Futura Promoters and Developers Private Limited (Private Company) in May 2006 at a cost of ₹ 0.40 crore. The leaseholder, in December 2007 approached the Cantonment Board with a building plan for demolition of existing main bungalow and reconstruction of the same for residential purpose. On seeking opinion on the proposed building plan, a construction agency of the Ministry of Defence opined that the proposed layout more appropriately seemed akin to a Guest House/Club/Institute/Restaurant as it lacked the integrity of a family accommodation. Thus, 1.14 acres of defence land presently valued at ₹ 2.77 crore along with structures is likely to be commercially exploited by the private company.

Thus, irregular sanction accorded by the Chief of Staff, Southern Command for de-hiring of the bungalow enabled the lessee to transfer the leasehold rights of 1.14 acres building site valuing ₹ 2.77 crore to a private company. The possibility of commercial exploitation of the defence land by the private company cannot be ruled out. Further, evicting such occupant and resuming possession of the defence property on expiry of the lease period would be difficult.

HQ Southern Command replied in February 2010 that paying rent was wastage of Government money even though it was negligible as the bungalow was not being used. It was also stated that the property would be reverted to the Government on expiry of lease in 2027 and no sanction for undertaking any construction on the said land had been granted till date and the property was not being used for commercial exploitation.

The reply ignored the fact that sanction for de-hiring of the bungalow was accorded by the authority lower than the Ministry of Defence (MOD), which facilitated the lessee to hand over possession of the property to a private company and thus allowing the private builder to exploit Defence land in prime locality at no cost. Further rent for hiring was paid for several years even though the bungalow was vacant merely to keep possession of the property with the defence department.

The Ministry in March 2011 while accepting the facts has confirmed that the sanction for de-hiring should have been obtained from the MOD. The reply however did not indicate what action, it proposes to take against the concerned official(s) for breach in exercise of powers.

3.5 Deficiency of fire fighting staff at Central Ammunition Depot

Non-rationalisation of fire fighting (FF) staff in Depots of Army Ordnance Corps created a critical deficiency of fire fighting personnel in Central Ammunition Depot, keeping it vulnerable to risk of fire. On the other hand, four Depots were holding surplus FF staff and paid pay and allowances of ₹ 5.81 crore to them from 2004-05 to 2008-09.

Mention was made in Para 14 of the Comptroller & Auditor General's Report No.8 of 1992 regarding loss due to fire at Central Ammunition Depot, Pulgaon (CAD). Besides commenting on other issues, Audit had pointed out the

inadequate fire fighting arrangements at CAD as one of the causes for the loss. In the Action Taken Note (ATN), Ministry of Defence (MOD), in May 1993, while agreeing to the fact that there was shortage of fire fighting (FF) personnel at CAD, had stated that attempts were being made to fill these vacancies.

In March 2004, the Ministry revised the authorisation of FF staff for Army Ordnance Corps (AOC) and authorised the strength of FF staff as 301 to the CAD holding ammunition worth over ₹ 500 crore.

Audit scrutiny of the posted strength of FF staff at CAD during 2004-05 to 2008-09 revealed overall deficiency ranging from 39 to 44 *per cent* as shown below. Percentage-wise shortage of fireman ranged from 44 to 55 *per cent*.

Sl. No.	Year	CAF ²⁰ / Fire Superintendent		Fire Supervisor/ Fire Master		Leading Hand Fire		Fire Engine Driver		Fireman		Total		Overall Deficiency
		A ²¹	H ²²	A	H	A	H	A	H	A	H	A	H	
1.	2004-05	1	-	12	-	48	37	48	28	192	108	301	173	128(43%)
2.	2005-06	1	1	12	6	48	50	48	23	192	105	301	185	116(39%)
3.	2006-07	1	1	12	6	48	45	48	22	192	104	301	178	123(41%)
4.	2007-08	1	1	12	6	48	42	48	29	192	95	301	173	128(43%)
5.	2008-09	1	1	12	5	48	42	48	33	192	87	301	168	133(44%)

With the revision of authorisation in March 2004, while the CAD was handicapped with huge deficiency of FF staff, four non-ammunition holding Depots within the same Command, were holding surplus FF staff ranging from 28 *per cent* to 120 *per cent*. Pay and allowances of ₹ 5.81 crore had been paid from 2004-05 to 2008-09 to the surplus FF staff of these four Depots.

Southern Command Pune, in March 2010, while accepting the facts clarified that since January 2005 they had repeatedly proposed to transfer surplus FF staff to depots where deficiencies existed but the MOD had not cleared the same.

Thus, shortage of FF staff at the CAD had not been made good even after lapse of one and a half decade despite assurance given by the Ministry in their ATN to fill up the vacancies. The critical Depot has been kept vulnerable to fire risk inspite of surplus FF staff held in other Depots within the same Command and an expenditure of ₹ 5.81 crore had been incurred on their Pay & Allowances during the period 2004-09.

