

## OVERVIEW

### **Improper management of Defence land**

Despite highlighting cases of poor management of Defence estates in the various Audit Reports repeatedly and issue of specific directions by the PAC for strict compliance with the concerned Rules and Regulation, there had been no significant improvement in the management of Defence land. As a result, the irregularities relating to misuse of Defence land, inordinate delay in renewal/termination of leases involving huge accumulation of arrears of rentals, unauthorised occupation of Defence land by other departments etc. continued to persist.

*(Paragraph 2.1)*

### **Non-recovery of service charges from Railways**

Despite specific provisions in the Cantonment Act 2006, the Cantonment Boards Agra, Ambala, Nasirabad and Delhi failed to recover service charges of ₹10.74 crore from the Railways for the period 2007-08 to 2012-13.

*(Paragraph 2.2)*

### **Non introduction of Air Conditioners in Tanks**

Ignoring the recommendations of the trial team, the Ministry of Defence procured Tanks 'X' valuing ₹9083.36 crore in 2001 and 2007 without Air Conditioners rendering the fleet of Tank 'X' vulnerable to degradation of sensitive components. Although the action for procurement of Air-Conditioners was initiated in 2002, the same was yet to materialise.

*(Paragraph 2.3)*

### **Non-synchronization of payments without corresponding progress of work**

Monitoring Cell consisting of members from Army and Bharat Earth Movers Limited failed to release payments judiciously, without linking the same to corresponding progress of work resulting in release of ₹110 crore as interest free advance to M/s Bharat Earth Movers Limited. As a result, order placed in 2001 for supply of Pontoon Mid Stream bridges did not fructify despite advance payment of ₹313.72 crore made almost nine years ago.

*(Paragraph 2.4)*

### **Absence of effective controls resulting in non recovery of outstanding dues**

Ambiguity about the responsibility between Ministry of External Affairs (MEA) and Ministry of Defence (MoD) for recoveries pertaining to Peace Keeping Missions from the United Nations (UN) not only resulted in accumulation of huge outstanding balances but also in unlikely reimbursement of ₹ 73.84 crore due from four missions which have since been closed.

*(Paragraph 2.5)*

### **Acceptance of sub-standard stores without prior technical inspection from an unregistered and inexperienced firm**

The Integrated Headquarters of Ministry of Defence (Army) procured Mask Face Extreme Cold Weather valuing ₹2.54 crore between April 2008 and August 2008 from an unregistered vendor without proper survey and prior approval of sample resulting in non- utilisation of 92783 numbers valuing ₹1.82 crore.

*(Paragraph 3.1)*

### **Holding of X-ray generators in stock for nine years**

The failure of Integrated Headquarters of Ministry of Defence (Army) to release 32 X-Ray generators worth ₹2.28 crore to user units procured on the basis of urgent requirement to be used as counter IED equipment resulted in expiry of life in storage.

*(Paragraph 3.2)*

### **Loss due to non-maintenance of batteries**

Out of 37957 low maintenance batteries procured by Army Headquarters/Central Ordnance Depot Delhi Cantonment, 6993 batteries became defective due to inadequate maintenance required during storage resulting in a loss of ₹4.18 crore.

*(Paragraph 3.3)*

### **Avoidable expenditure on re-transportation of stores**

The failure of Army Headquarters, to implement the 'Transportation Model' envisaging direct dispatch of stores by the supplier to the ultimate consignee, resulted in avoidable extra expenditure of ₹ 5.45 crore defeating the propose for which transportation model was envisaged.

*(Paragraph 3.4)*

### **Extra expenditure on account of provision of unauthorised strengthening measures in buildings**

In violation of Indian Standard 1893:2002, National Building Code of India 2005 and Central Command Works specifications, concerned competent financial authorities accorded sanctions incorporating additional plinth area rates for construction of buildings in seismic zones II and III resulting in extra expenditure of ₹2.34 crore.

*(Paragraph 3.5)*

### **Unauthorised use of Defence accommodation**

Notwithstanding the specific Government orders and various Reports of the C&AG, the local Commanders misused their delegated powers by re-appropriating Government buildings at Delhi and Pune Cantonments for non-bona fide purposes.

*(Paragraph 3.6)*

### **Recoveries, savings and adjustment in account at the instance of Audit**

In pursuance of Audit Observations the audited entities recovered overpayments pertaining to pay and allowances, electricity, octroi and sundry charges, cancelled works sanctions and amended annual accounts, having a net effect of ₹68.94 crore.

*(Paragraph 3.7)*

### **Avoidable extra expenditure of ₹1.03 crore due to acceptance of conditional contract**

In violation of Regulations for the Military Engineer Services, the Chief Engineer Delhi Zone concluded a conditional contract involving uncertain liability without Government approval resulting in an avoidable payment of ₹1.03 crore to the Contractor.

*(Paragraph 4.1)*

### **Poor planning resulting in suspension of work and damage to the Government property**

Army acquired land worth ₹9.04 crore, without considering the provision for approach road, resulting in suspension of construction work after incurring ₹3 crore. These assets sustained damages worth ₹37 lakh and necessitated preventive works worth ₹1.87 crore.

*(Paragraph 4.2)*

### **Avoidable extra expenditure due to non installation of meter**

The failure of the Chief Engineer Udhampur Zone to install electric meter at MES receiving station Udhampur for 33 KV bulk electric supply from Jammu and Kashmir State Electricity Department and to claim energy rebate led to an extra expenditure of ₹8.83 crore.

