



**Report of the  
Comptroller and Auditor General of India  
for the year ended March 2012**



**Union Government  
(Defence Services) Army and Ordnance Factories  
Report No.30 of the year 2013  
(Compliance Audit)**

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

**for the year ended March 2012**

**Union Government  
(Defence Services) Army and Ordnance Factories  
Report No.    of the year 2013-14  
(Compliance Audit)**

## CONTENTS

Paragraph		Page
	Preface	v
	Overview	vii
<b>CHAPTER I – INTRODUCTION</b>		
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 and Budgetary Management	6
1.11	Grant No. 22 to 27 – Defence Services Estimates	8
1.12	Break-up of Expenditure (Voted) relating to Army, Ordnance Factories and R&D (Capital & Revenue) - Grant No. 22, 25, 26 and 27	9
1.13	Analysis of Major components of Revenue Expenditure	12
1.14	Analysis of Capital expenditure	15
<b>CHAPTER II – MINISTRY OF DEFENCE</b>		
2.1	Improper management of Defence land	17
2.2	Non-recovery of service charges from Railways	28
2.3	Non introduction of Air Conditioners in Tanks	29
2.4	Non synchronization of payments without corresponding progress of work	32
2.5	Absence of effective controls resulting in non recovery of outstanding dues	33

<b>CHAPTER III – ARMY</b>		
3.1	Acceptance of sub-standard stores without prior technical inspection from an unregistered and inexperienced firm	36
3.2	Holding of X-ray generators in stock for nine years	37
3.3	Loss due to non-maintenance of batteries	39
3.4	Avoidable expenditure on re-transportation of stores	40
3.5	Extra expenditure on account of provision of unauthorised strengthening measures in buildings	42
3.6	Unauthorised use of Defence accommodation	43
3.7	Recoveries, savings and adjustment in accounts at the instance of Audit	45
<b>CHAPTER IV – WORKS AND MILITARY ENGINEER SERVICES</b>		
4.1	Avoidable extra expenditure of ₹1.03 crore due to acceptance of conditional contract	47
4.2	Poor planning resulting in suspension of work and damage to the Government property	48
4.3	Avoidable extra expenditure due to non installation of meter	50
4.4	Inadmissible payment of escalation charges to the contractors	51
<b>CHAPTER V: DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION</b>		
5.1	Extra avoidable expenditure by ANURAG	53
5.2	Unwarranted procurement of CATIA V6 software	54
5.3	Procurement in violation of norms by DRDO	56
<b>CHAPTER VI – ORDNANCE FACTORY ORGANISATION</b>		
6.1	General Performance of Ordnance Factory Organisation	58
	<b>Procurement of Stores/Machinery</b>	
6.2	Avoidable extra expenditure on procurement of a component	71
6.3	Undue benefit to a foreign supplier by allowing Exchange Rate Variation	72
6.4	Undue benefit to a foreign firm by diluting the conditions in Tender Enquiry and contract	73

	<b>Manufacture</b>	
6.5	Loss due to rejection of empty shells and consequent blocking of inventory	75
6.6	Inadequate quality control resulting in loss of ₹7.42 crore due to rejection of 7.62mm brass cups and ammunition	77
6.7	Blocking of inventory due to bulk manufacture before clearance of pilot samples	79
	<b>Miscellaneous</b>	
6.8	Recoveries at the instance of Audit	81
	<b>Annexure-I</b>	83
	<b>Annexure-II</b>	89
	<b>Annexure-III</b>	90
	<b>Annexure-IV</b>	91