While accepting the factual position of deficient and surplus FF staff in CAD and other Ordnance Depots respectively, the Ministry stated in October 2010 that 106 vacancies of Fireman had been released to CAD and on completion of the recruitment, there shall be no deficiency of Fire staff at CAD Pulgaon. It was further stated that transfer of surplus FF Staff could not be done due to political/Staff Union's influence.

²⁰ CAFM = Civilian Assistant Fire Master

²¹ A= Authorised

²² H = Held

The fact remains that non-rationalisation of fire fighting (FF) staff in Depots of Army Ordnance Corps created a critical deficiency of fire fighting personnel in Central Ammunition Depot leaving it susceptible to risk of fire.

3.6 Loss of ₹ 1.19 crore due to irregularities in the account of hay

Hay weighing 1492.92 MT was not found on ground/unfit for animal consumption in Military Farm Jammu. This loss of hay of ₹ 1.19 crore was attempted to be made up by irregular accountal.

Standing Orders Military Farms (Land) 1962 contains the orders for operation of Military Farms. As per Para 303 of the said order eight *per cent* loss on account of dryage of hay kept in stack is permissible and cases where the loss exceeds said limit are required to be reported to Director Military Farm without making any issue from stock where such a deficiency has arisen. Further stacking loss of 0.75 *per cent* is also allowed.

Contrary to the said provisions a deficiency of 1492.92 MT hay valuing ₹ 1.19 crore i.e. 65 *per cent* of the total stock of 2308 MT was shown transferred on stock ledger by Military Farm (MF) Jammu from BD Bari to new location Satrowan. This deficiency remained undetected between May 2008 and February 2009 till new Officer in charge of MF Jammu took over charge in March 2009. This issue was also objected to during audit of annual accounts of Military Farms of Northern Command/Director General Military Farm at Army HQ during November 2009. However, to investigate the misappropriation/loss of store a Court of Inquiry was convened only in February 2010 and the same could not be finalized as of November 2010. The case is discussed in the succeeding paragraphs.

MF Jammu was operating its stockyard at BD Bari for holding hay since 1985. As there was a requirement of land at BD Bari for Military siding the hay was to be shifted to new location at Satrowan. The shifting of hay commenced from 19 March 2008 and was completed on 2 May 2008. While only 1719 MT of baled hay was shifted to new location, entries were made in the stock ledger of MF Jammu as also at stockyard at Satrowan to show that 2308 MT of hay had been transferred.

Examination in audit revealed the following:

- At the time of handing over/taking over on 4 March 2009, by the officer in charge of the Military Farm, Jammu, it came to light that there was a shortage of 442.70 MT of baled hay. In addition 1146.17 MT of baled hay was found unfit. There was also a shortage of 218 MT of loose *bhoosa*.
- The Board of Officers in its findings of 21 March 2009 noted that 557.52 MT of hay was not found; 498.54 MT of hay was found unfit for issue. A doubt existed regarding 549 MT of hay.

- Subsequently a Board of Officers who met to set out to segregate the 549 MT of hay based on findings of previous Board of Officers concluded that of the said amount 436.86 MT of hay was unfit for re-baling.

Thus a total of 1492.92 MT²³ of hay was either not found on ground or was unfit for issue.

In November 2009 MF Jammu prepared two expense voucher of 557.52 MT quantity of hay not found on ground and 498.54 MT quantity of hay not found fit for issue and forwarded both to the Director MF Northern Command for countersignature. In January 2010 Director MF HQ Northern Command instructed MF Jammu that the action of regularisation should be taken as per Army instructions and Financial Regulations as Director had no power to accord approval for disposal of such huge quantity of hay. In February 2010 Sub Area Commander convened a Staff Court of Inquiry to investigate the matter.

The total net deficiency finally worked out to 1492.92 ton of hay valuing ₹ 1.19 crore. Besides, a deficiency of LWB was reportedly made good by the concerned individual and issued to cattle yard. No documents to evidence that the deficiency was actually 'made good' and issued to cattle yard was found on record. On being pointed out in audit HQ Northern Command replied in November 2010 that the shortage was not reported till March 2009. This only came to light during handing - taking over charge on 4 March 2009. The Staff Court of Inquiry convened in February 2010 also could not progress as the main witness was away on temporary duty for a long period as prosecution witness in a General Court Martial.

Thus there was a loss of 1492.92 MT hay valuing ₹ 1.19 crore and discrepancy in receipt and issue which has neither been regularized nor the responsibility for the same fixed even after lapse of two years. Further making good of deficient LWB without record of any cash recovery from the individual is against the financial rules.