*(Paragraph 4.3)*

### **Inadmissible payment of escalation charges to the contractors**

In contravention of provisions of Defence Works Procedure 2007, the Chief Engineers concluded contracts incorporating price variation clause in tender documents based on clarifications issued by Engineer-in-chief leading to inadmissible payments to the contractors.

*(Paragraph 4.4)*

### **Extra avoidable expenditure by ANURAG**

Advanced Numerical Research and Analysis Group placed a supply order on single tender basis on M/s ITI Limited Hyderabad for upgradation of project CHITRA at a cost of ₹16.38 crore. However, M/s ITI Limited got the work executed by outsourcing through M/s Real Time Tech Solution Bangalore at a cost of ₹14.26 crore involving extra expenditure of ₹2.12 crore to the department.

*(Paragraph 5.1)*

### **Unwarranted procurement of CATIA V6 software**

The procurement of ten out of the 12 licences of CATIA V6 CAD/CAM software by Advanced Numerical Research and Analysis Group centrally on a single tender basis at a cost of ₹11.05 crore without a proper feasibility study/need analysis was unwarranted as even after more than two years, the software continued to remain unused since its procurement in March 2011.

*(Paragraph 5.2)*

### **Procurement in violation of norms by DRDO**

Defence Research and Development Organisation procured a critical component required in production of 'NAG' missile at a cost of ₹52.58 crore, in anticipation of an order from the Army, which resulted in blocking of Government money amounting to ₹34.70 crore.

*(Paragraph 5.3)*

### **General Performance of Ordnance Factory Organisation**

The Ordnance Factory Organisation comprising 41 Ordnance Factories (including two ordnance factories under project stage) with manpower of 96,547 is engaged in production of arms, ammunition, equipment, clothing etc. primarily for the Armed Forces of the country. The value of production aggregated to ₹15933.44 crore in 2011-12 which was 13.71 per cent higher than the value of production of ₹14012.11 crore in 2010-11.

In spite of having sufficient balance of ₹490.45 crore at the beginning of the year under 'Renewal and Reserve' (R/R) Fund in the Public Account of India, OFB got an allotment of ₹325.00 crore under 'Transfer to RR Fund' and drew only ₹311.42 crore during 2011-12 for purchase of plant and machinery and parked the remaining amount of ₹13.58 crore in the Public Fund of India. Thus, accumulated closing balance in RR fund as on 31.03.2012 was ₹504.03 crore.

During 2011-12, the OFB reported an increase of total receipts of ₹1385.01 crore (12.05 per cent) over 2010-11. This had enabled OFB to show a surplus of ₹734.87 crore during 2011-12. However, the total receipt was inflated by ₹1581.12 crore due to the incorrect practice of debiting Armed Forces and other indentors for issues without actual physical issue of the items till 31 March 2012. This had consequently inflated the surplus amount for the year to the same extent.

During 2011-12, out of 547 items for which demands existed and targets were fixed, there was a shortfall of 64 per cent (352 items) in achieving the target.

During 2011-12, export target had increased by 15.20 per cent as compared to 2010-11.

(Paragraph No 6.1)

### **Avoidable extra expenditure on procurement of a component**

Procurement of Tail Unit 8A by Ammunition Factory Kirkee/Ordnance Factory Dehu Road from Ordnance Factory Kanpur (OFC) despite the OFC's material cost being higher than the total trade cost of Tail Unit 8A led to avoidable extra expenditure of ₹24.79 crore.

(Paragraph No 6.2)

### **Undue benefit to a foreign supplier by allowing Exchange Rate Variation**

Ordnance Factory Board, in violation of Defence Procurement Manual and without obtaining approval of the Ministry of Defence, granted undue benefit to a foreign supplier by making extra payment of ₹1.22 crore on account of Exchange Rate Variation.

(Paragraph No 6.3)

### **Undue benefit to a foreign firm by diluting the conditions in Tender Enquiry and contract**

Ordnance Factory Badmal, in violation of Defence Procurement Manual, accorded undue benefit to a foreign firm by accepting the PC Sheets valuing ₹2.58 crore without ascertaining its manufacturing month. This coupled with delayed issue of PC Sheets to Ordnance Factory Chanda had resulted in accumulation of shelf life expired PC Sheets valuing ₹0.67 crore.

*(Paragraph No 6.4)*

### **Loss due to rejection of empty shells and consequent blocking of inventory**

The production and inspection agencies failed to resolve the proof methodology which arose due to rejection of one lot (manufactured by Ordnance Factory Kanpur) of empty shell valuing ₹2.78 crore. As a result, inventory worth ₹10.28 crore remained unutilized.

*(Paragraph No 6.5)*

### **Inadequate quality control resulting in loss of ₹7.42 crore due to rejection of 7.62mm brass cups and ammunition**

Ordnance Factory Katni issued 7.62mm brass cups with manufacturing defects, because of deficient quality control, to Ordnance Factory Varangaon which used these brass cups to produce ammunition. This resulted in rejection of brass cups and ammunition valuing ₹7.42 crore.

*(Paragraph No 6.6)*

### **Blocking of inventory due to bulk manufacture before clearance of pilot sample**

Bulk manufacture of empty bodies of an ammunition by Ordnance Factory Kanpur even before successful performance of its pilot lots in proof resulted in blocked inventory of ₹2.13 crore.

*(Paragraph No 6.7)*

### **Recoveries at the instance of Audit**

At the instance of Audit, 18 Ordnance Factories and three Inspectorates of Directorate General of Quality Assurance New Delhi recovered ₹2.09 crore.

*(Paragraph No 6.8)*