

**Report of the
Comptroller and Auditor General of India**

for the year ended March 2011

**Union Government
(Defence Services) Army and Ordnance Factories
Report No. 16 of the year 2012-13
(Compliance Audit)**

CONTENTS

| Paragraph | | Page |
|---|--|------|
| | Preface | v |
| | Overview | vii |
| CHAPTER I – INTRODUCTION | | |
| 1.1 | Foreword | 1 |
| 1.2 | Audited entity profile | 1 |
| 1.3 | Integrated Financial Advice and Control | 2 |
| 1.4 | Authority for audit | 2 |
| 1.5 | Planning and conduct of audit | 3 |
| 1.6 | Significant audit observations | 3 |
| 1.7 | Persistent irregularities in Defence Estates management | 5 |
| 1.8 | Response of the Ministry/ Department to Draft Audit Paragraphs | 5 |
| 1.9 | Action Taken on earlier Audit Paragraphs | 5 |
| 1.10 | Financial Aspects/ Budgetary Management | 6 |
| 1.11 | Analysis of Revenue Expenditure of Army (Voted) | 7 |
| 1.12 | Analysis of Revenue Expenditure of Ordnance Factories | 8 |
| 1.13 | Analysis of Capital Expenditure of Sub-Major Head-01-Army out of the Grant on Capital Outlay on Defence Services (Voted) | 9 |
| 1.14 | Capital expenditure (Voted) of Ordnance Factories and DRDO | 9 |
| 1.15 | Rush of expenditure in the last quarter and March of the financial year | 10 |
| CHAPTER II – MINISTRY OF DEFENCE | | |
| 2.1 | Loss of revenue on renewal of lease of Government land | 11 |
| 2.2 | Illegal sale of Defence land | 13 |
| 2.3 | Loss due to non-levy of licence fee on vehicles entering Cantonment Board Ahmednagar | 15 |
| 2.4 | Excess payment on account of exchange rate variation (ERV) | 16 |

| | | |
|--|---|----|
| 2.5 | Loss of indigenously designed/manufactured ammunition | 17 |
| 2.6 | Overpayment to Cantonment Board Danapur | 19 |
| 2.7 | Unauthorised construction of hotels on Old Grant sites/leased Defence land | 20 |
| CHAPTER III – ARMY | | |
| 3.1 | Unauthorised use of defence assets and manpower for the benefit of Army Welfare Education Society | 23 |
| 3.2 | Unfruitful expenditure on development of Modular Charge System for field guns | 25 |
| 3.3 | Failure of HQ Southern Command to safeguard Defence land from commercial exploitation | 26 |
| 3.4 | Overpayment of conservancy charges to Cantonment Board Pune | 28 |
| 3.5 | Projection of inflated requirement of ammunition | 29 |
| 3.6 | Extra expenditure due to non-acceptance of reasonable L1 rates | 31 |
| 3.7 | Recoveries, savings and adjustment in accounts at the instance of Audit | 34 |
| CHAPTER IV – WORKS AND MILITARY ENGINEER SERVICES | | |
| 4.1 | Overpayment of water charges by the Garrison Engineer Kamptee | 36 |
| 4.2 | Excess payment of water charges by Garrison Engineer Hisar | 37 |
| 4.3 | Construction of sub-standard bunkers | 38 |
| 4.4 | Extra payment to a Contractor | 40 |
| CHAPTER V – BORDER ROADS ORGANISATION | | |
| 5.1 | Avoidable extra expenditure due to non-acceptance of lowest tenders | 42 |
| 5.2 | Undue benefit to a supplier | 44 |
| CHAPTER VI: DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION | | |
| 6.1 | Avoidable extra expenditure in procurement of stores | 46 |
| 6.2 | Unfruitful investment by Defence Research and Development Organisation | 47 |

| | | |
|---|--|-----|
| 6.3 | Irregularities in sanction of Defence Research Development Organisation projects | 48 |
| CHAPTER VII – PROJECT MANAGEMENT IN RESEARCH AND DEVELOPMENT ESTABLISHMENT (ENGINEERS) | | |
| 7 | Project Management in Research and Development Establishment (Engineers) | 54 |
| CHAPTER VIII – ORDNANCE FACTORY ORGANISATION | | |
| 8.1 | General performance of Ordnance Factory Organisation | 68 |
| 8.2 | Delay in production and issue of rockets for Pinaka Rocket Launcher System by Ordnance Factories | 80 |
| 8.3 | Production of new generation vehicles in Vehicle Factory Jabalpur | 90 |
| | Procurement of Machinery | |
| 8.4 | Non-commissioning of a costly machine | 96 |
| 8.5 | Defective manufacture leading to unserviceability of ammunition | 97 |
| 8.6 | Loss due to manufacture of detonators with vintage components | 99 |
| | Miscellaneous | |
| 8.7 | Issue of rejected items to the indentors by Ordnance Factories | 101 |
| 8.8 | Recovery/savings at the instance of Audit | 102 |
| | Annexure-IA | 105 |
| | Annexure-IB | 111 |
| | Annexure-IC | 112 |
| | Annexure-II | 113 |
| | Annexure-III | 114 |
| | Annexure-IV | 115 |
| | Annexure-V | 116 |