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

²³ 1492.92 MT = 557.52 MT + 498.54 MT + 436.86 MT

3.7 Non-conclusion of contract resulted in extra avoidable expenditure of ₹ 59 lakh

Non-acceptance of tender due to protracted correspondence between Director Military Farms and Integrated Financial Advisor Western Command, necessitated the requirement of compounded cattle feed to be met by local purchase at higher rates. This resulted in avoidable extra expenditure of ₹ 59 lakh.

Based on the recommendation of Senior Military Farms Officers Conference in March 2007, Deputy Director General Military Farms (DDGMF) decided to switch over to compounded cattle feed (CCF) from concentrate feed. Compounded feed is ready mixture of various feed ingredients in certain ratio whereas concentrate feed is in individual form of wheat bran, maize, de-oiled rice bran etc.

Accordingly, tenders for procurement of CCF were advertised through newspapers by Director Military Farms, Western Command (DMF) who also issued tender notices to 12 likely suppliers as per list held with them in October 2008 for procurement of CCF for six Military Farms for the period 1.1.2009 to 31.12.2009. 12 Tender forms were issued to two firms for all six stations. Six tenders, one for each station, submitted by M/s Agro Tech Feeds Ambala, were received and opened on 30.10.2008. The firm after negotiation agreed to supply CCF for Adult and Young stock at six Military Farms at the rates per quintal ranging from ₹ 900 to ₹ 950 and ₹ 959 to ₹ 1020 respectively and a uniform rate of ₹ 1144 for Calves.

DMF in November 2008, recommended to Integrated Financial Advisor Western Command (IFA WC) for acceptance of tender. But the issue of concurrence by IFA remained under correspondence for five months as repeated clarifications were sought by IFA regarding codal parameters for introduction of CCF, scale of CCF, expenditure in past period, rate negotiated in tender for three stations being more than local purchase, renegotiate to bring down rates, etc., DMF gave clarification on expenditure in the past, negotiation with L-1 firm, lower rate of tender for three stations as compared to local purchase rate. However, IFA while raising queries on five separate occasions, did not give a final decision. Thus the matter of finalization of the contract remained under correspondence between DMF WC & IFA, WC from 18 November 2008 to 26 March 2009, whereas both are located in the same building of HQ WC Chandimandir. In the mean time extended validity period of the offer of 30 April 2009 expired. Meanwhile, Deputy Director General, Military Farm, Army HQ, continued to issue approvals for local purchase of compounded cattle feed on day-to-day basis, invariably at higher rates.

Audit scrutiny revealed that contract rates (quoted) for CCF for three stations i.e. Jalandhar, Ambala and Dagshai were lower than local purchase rates and contract could have been concluded for these stations as tenders were issued for each station separately.

However, due to IFA's failure in taking a decision regarding conclusion of contract for three stations, local purchase of CCF from January 2009 to December 2009 had to be resorted to at higher rate which resulted in extra expenditure of ₹ 59 lakh.

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

3.8 Avoidable expenditure due to rejection of a valid tender

Illogical rejection of a valid tender by Headquarters Western Command (HQ WC) led to procurement of meat items at higher rate through local purchase and in retender. This resulted in avoidable expenditure of ₹ 89.80 lakh.

HQ WC invited tenders for supply of two different quantities of meat dressed (MD) and Chicken dressed (CD) (Broiler) (B) and one specific quantity of meat on hoof at Chandimandir, and other four stations for the period from 1 April 2008 to 31 March 2009. Two tenders were received on 3 January 2008. M/s Moneesh & Co, quoted following two different rates for two different quantities for supply of MD and CD (B), whereas M/s Aman & Co. quoted rates for only CD (B).

Sl. No.	Chandimandir		Kasauli, Degshai & Solan		Subathu	
	Qty (Kg)	₹ per Kg	Qty (Kg)	₹ per Kg	Qty (Kg)	₹ per Kg
Rates tendered by M/s Moneesh & Co.						
MEAT (DRESSED)						
1.	240000 OR	84	18000	87	16500	87
	480000	80	42000	83	38500	83
CHICKEN (DRESSED)						
2.	22000 OR	54	450	57	300	57
	262000	62.70	24450	65.70	22300	65.70
Rates tendered by M/s Aman & Co.						
3.	FOR MEAT (DRESSED) NOT QUOTED					
CHICKEN (DRESSED)						
4.	22000 OR	62.98	450 OR	65.98	300 OR	65.98
	262000		24450		22300	

Board of officers assembled at HQ, WC on 03 January 2008 rejected tenders of M/s Moneesh & Co. on the plea that it had quoted two different rates for two different quantities of supply of MD and CD (B) and the format of the schedule had been changed which was incorrect in terms of the instructions to tenderers. This rejection was not in order as the notice inviting tender itself mentioned two different quantities of the items to be supplied.

Integrated Financial Adviser (IFA) to whom the proceedings were referred, was also of the opinion that since two quantities had been mentioned in the tender document quoting of two different rates by vendor did not seem illogical. Similarly, drawing a line between two rates quoted by vendor could not be construed as alteration in the tender documents. The IFA opined that tender of M/s Moneesh & Co. being lowest for Chandimandir station should be considered for acceptance. However Major General, Army Service Corps,

Western Command (MG ASC) did not accept the opinion of IFA and recommended re-tendering. M/s Moneesh & Co. filed a suit in the Court in January 2008 for not awarding the contract to them.

Hon'ble Court under their order of August 2008 directed MG, ASC, HQ WC to consider the tender of M/s Moneesh & Co. for acceptance. Accordingly HQ WC in September 2008 informed the contractor that Court had directed to accept the tender being the lowest and same had been agreed to but as the validity of tender had expired on 30 June 2008, it could not be accepted.

Tenders were re-invited in September 2008 against which only M/s Moneesh & Co. responded. A new contract was concluded on 25 November 2008 with M/s Moneesh & Co. at higher rates of ₹ 98 per Kg and ₹ 101.50 per Kg for supply of MD at Chandimandir and other delivery points and ₹ 78 per Kg and ₹ 81.50 per Kg for CD (B) for supply at Chandimandir and other delivery points respectively for the period from 3 December 2008 to 31 March 2009.

Further, due to the rejection of tender of M/s Moneesh & Co. of January 2008, the requirement of MD and CD (B) for Chandimandir station and outstation were met by resorting to local purchases at higher rates for the period 01 April 2008 to 02 December 2008 and subsequently under the new contract for the period 03 December 2008 to 31 March 2009. This resulted in extra expenditure of ₹ 89.80 lakh. Strangely, local purchases at higher rates were also made, inter-alia, from these two firms whose tenders were rejected in the first instance.

Ministry stated in August 2011 that the panel of officers or any member of panel had no powers to overrule the board's action and there is no provision to process a rejected tender. As regards local purchase at a higher rate, it was clarified that it was not possible to predict local purchase rate as these are influenced by various environmental factors of market and demand and supply.

The fact remains that the Board's action which eventually did not stand the judicial scrutiny caused a loss of ₹ 89.80 lakh to the Government.

3.9 Loss due to non-inclusion of laid down clause in wheat grinding contracts

Imperfection in the terms of contracts concluded by two Command Headquarters with private Mills for grinding of wheat into atta for Supply Depots of the Army Service Corps, enabled three Mills to earn undue benefit of ₹ 63.85 lakh during the period 2006-2010, by holding back 616 Ton atta.

Ministry of Defence (MOD) accorded sanction in October 2004 for conclusion of annual contracts by Command Headquarters for grinding of wheat into atta and bran to meet the requirement of troops and laid down terms and conditions for such contracts. For grinding of wheat into atta, following two grinding process were laid down: -

- (i) Through Roller Process (atta and bran being separated)
- (ii) Through Mills other than Roller Process i.e. atta chakki (atta and bran not being separated)

In case of dry grinding of wheat through Roller Process, the miller will provide minimum 95 *per cent* atta and maximum 5 *per cent* bran out of the wheat collected after allowing 3 *per cent* refraction and invisible losses of the wheat. In case of dry grinding of wheat through Mills other than Roller Process, the miller will provide 100 *per cent* atta of the wheat collected after allowing three per cent refraction and invisible losses, i.e. minimum 97 *per cent* atta of total quantity of wheat collected would be supplied.

Audit scrutiny revealed that in the wheat grinding contracts concluded by the Major General Army Service Corps (MGASC) of Central Command and Southern Command, instead of laid down two grinding process only one grinding process i.e. 'Roller Process' had been specified whereas the millers (firms) were having infrastructure conforming to other than 'Roller Process', i.e. 'Atta Chakki'. This defective provision in the contracts had resulted in less receipt of 616 Ton atta from the firms in three supply depots from February 2006 to June 2010 and consequential loss of ₹ 63.85 lakh.

The cases are discussed below:-

Case-I:

The MGASC Central Command made contract agreements annually with M/s Dhanlakshmi Dall Mill, Gotegaon MP for grinding of wheat into atta and bran to be delivered at nodal supply depot Jabalpur for the period 2007-08 to 2010-11. Earlier also, the supply depot got the grinding of wheat into atta done from the same firm. The firm had *chakki* but no roller mill to grind the wheat. The agreements, however provided that the contractor shall mill the wheat by dry grinding at the mill in such a way as to produce 95 *per cent* atta and 5 *per cent* bran out of wheat collected after extracting 3 *per cent* refraction and invisible losses. In other words, the contractor was liable to supply 92.15 *per cent* atta and 4.85 *per cent* bran of the quantity of wheat collected. The contractor had supplied atta to the supply depot according to the said provision. As per the contract, the contractor would purchase surplus bran at agreed rate. Accordingly, the contractor had been paying for the bran treating it as buy back item.

Since the firm was having infrastructure conforming to other than Roller Process, 97 *per cent* atta of the total quantity of wheat collected should have been supplied as per norms laid down by the MOD for dry grinding of wheat through other than 'Roller Process'. As such a quantity of 343.5 Ton atta was received less by the supply depot Jabalpur during February 2006 to June 2010, which had resulted in loss of ₹ 34.32 lakh.

Case-II:

The MGASC Central Command had also concluded agreements on similar terms with M/s Krishna Atta Chakki, Danapur (Patna) for grinding of wheat into atta to be supplied to supply depot Danapur for the years 2008-09 to 2009-10. The firm was not having roller mill but had eight atta *chakki* for grinding of wheat. However, the firm had supplied atta after deducting allowance for bran as per terms of the agreements. As such, a less quantity of 120.4 Ton atta was supplied by the firm to supply depot Danapur from May 2008 to June 2010 resulting in loss of ₹ 15.35 lakh.

Case-III:

The MGASC Southern Command made contract agreements on similar terms and conditions with M/s Anuradha Flour Mill, Saugor for dry grinding of wheat into atta to be delivered at supply depot Saugor during the period 2006-07 to 2009-10. The firm was having *chakki* and no roller Mill for wheat grinding. Similar to Cases I & II above, the supply depot received 152.3 Ton atta less from the firm, resulting in loss of ₹ 14.18 lakh. In their reply of September 2009 supply depot Saugor stated that grinding of wheat into atta was got done as per contract deeds issued by the Headquarters Southern Command.

Thus, conclusion of wheat grinding contracts with defective terms and conditions by two Command Headquarters resulted in short receipt of atta and consequential loss of ₹ 63.85 lakh. This gave the millers undue advantage.

Directorate General of Supplies and Transport (DGS&T) stated in November 2010 that ASC specifications No. 5 and 5A for Atta had been followed which provided for extraction of bran irrespective of grinding process. Further, acceptance of 100 *per cent* atta through 'other than Roller Process' i.e. *chakki* grinding would amount to accepting atta with bran. The bran content would be sieved and disposed off at the user level causing loss since the bran thus separated by the user will be disposed off. To the contrary, in the current arrangements, the bran was being disposed off gainfully for which not only the State is earning revenue but also the bran is available as feed for cattle.

The reply is not tenable as ASC specification No. 5 and 5A for atta relate to grinding through 'Roller Process' only. Contracts concluding authorities had incorporated only one process of grinding of wheat i.e. Roller Process which gives output of 95 *per cent* atta and 5 *per cent* bran. But the firms concerned were having infrastructure for grinding of wheat through other than Roller Process i.e. *chakki* giving output of 100 *per cent* atta mix with bran. The fact that the Mills had not been supplying bran and were offering credit for the same showing it as buy back item is an ample evidence to show that bran is not produced in *chakki* grinding employed by these Mills. In this process the bran cannot be separated from atta at milling stage and thus 100 *per cent* atta should have been supplied by the miller as per MOD policy of October 2004. Due to non-incorporation of both the laid down grinding processes in the contracts, loss of ₹ 63.85 lakh occurred with corresponding undue benefit given to the Mills.

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

3.10 Injudicious procurement of Tippers

Engineer-in-Chief, Army Headquarters made unwanted procurement of 15 Tippers²⁴ valuing ₹ 1.08 crore for a Zonal Chief Engineer. An infructuous expenditure of ₹ 22.59 lakh was also incurred on their transportation.

Engineer-in-Chief (E-in-C), Army Headquarters in March 2007 placed a supply order on M/s Eicher Motors Limited, New Delhi against Director General Supplies and Disposal (DGS&D) rate contract for supply of 19 Lorry Tippers at a unit cost of ₹ 6,89,605.65 plus four *per cent* Sales Tax and delivery charges. As per the Supply Order, 15 Tippers were to be consigned to five Garrison Engineers (GEs) under Chief Engineer (CE) Andaman & Nicobar Zone Port Blair and the balance four Tippers to three other different GEs. The supplier was required to supply the vehicles to the nearest dealers point. Although the Supply Order had been placed by the E-in-C in the name of replacement of existing tippers as provided in the Ministry's sanction of December 2006, the GEs at Port Blair whom 15 tippers were earmarked were neither authorised to hold the tippers nor were holding any old tippers to be replaced. The tippers were also not demanded by the GEs. In July 2007, CE A & N Zone Port Blair, however, collected 15 Tippers from the supplier at Chennai and transported them to Port Blair incurring an expenditure of ₹ 22.59 lakh on transportation.

Audit scrutiny revealed that the five GEs under CE A & N Zone Port Blair were holding 15 Tippers without any authorisation and use since their procurement. Though the surplus holding was regularly reported to the Chief Engineer Southern Command (CESC) and also to the E-in-C's Branch, no action was taken to transfer the surplus Tippers to the units where these could be gainfully utilized.

In reply, CESC stated in May 2009 that Port Blair is a remote area and it would be difficult to transfer the vehicles as the cost of transfer would be ₹ 1 lakh per vehicle. The CE A & N Zone Port Blair added that Tippers were being utilised for maintenance/miscellaneous services and a case for transfer of the surplus Tippers had been taken up with CESC so that these would be gainfully utilised where possible.

The Ministry stated in January 2011 that the tippers were released to various GEs in Andaman and Nicobar Islands for post Tsunami rehabilitation and relief work and were procured under the authority of the Ministry's letter of December 1992. The reply furnished by the Ministry is incorrect and is an attempt to mislead Audit. The Tippers were neither authorized nor demanded

²⁴ Tipper: A truck or lorry the rear platform of which can be raised at the front end to enable the load to be discharged by gravity.

by the GEs under the CE (A&N) Zone Port Blair, yet 15 Tippers were thrust on them after suo moto procurement by E-in-C. As the Tippers were procured after two years of Tsunami the argument of the Ministry that these were required for post Tsunami relief/rehabilitation work is untenable. The Tippers were lying unutilized since their receipt by the GEs in A&N Islands and these could not be transferred to other units in mainland due to high cost of transportation.

E-in-C's Branch thus made injudicious procurement of 15 Tippers valuing ₹ 1.08 crore without any justifiable requirement and got them shipped to A&N Islands spending ₹ 22.59 lakh where the Tippers were languishing since July 2007. The Ministry needs to inquire and fix responsibility for the unwanted procurement involving a sum of ₹ 1.31 crore.

3.11 Irregular payment to Civil Hired Transport Contractors

Inadequate internal check by Central Ordnance Depot, Dehu Road on the use of Civil Hired Transport for conveyance of ordnance stores to its dependant units resulted in irregular payment of ₹ 32.29 lakh.

Station Headquarters Dehu Road concludes contracts every year for hiring of civil transport (CHT) for transporting Defence Stores from different military units/depots in and around Dehu Road/Kirkee (near Pune) to various destinations all over the country. The contracts *inter alia* specified the capacity of vehicles to be supplied, applicable hire charges, distance and maximum transit period to different stations. Payments were to be made based on the capacity of the CHT and the distance covered up to consignee unit. Units hiring the vehicle under the contract were required to ensure compliance with the terms of contract, before making payment to the CHT contractor. Combining two vehicles' load into one and transshipment of the stores *en route* were not permissible under the contract. In case it is noticed that the vehicle load of two CHTs pertaining to either one consignor or different consignors is combined into one vehicle, freight charges will be admissible for one vehicle only. When transshipment becomes unavoidable due to the breakdown of vehicle *en route* the contractor should send a report in writing along with a certificate from the workshop to the consignor/consignee at the earliest opportunity.

Audit scrutiny of the CHT contracts and connected records in COD Dehu Road (COD) for the years 2006-07 to 2009-10 (up to June 2009) revealed following irregularities, entailing an expenditure of ₹ 32.29 lakh as shown in **Annexure IVA, IVB and IVC**. The case is described below:-

- (i) **Annexure IVA** shows instances of use of same CHT again and again for conveyance of stores from COD Dehu Road to various units located at a distance of more than 1000 kilometres within a short spell of time, i.e. on the date CHT could reach the destination station or was *en route*, the same was again shown as booked from the COD and paid accordingly. To illustrate, a maximum 10 days had been provided for a CHT to reach Guwahati from Dehu Road. The COD booked Vehicle

No.MH-14-4874 to despatch stores to Guwahati on 16, 18 and 20 October 2008. Similarly, the Vehicle No. HR-39A-7220 was booked on 19 May 2009 for despatch of stores to Pathankot and the same vehicle was again booked on 20 May 2009 by the COD for despatch of stores to Udampur. Booking of same vehicle for a station at a distance of more than 1000 kilometres within an unfeasible short frequency indicates that the COD authorities did not exercise proper internal check and failed to ensure compliance with the terms and conditions of the contract before authorizing the bills for payment. Evidently, the expenditure of ₹ 15.36 lakh incurred on such hiring was irregular.

- (ii) On certain occasions, the CHTs booked and paid by the COD were different from the vehicles through which stores were actually received by the consignee units as shown in **Annexure IVB**. To illustrate, Vehicle No. MH-14-6449 was booked five times during February/March 2008 to dispatch stores to Bagdogra, but on all these occasions vehicles through which the consignments were received at consignee's end were different. Evidently, transshipment of the stores *en route* was done by the contractor by violating the terms of the contract and the depot authorities had failed to detect it. This allowed irregular payment of ₹ 7.12 lakh to the contractor.
- (iii) In the cases shown in **Annexure IVC**, same CHT was booked by the COD and Central Armoured Fighting Vehicle Depot (CAFVD), Kirkee for conveyance of stores to far-flung stations within a short spell of time (2-5 days) and the contractor got payment from both the depots. Booking of same CHT by both the depots for outstations within a short span was not feasible. Clearly, the consignments of both COD and CAFVD were combined by the contractor in one vehicle. In such cases, payment of the CHT was to be made by one depot as per terms of the contract. Hence, payment made in such cases to the tune of ₹ 9.81 lakh as per **Annexure IVC** was irregular. For example, one vehicle No. HR-64-0599 was booked on 20 February 2007 by both COD and CAFVD for despatch of stores to Jodhpur and Pathankot respectively and paid by both the depots. Similarly, vehicle No. HR-56-A 5892 was booked on 24 March 2008 by the CAFVD for Suranassi (Jalandhar). On the next day (25 March 2008) the same vehicle was booked by the COD for despatch of stores to Pathankot and paid by both the depots, which was irregular.

Thus, dubious booking of CHTs by the COD and CAFVD had resulted in irregular expenditure of ₹ 32.29 lakh, which needs investigation and corrective action to stop such practices.

While accepting the audit observation, the Ministry stated in April 2011 that certain corrective action had been taken by the depot to increase transparency and also to ensure that no such irregularities take place in despatch of loads by CHTs. The Ministry further stated that a sum of ₹ 3.30 lakh had been recovered and the concerned depots advised to effect recovery from outstanding bills of CHT contractor, after a complete review of all such cases.

The Ministry should fix responsibility and take appropriate action to streamline the system of internal check to cap such irregularities in CHT contracts/payments.

3.12 Avoidable provisioning of tyres of Scania Vehicles

Error in calculating the Monthly Maintenance Figures for provisioning of Scania Tyres resulted in over provisioning and consequent surplus holding of stock of 507 Scania Tyres costing ₹ 87.18 lakh. Seventy per cent of the original shelf life of the stock lying in storage had already expired.

Director General Ordnance Services (DGOS) Technical Instructions on Provision Review provides that while deriving the Monthly Maintenance Figure (MMF),²⁵ if the upward or downward trend is anticipated to continue, the MMF will be suitably raised or lowered to avoid the risk of under or over-provisioning. Further, if past 12 months' normal issues are considered unrealistic, issues over a period longer than 12 months (2 or 3 years) may be taken at the discretion of Provisioning officer.

It was noticed in audit that Central Ordnance Depot Mumbai (COD) carried out Provision Review of Scania tyres in October 2005 on the basis of monthly maintenance figure of 68.61 based on issue of larger time span of last five years as against stipulated period of two or three years. This resulted in a estimated deficiency of 345 tyres. The MMF showed a declining trend in the immediate preceding three years which was 23.5 on one year's issue, 34.29 on two years' issues and 106.66 on three years' issues. Over-provisioning on part of COD Mumbai resulted in DGOS placing a supply order in September 2006 on M/s Madras Rubber Factory, Chennai (MRF) for procurement of 345 tyres at a cost of ₹ 55.97 lakh. The supply was received between November 2006 and April 2007.

The subsequent Provision Review carried out in October 2006 considered an MMF of 31.01 and it indicated a deficiency of 162 tyres. The MMF of 31.01 was again an inflated figure since it considered the double issue of tyres to OD Talegaon i.e. 264 tyres issued against a single demand for 132 tyres. By setting off this discrepancy, the MMF for 2005-06 would have been 20.12 as against 31.01 and there would have been a surplus of 132 tyres instead of deficiency. DGOS in March 2007 placed supply order on M/s MRF for procurement of 162 tyres at a cost of ₹ 28.81 lakh which was subsequently amended to ₹ 31.21 lakh. The supply was received in July 2007.

The Provision Review of April 2010 revealed surplus stock of 566 tyres, which were held in storage for more than three years. Keeping in view the shelf life of the tyres of five years, the stock held had already expired nearly 70 per cent of its shelf life. Being surplus, the COD authorities had requested the Controller of Quality Assurance, Vehicles (CQA(V)), Ahmednagar in June

²⁵ Monthly Maintenance Figure (MMF) is a figure expressed as an actual quantity of stores, which represents the estimated /calculated requirements of an item for a month. It is based on past average issues as modified by any known factor(s) governing future requirements.

2009 to explore possibility of issue of the tyres for other vehicles, to avoid loss to state exchequer due to non-utilisation of Scania tyres within shelf life. The CQA(V) clarified in July 2009 that surplus stock of the Scania tyres can be issued in lieu of tyres of three different Part numbers. However, no requirement existed for those types of tyres. Thus procurement of 507 Scania tyres in September 2006 and March 2007 at a cost of ₹ 87.18 lakh was avoidable.

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

3.13 Procurement of defective spares from foreign vendor

Due to wrong specification incorporated in the contract, delay in raising quality/quantity claim against vendor spares valuing ₹ 2.30 crore were lying in the depot without serving the intended purpose.

Based on indents received from different consignee depots for import of spares for three types of armaments, Army HQ concluded a contract with M/s SFTE "SPETSTECHNO EXPORT" Ukraine in December 2007 at a total cost of USD 1474926.46.

Audit scrutiny of the contract and connected documents revealed the following irregularity in import of spares for three types of armaments which led to non-utilisation of spares worth ₹ 2.30 crore:-

1) Spares of Gun Machine 7.62 MM valuing ₹ 0.54 crore

DGQA cleared the import of 500 spring of drawer or extractor spring a spare of Gun Machine 7.62 MM K-59. But Army HQ while concluding the contract mentioned the specification of part for Gun Machine 7.62 MM. The store was received by Central Ordnance Depot (COD) Jabalpur in December 2008. Joint Receipt Inspection (JRI) of the store was carried out in January 2009 and supplied item did not tally with bin sample and drawing of Spring Extractor reflected in spare parts of Gun 7.62 MM K-59. Accordingly the item was rejected and quality claim was raised against the firm in January 2009. The firm did not accept the claim stating that neither the contract agreement specified the subject item as spare part of GM 7.62 K-59 nor any clarification to this effect was issued at any time. The Ukrainian Original Equipment Manufacturer (OEM) confirmed that the spares supplied fully corresponded to spares list of Gun Machine 7.62 mm.

Thus improper mention of specification resulted in import of unwanted spares worth ₹ 0.54 crore which is lying in store without any use.

2) Spares of OSA-AK valuing ₹ 1.69 crore

Spares of OSA-AK were received in COD Dehu Road between July 2008 and August 2009. In the first JRI which was carried out in July 2009, two types of spares worth ₹ 9.23 lakh were rejected on the ground that item did not tally with depot sample. Quantity Claim was raised against the firm in August

2009. Second JRI which was carried out in November 2009 accepted five types of spares subject to Fitment & Functional Test (FFT). Two types of spares out of these five were found unserviceable/unfit for use during FFT which was carried out in January 2010. Quality Claim for two items valuing ₹ 1.60 crore were raised in May 2010, nine months after receipt of the spare as against the stipulation that such claims should be furnished within five and a half months of receipt of spares.

3) Spares of Kvatrat valuing ₹ 6.52 lakh

Spares of Kvatrat were received in July 2008. JRI was conducted during January 2009/October 2009. Three types of spares were rejected by the JRI team as required items was not supplied by the firm and one item was received in broken condition. Quality claim for ₹ 6.52 lakh was raised in March 2009 and November 2009. The claim was rejected by the vendor being time barred.

Thus incomplete specifications in the contract and delay in raising quality/quantity claims, spares worth ₹ 2.30 crore were not put to use for intended purpose and kept in store without any use.

In reply the Ministry stated for Case-1 that the contract was concluded on the catalogue Part No. C2/121 which is same for both the indented item as well as the item received. Received item pertained to 7.62 mm PKT which is also in service with Army. The case is at hand to assess the suitability and feasibility of utilizing the received item for the inventory of the equipment 7.62 mm PKT. Thus it proves that item nomenclature was quoted wrongly in the contract and item could not be used for intended purpose. For Case-2, Ministry stated that claims have been submitted and while for Case-3, it confirmed that the claim had been rejected.

3.14 Recoveries and savings at the instance of Audit

Recoveries

Based on audit observations the audited entities had recovered premium and rentals of defence land, excess payment of service charges, pay & allowances, under recovery of electricity, rent and allied charges and labour welfare cess etc amounting to ₹ 8.94 crore.

Test check of records of Defence Estates Office, Defence Research and Development Organisation, Military Engineer Services, Pay and Account offices, Canteen Stores Department (CSD) HQ etc revealed instances of overpayment of service charges, non-recovery of premium and rentals, non-recovery of liquidated damages (LD), under recovery of electricity, rent and allied charges and irregular payment of Pay and Allowances etc amounting to ₹ 8.94 crore as per details given in **Annexure-V**. On being pointed out by Audit, the units/ formation concerned recovered/agreed to recover the irregular payments.

Savings

Various sanctioning authorities had cancelled irregular administrative approvals/sanctions and CSD HQ Mumbai had taken corrective action at the instance of Audit, resulting in savings of ₹ 7.95 crore.

Consequent upon a test check of accounts at units and formations, Audit noticed instances of irregular sanctions. On being pointed out, the audited entities took corrective measures, resulting in savings of ₹ 7.95 crore as indicated in **Annexure-VI**.

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